

*Financial Statements, Required Supplementary Information
and Supplementary Information*

Guam Housing Corporation
(A Component Unit of the Government of Guam)

*Years ended September 30, 2024 and 2023
with Report of Independent Auditors*



Guam Housing Corporation
(A Component Unit of the Government of Guam)

Financial Statements, Required Supplementary Information, and
Supplementary Information

Years ended September 30, 2024 and 2023

Contents

Report of Independent Auditors.....	1
Management’s Discussion and Analysis	4
Audited Basic Financial Statements	
Statements of Net Position.....	18
Statements of Revenues, Expenses and Changes in Net Position	20
Statements of Fiduciary Net Position	21
Statements of Changes in Fiduciary Net Position.....	21
Statements of Cash Flows.....	22
Notes to Financial Statements.....	24
Required Supplementary Information	
Schedule 1 – Schedule of Proportionate Share of the Net Pension Liability – Defined Benefit Plan.....	56
Schedule 2 – Schedule of Contributions – Defined Benefit Plan	57
Schedule 3 – Schedule of Proportionate Share of the Collective Total Pension Liability – Ad Hoc COLA/Supplemental Annuity Plan for DB Participants	58
Schedule 4 – Schedule of Contributions – Ad Hoc COLA/Supplemental Annuity Plan for DB Participants.....	59
Schedule 5 – Schedule of Proportionate Share of the Collective Total Pension Liability – Ad Hoc COLA Plan for DCRS Participants.....	60
Schedule 6 – Schedule of Contributions – Ad Hoc COLA Plan for DCRS Participants	61
Schedule 7 – Schedule of Proportionate Share of the Collective Total Other Postemployment Benefits Liability.....	62
Note to Required Supplementary Information.....	63
Supplementary Information	
Schedule 8 – Combining Statement of Net Position.....	64
Schedule 9 – Combining Statement of Revenues, Expenses and Changes in Net Position.....	66
Schedule 10 – Salaries, Wages and Benefits	67
Schedule 11 – First-time Homeowner Assistance Program	68
Compliance and Internal Control	
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69



Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

Report of Independent Auditors

The Board of Directors
Guam Housing Corporation

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the Guam Housing Corporation (the Corporation), a component unit of the Government of Guam, as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Corporation as of September 30, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial

statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the Management's Discussion and Analysis on pages 4 through 17, the Schedules of Proportionate Share of the Net Pension Liability on pages 56, 58 and 60, the Schedule of Contributions on pages 57, 59 and 61, and the Schedule of Proportionate Share of Collective Total Other Postemployment Benefit Liability on page 62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is

required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The supplementary Combining Statement of Net Position included in pages 64 and 65, Combining Statement of Revenues, Expenses and Changes in Net Position included in page 66, the schedule of Salaries, Wages and Benefits included in page 67, and the First-time Homeowner Assistance Program included in page 68 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated June 6, 2025 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Ernst + Young LLP

June 6, 2025

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis

Years Ended September 30, 2024 and 2023

As Management of the Guam Housing Corporation (GHC, the Corporation), we present this narrative overview of the Corporation's background, history and financial activities for the fiscal year (FY) ended September 30, 2024. We encourage you to consider this information in conjunction with the financial statistics provided in the following pages.

A. About the Corporation

GHC was established by Title 12 Chapter 4 of the Guam Code Annotated in 1965. Its mandate is to (a) Encourage and promote the private capital investment in low- and moderate-income residential housing in Guam. (b) Engage in residential housing land-use planning for the most economic and socially beneficial use of land, and encourage private sector alignment with such planning. (c) Encourage and engage in low- and moderate-income housing activities, including residential subdivision development, housing construction for rental or resale, and providing loans to qualified persons who cannot otherwise qualify as borrowers through conventional means.

GHC is managed by a seven-member Board of Directors, responsible for overall policymaking and general supervision.

Loan & Supplemental Funding Programs

Rising construction costs, home prices, and interest rates have eroded the purchasing power of first-time homebuyers. To address this, the GHC Board of Directors increased the maximum mortgage loan maturity to 38 years for the Regular and Six Percent Loan Programs and capped the Regular Loan Program interest rate at 6%. These actions aim to lower monthly payments and increase the qualifying loan amount, making first-time homeownership more attainable for residents.

First-time homebuyers may apply for GHC loan programs. However, applicants for the Regular and Six Percent Loan Program must first be denied by a financial institution. Prospective applicants are encouraged to meet with GHC for a prequalification interview to determine how GHC may assist the applicant with his/her financing needs. While both programs share similar eligibility and qualifying criteria, the Regular program's interest rate is two percent above the prevailing rate charged by loan lenders (with a 6% ceiling). The Six Percent Loan program's rate is the prevailing rate, with a minimum of 4% and a maximum of 6%.

Both loan programs may be utilized for the purchase or construction of a house. For construction purposes, the GHC loan structure includes only one closing fee charged at loan closing. Interest payments will be required during the construction period. Upon completion of the home, these payments will be converted to PITI (principal, interest, taxes, and insurance) payments. The loan will then mature up to thirty-eight years after the first full PITI payment.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Another loan program GHC offers is the Community Affordable Housing Action Trust known as the CAHAT loan program. This is an interest free second mortgage program designed to assist first-time homebuyers who lack the resources to purchase or construct a typhoon-resistant home. A participating lender provides first mortgage financing of up to 80%, the CAHAT loan program provides 15% financing and the borrower provides the required 5% down payment. Eligible recipients can receive up to \$40,000 with a loan term of up to thirty years.

GHC partnered with Rural Development (RD), United States Department of Agriculture, to provide joint financing. The program is the Leverage Loan Program, whereby GHC would provide 20% financing from its Six Percent Loan Program as the first lienholder, and RD will provide 80% financing as the second lienholder. This program was established through a Memorandum of Understanding between GHC and RD on September 5, 2005, but is currently inactive due to lack of funding from RD.

GHC also administers the First Time Homeowners Assistance Program (FTHAP) established by P.L. 31-166 in January 2012. Eligible recipients of the program are provided up to \$10,000 or 4% of the total purchase and/or construction cost to assist with closing costs. The maximum cost should not exceed \$420,000, excluding closing costs, as amended by P.L. 36-29, Board Resolution 03-2022 dated May 27, 2022. There are twelve participating financial institutions to include GHC.

GHC collaborates with the Chamorro Land Trust Commission (CLTC) on housing initiatives. By virtue of Title 21, Chapter 75 of the Guam Code Annotated, GHC is, in most cases, the only authorized lender for Chamorro land trust property recipients seeking mortgage financing. In addition to GHC's loan programs, CLTC land lessees who are Veterans may also utilize the Direct loan program from the U.S. Veterans Administration under the Native American Loan Program.

For detailed information regarding program eligibility and qualifying criteria, please visit the GHC website at www.guamhousing.org.

Rental Division

GHC's Rental Division manages 115 homes in Lada Gardens, Dededo, two 12-unit apartment buildings in Yigo and 2 homes in Sagan Linahan. P.L. 31-215 enabled GHC to increase its affordable rental housing inventory by transferring ten single family units in Sagan Linahan from the Department of Land Management (DLM) to GHC.

In FY 2022, major renovations of 23 rental units in Lada Gardens began. The initial contract was awarded for \$1,358,775, with the Department of Public Works (DPW) serving as Construction Manager. Two Change Orders were approved, increasing the total contract amount to \$1,444,635 and extending the completion date to January 16, 2023. The occupancy permit for the units was issued on March 7, 2023.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

B. Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements are comprised of two components: 1) The Corporation's financial statements and 2) notes to the financial statements. The report also contains additional required supplementary information.

The Corporation utilizes the flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principal Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

The *Statement of Net Positions* presents information on all the Corporation's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net positions. Over time, increases or decreases in net positions may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating. The *Statement of Revenues, Expenses and Changes in Net Positions* present information showing how the Corporation's net positions changed during the most recent fiscal year. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation, and earned but unused vacation leave).

The *Statement of Cash Flows* provides information about the Corporation's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

The Corporation's financial statements report on the function of the Corporation that is principally supported by intergovernmental revenues. The Corporation's function is to help first-time homeowner individuals and families secure mortgage financing who cannot otherwise qualify as borrowers through other conventional financing means and provide and administer low-cost housing rental projects. The Corporation's financial statements can be found on pages 18 through 70 of this report.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

A summary of the Corporation's statements of net position at September 30, 2024, 2023 and 2022 is shown below.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current assets			
Unrestricted assets			
Cash & cash equivalents	\$ 6,684,102	\$ 7,118,449	\$ 6,831,563
Loans receivable, other receivables, prepaid exp., & inventory	1,155,423	1,105,264	1,017,954
Foreclosed assets held for resale	<u>102,082</u>	<u>102,082</u>	<u>102,082</u>
Total unrestricted assets	<u>7,941,607</u>	<u>8,325,795</u>	<u>7,951,599</u>
Restricted assets			
Cash & cash equivalents	4,385,351	5,322,448	6,715,725
Investments	168,168	220,543	619,141
Loans receivable, current	<u>83,704</u>	<u>85,999</u>	<u>89,118</u>
Total restricted assets	<u>4,637,223</u>	<u>5,628,990</u>	<u>7,423,984</u>
Total current assets	12,578,830	13,954,785	15,375,583
Noncurrent assets			
Unrestricted loans receivable	21,652,917	21,050,301	21,048,941
Restricted loans receivable	1,817,180	1,707,024	1,663,494
Capital assets	<u>6,707,877</u>	<u>6,887,222</u>	<u>6,529,613</u>
Total Assets	<u>42,756,804</u>	<u>43,599,332</u>	<u>44,617,631</u>
Deferred outflows of resources – pension & OPEB	<u>2,657,741</u>	<u>2,672,391</u>	<u>2,402,364</u>
Total assets & deferred outflows of resources	<u>\$45,414,545</u>	<u>\$46,271,723</u>	<u>\$47,019,995</u>

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current liabilities			
Payable from unrestricted assets			
Accounts payable & accrued expenses	\$ 514,056	\$ 552,433	\$ 276,672
Deposits by borrowers & security deposit	110,287	---	---
Total payable from unrestricted assets	<u>624,343</u>	<u>552,433</u>	<u>276,672</u>
Payable from restricted assets			
Deferred revenue	1,566,850	1,547,000	1,547,000
Bonds payable, current	275,000	260,000	245,000
Accrued interest payable	10,973	12,219	13,393
Deposits by borrowers & security deposit	---	149,216	714,685
Rebate liability	92,666	---	87,314
Total payable from restricted assets	<u>1,945,489</u>	<u>1,968,435</u>	<u>2,607,392</u>
Total current liabilities	<u>2,569,832</u>	<u>2,520,868</u>	<u>2,884,064</u>
Non-current liabilities			
Non-current portion of accrued compensated absences	145,935	144,461	127,781
Lease liabilities, noncurrent	12,365	17,806	2,404
Bonds payable	2,015,000	2,290,000	2,550,000
Net Pension & OPEB Liability	11,265,853	10,445,642	11,005,089
Total non-current liabilities	<u>13,439,153</u>	<u>12,897,909</u>	<u>13,685,274</u>
Total Liabilities	<u>16,008,985</u>	<u>15,418,777</u>	<u>16,569,338</u>
Deferred inflows of resources – pension & OPEB	<u>2,424,464</u>	<u>3,442,120</u>	<u>3,383,855</u>
Invested in capital assets, net of related debt	6,707,877	6,887,222	6,529,613
Restricted	4,719,385	5,419,255	6,206,652
Unrestricted	15,553,834	15,104,349	14,330,537
Total net position	<u>\$26,981,096</u>	<u>\$27,410,826</u>	<u>\$27,066,802</u>

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

	2024	2023	2022
Operating revenues:			
Interest income on loans receivable	\$ 1,151,012	\$ 1,128,894	\$ 1,190,789
Rental Income	1,188,358	973,044	821,831
Interest income on deposit	204,388	145,960	16,694
Miscellaneous revenue	119,740	86,110	219,348
Interest income on investments held by bond trustee	---	105,356	---
Total operating revenues	2,663,498	2,439,364	2,248,662
Operating expenses:			
Salaries	1,437,109	1,296,143	1,235,379
Other	652,005	493,261	760,092
Retirement & Medicare contributions	550,437	361,384	195,972
Depreciation & amortization	238,281	190,057	150,733
Employee benefits, other than retirement	164,164	117,276	120,337
Interest expense on borrowings	141,642	156,089	169,793
Rent	127,062	115,028	69,312
Contractual services	76,303	64,994	66,618
Loss on investments held by bond trustees	73,703	---	25,034
Professional services	54,572	78,826	102,518
Maintenance	37,879	50,018	48,049
Bond trustee fees	16,029	16,170	16,000
Amortization of right-of use assets	5,485	5,027	42,988
Interest expense on lease liability	1,286	1,451	775
Director fees	550	2,450	2,300
Retiree supplemental & health benefits	(70,974)	(574,895)	(480,425)
Total operating expenses	3,505,533	2,373,279	2,525,475
Non-operating revenue	412,305	277,939	813,096
(Decrease) Increase in net position	(429,730)	344,024	536,283
Total net position at beginning of year	27,410,826	27,066,802	26,530,519
Total net position at end of year	\$26,981,096	\$27,410,826	\$27,066,802

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

C. Financials at a Glance

The Corporation concluded FY 2024 with a decrease in net income of \$430 thousand (K). The decline can be attributed to several factors:

1. Interest on investments held by bond trustees decreased. A \$93K adjustment was made to increase the Rebate Liability in FY 2024 based on the Interim Arbitrage Rebate Analysis completed on March 25, 2024.
2. Other expenses increased due to the increase in the number of FTHAP grants disbursed. Specifically, 59 grants totaling \$566K were disbursed in FY 2024, compared to 38 grants totaling \$366K in FY 2023.
3. Retirement & Medicare contributions increased. Based on the Actuarial report by Milliman, the overall pension adjustments including pension liability, deferred inflows and deferred outflows, increased expenses by \$118K in FY 2024. Salary increases and a rise in the government's contribution rate to the Retirement Fund from 28.43% in FY 2023 to 29.43% in FY 2024 also contributed to this increase.
4. Salaries increased by \$141K due to a 22% increase for employees on the general pay plan in April 2023, an additional employee in FY 2024 and increments during the fiscal year.
5. Employee benefits, other than retirement increased by \$47K. This is primarily due to a 40% increase in GHC's medical insurance costs resulting from higher rates for self-insured group health insurance in FY2024.

Operating revenues increased by 9% or \$224K from \$2.4 million (M) in FY 2023 to \$2.7M in FY 2024. The increase is primarily attributed to: a \$215K increase in rental income, from \$973K in FY 2023 to \$1.2M in FY 2024 resulting from the completion of the Phase I renovations for 23 units in March 2023; a \$58K increase in interest income on bank deposits, from \$146K in FY 2023 to \$204K in FY 2024 due to higher interest rates on time certificates of deposit.; a \$34K increase in miscellaneous revenues, from \$86K in FY 2023 to \$120K in FY 2024 partially due to \$27K of American Rescue Plan Act (ARPA) funds disbursed for Phase II of the Lada renovations in FY 2024.; and a \$22K increase in interest on loans receivable from \$1.1M to \$1.2M due to the growth in the interest-bearing loan portfolio.

Operating expenses increased by 48% or \$1.1M from \$2.4M in FY 2023 to \$3.5M in FY 2024. The increase is primarily attributed to: a \$504K increase in retiree supplemental and health benefits, from a credit balance of \$575K in FY 2023 to a credit balance of \$71K in FY 2024. The overall OPEB adjustments, encompassing OPEB liability, deferred inflows and deferred outflows, decreased expenses by \$771K and \$301K in fiscal years 2023 and 2024 respectively, according to the Actuarial report completed by KMS for these fiscal years; a \$189K increase in retirement and Medicare contributions from \$361K in FY 2023 to \$550K in FY 2024. The Actuarial report completed by Milliman dated June 4, 2024, indicates that the overall pension adjustments, including pension liability, deferred inflows and deferred outflows, increased expenses by \$118K in FY 2024. The increase is also a result of an increase in salaries and the government's increased contribution rate to the Retirement Fund from 28.43% in FY 2023 to 29.43% in FY 2024; a \$159K increase in other expenses from \$493K in FY 2023 to \$652K in FY 2024. This is due to a greater

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

number of FTHAP grants disbursed. In FY 2024, 59 grants totaling \$566K were disbursed, compared to 38 grants totaling \$366K in FY 2023.; a \$141K increase in salaries from \$1.3M in FY 2023 to \$1.4M in FY 2024. This increase reflects the 22% adjustment for employees on the general pay plan implemented in April 2023, the addition of one employee and regular increments in FY 2024; a \$48K increase in depreciation from \$190K in FY 2023 to \$238K in FY 2024. This increase is attributed to the completion of the renovation of 23 units at Lada Gardens in March 2023; and a \$47K increase in employee benefits, other than retirement from \$117K in FY 2023 to \$164K in FY 2024. This is primarily due to a 40% increase in GHC's medical insurance costs resulting from higher rates for self-insured group health insurance in FY2024.

Non-operating revenues increased by \$134K from \$278K in FY 2023 to \$412K in FY 2024. This change is attributed to GHC receipt of \$278K in escheated funds in FY 2023 from DOA and \$500K in ARPA funds in FY 2024 from the Office of the Governor for the FTHAP. \$412K of the \$500K of ARPA funds received was disbursed in FY 2024.

D. Financial Highlights

The loan portfolio has increased by \$779K from \$24.3M to \$25M. Principal disbursements increased \$431K, from \$1.6M in FY 2023 to \$2M in FY 2024, pay offs decreased from 20 loans totaling \$530K in FY 2023 to 6 loans totaling \$174K in FY 2024. The decrease in payoffs are attributed to the rising interest rates for mortgage loans at banks.

GHC also experienced continued delays in principal disbursement for committed loan funds. Borrowers aiming to build homes are facing challenges securing contractors who can offer affordable home construction. It is largely due to the limited availability of skilled local construction labor. Additionally, homebuyers are encountering difficulties due to the lack of available inventory in the low to moderate price range. GHC is actively collaborating with industry partners to address the housing needs of our island residents.

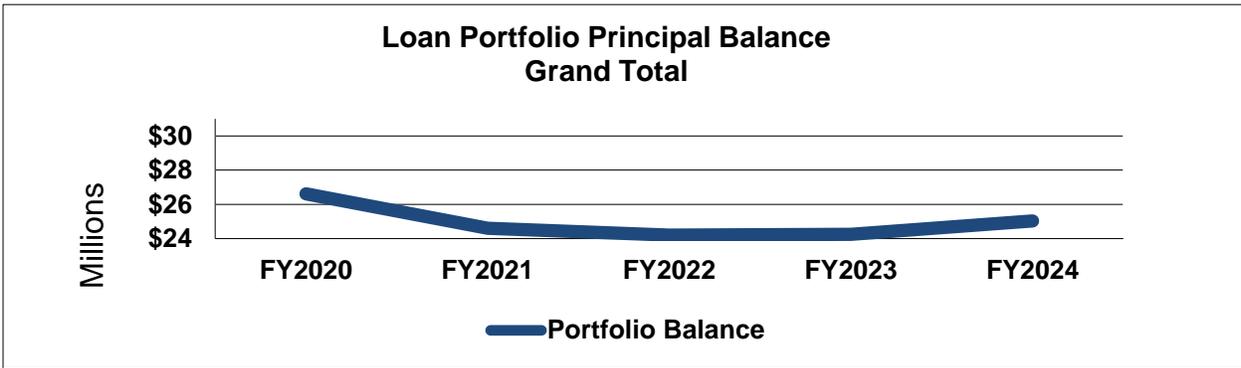
Despite these challenges, GHC remains committed to marketing all available programs and assisting potential borrowers with the goal of loan closing and home ownership. In FY 2024, GHC interviewed 98 applicants, of whom only 14 pursued the application process and 13 were approved and closed. GHC closed three loans totaling \$1M under the Direct Loan Program, four loans totaling \$891K under the Six Percent Loan Program, and six loans totaling \$224K under the CAHAT loan program in FY 2024.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

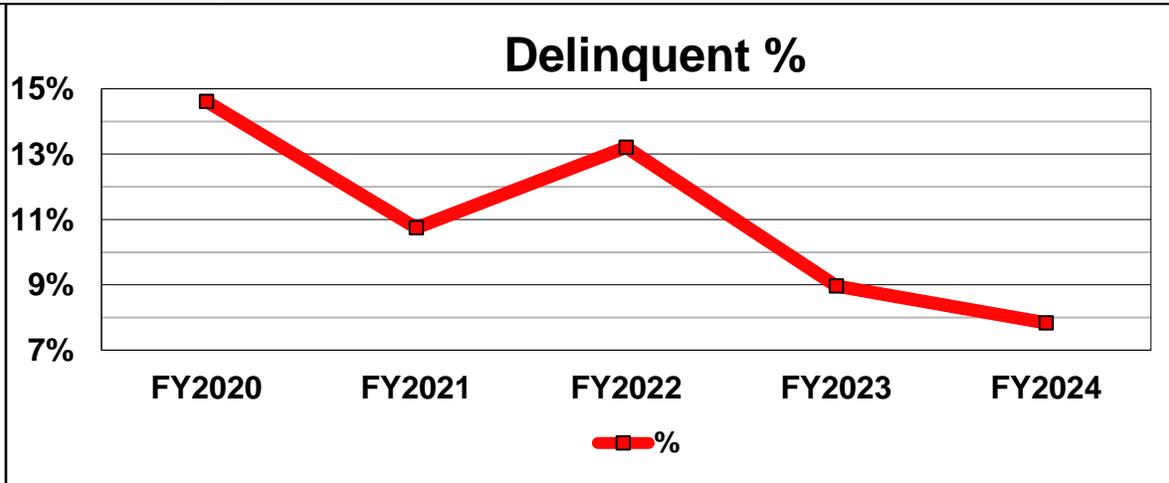
Loan Portfolio Principal Balance

FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
\$26,617,079	\$24,610,846	\$24,205,232	\$24,256,591	\$25,035,122
Total Number of Loans				
341	318	300	289	296



Delinquency

FY2020	FY2021	FY2022	FY2023	FY2024
Delinquent %				
14.61%	10.75%	13.21%	8.96%	7.83%
Principal Balance				
\$3,872,337	\$2,632,551	\$3,181,388	\$2,164,166	\$1,952,553
Total Number of Loans				
43	31	34	23	18



Guam Housing Corporation
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

GHC offers mortgage loans to qualified applicants who have been denied financing from conventional financial institutions for the construction or purchase of their new homes. As a result, the Corporation assumes a higher lending risk from the outset. Delinquent loans 30 days and over decreased by \$212K from \$2.2M in FY 2023 to \$2M in FY 2024. Overall, loans delinquent 30 days and over decreased from 9% in FY 2023 to 8% in FY 2024.

GHC’s policy mandates that all accounts past 90 days be reviewed and referred to legal counsel for further action. However, each account is also reviewed by the Credit and Collection Committee to determine if a workout agreement to reduce the Corporation’s loss would be in the Corporation’s best interest rather than pursuing foreclosure. In some cases, the current market value of the secured property may be lower than the payoff amount. If the borrower is committed and has demonstrated the ability to service the workout amount, the Corporation will authorize the workout. However, this does not eliminate the possibility of foreclosure should the borrower fail to adhere to the approved payment arrangement.

First-Time Homeowners Assistance Program

	FY2020	FY2021	FY2022	FY2023	FY2024
Total amount disbursed	\$343,431	\$642,952	\$636,618	\$365,899	\$565,688
Total number of grants	39	71	69	38	59

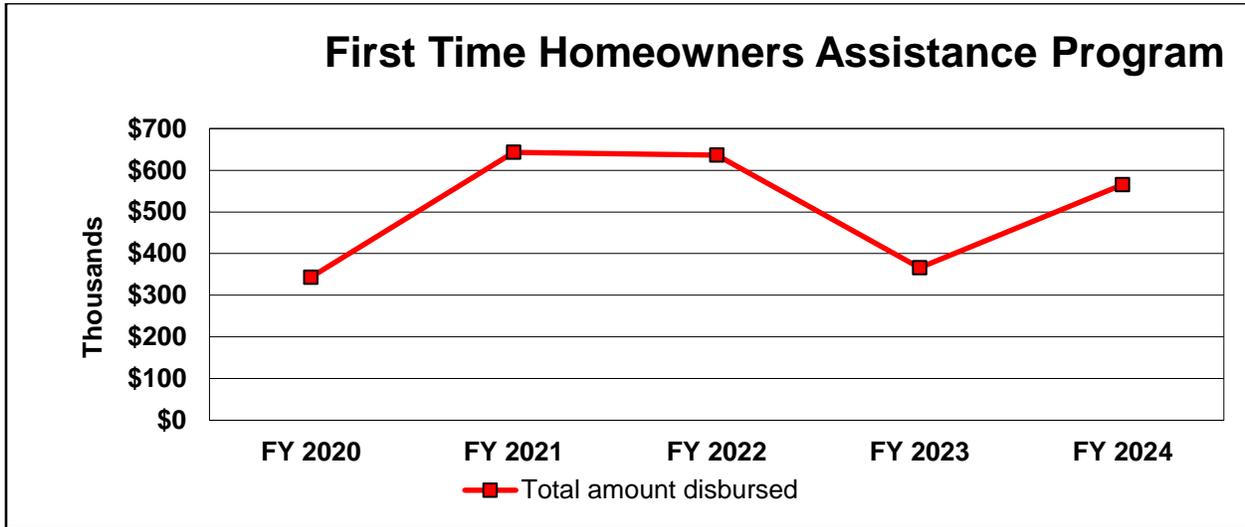
GHC funds	\$0	\$0	\$0	\$0	\$0
Number of grants (GHC)	0	0	0	\$1,510	\$0

Escheated funds	\$343,431	\$642,952	\$636,618	\$364,389	\$153,383
Number of grants (Escheated funds)	39	71	69	38	16

ARPA funds					\$412,305
Number of grants (ARPA funds)					43

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued



The total number of FTHAP grants disbursed have increased from 38 in FY 2023 to 59 in FY 2024. GHC received \$278K of escheated funds during FY 2023 and \$500K of ARPA funds in FY 2024 from DOA and the Office of the Governor, respectively. The program continues to be well received by the public.

Foreclosed Assets Held for Resale

GHC foreclosed on one property in Santa Rita in FY 2022 with a book value of \$102K. This property was not sold in FY 2024, however, due to the current lack of inventory of affordable housing, we have received an increased number of inquiries regarding the purchase of this property. There were no foreclosures in FY 2024.

Unrestricted Cash, Cash Equivalents and Time Certificates of Deposit (TCD)

The unrestricted cash, cash equivalents and time certificates of deposit decreased 6% amounting to \$434K, from \$7.1M in FY 2023 to \$6.7M in FY 2024. This decrease is attributed to several factors: 1) Principal disbursements for loans under the unrestricted funds totaled \$1.1M while principal payments received amounted to \$558K. 2) Bond payments from these funds totaled \$346K. 3) Veteran Affairs (VA) loan disbursements totaled \$62K. 4) A vehicle was purchased for \$30K. 5) Payments to reroute the sewer line for two Lada rental units totaled \$26K.

These decreases were partially offset by an increase in funds, total \$519K, that were transferred from restricted funds at the end of FY 2023 to unrestricted funds in FY 2024.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Restricted Cash, Cash Equivalents and Time Certificates of Deposit (TCD)

The restricted cash, cash equivalents and time certificates of deposit decreased 18% or \$937K from \$5.3M in FY 2023 to \$4.4M in FY 2024. This decrease is due to: 1) A \$270K increase in loans receivable for the Six Percent Loan & CAHAT Programs. 2) \$622K in total disbursements for the FTHAP, exceeding the \$500K received in FY 2024 by \$122K. 3) \$27K in ARPA funds disbursed in FY 2024 for Lada renovations. 4) \$519K in reclassifications from restricted funds in FY 2023 to unrestricted in FY 2024. The funds reclassified and their balance as of September 30, 2023 were as follows: Borrower's deposit, \$84K; Sagan Operating, \$354K, and Tenant Security Deposit accounts totaled \$81K.

Rental Income

Rental Income increased by 22% or \$215K from \$973K in FY 2023 to \$1.2M in FY 2024, due to the completion of Phase I renovations for 23 units in March 2023.

Interest on Deposits

Interest income on deposits increased by 40% or \$58K from \$146K in FY 2023 to \$204K in FY 2024, due to higher interest rates for time certificates of deposit.

Miscellaneous Revenue

Miscellaneous Revenue increased by 39% or \$34K from \$86K in FY 2023 to \$120K in FY 2024. The increase is due to: 1) The increase in administrative fees for the First Time Homeowners Assistance Program in FY 2024. The number of FTHAP grants disbursed were 38 and 59 for fiscal year 2023 and 2024 respectively. 2) The disbursement of \$27K of ARPA funds for Phase II of the Lada renovations.

Interest Income and Loss on Investment Held by Bond Trustee

Interest income and loss on investment held by bond trustee decreased by 170% or \$179K from a gain of \$105K in FY 2023 to a loss of \$74K in FY 2024. Adjustments were made to reduce the rebate liability by \$87K in FY 2023 & increase it by \$93K in FY 2024, based on the Interim Arbitrage Rebate Analysis completed by Orrick, Herrington & Sutcliffe LLP.

Salaries

Salaries increased 11% or \$141K from \$1.3M in FY 2023 to \$1.4M in FY 2024. The increase is primarily due to the 22% increase in employee salaries on the general pay plan effective April 1, 2023, as well as one additional employee and increments in FY 2024.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Retirement and Medicare Contributions

Retirement and Medicare contributions increased 52% or \$189K from \$361K in FY 2023 to \$550K in FY 2024. Based on the Actuarial report completed by Milliman dated June 4, 2024, the overall pension adjustments encompassing pension liability, deferred inflows and deferred outflows, increased expenses by \$118K in FY 2024. The increase is also due to the increase in salaries and the increase in the government's rate of contribution to the Retirement Fund from 28.43% in FY 2023 to 29.43% in FY 2024.

Other Expense

Other expense increased by 32%, or \$159K, from \$493K in FY 2023 to \$652K in FY 2024. This resulted from an increase in FTHAP grants disbursed during FY 2024, with 59 grants totaling \$566K compared to 38 grants totaling \$366K in FY 2023. The increase was partially offset by a decrease of \$12K in emergency housing expenses and \$21K in administrative expenses for the FTHAP which were covered by escheated funds in 2024.

Depreciation

Depreciation increased by 25% or \$48K from \$190K in FY 2023 to \$238K in FY 2024, due to the completion of the renovation of 23 units at Lada Gardens in March 2023.

Retiree Supplemental, COLA and Health Benefits

Retiree supplemental, COLA and health benefits increased 88% or \$504K from a credit balance of \$575K in FY 2023 to a credit balance of \$71K in FY 2024, due to the OPEB adjustments decreasing expenses by \$771K and \$301K for FY 2023 & 2024 respectively.

Employee Benefits, Other than Retirement

Employee benefits, other than retirement increased 40% or \$47K from \$117K in FY 2023 to \$164K in FY 2024, due to the higher rates for the self-insured group health insurance.

Rent Expense

Rent expense increased by 10% or \$12K from \$115K in FY 2023 to \$127K in FY 2024, due to office rent increasing from \$2.20 to \$2.42 per square foot on October 1, 2023 (total space: 4,156 sq ft).

Professional Services

Professional services decreased 31% or \$24K from \$79K in FY 2023 to \$55K in FY 2024, due to fewer legal matters.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Maintenance Expense

Maintenance expense decreased 24% or \$12K from \$50K in FY 2023 to \$38K in FY 2024, due to appliance purchases for the renovated units in FY 2023.

E. Future Events

GHC continues to pursue its mission despite numerous challenges. The ability to secure lending capital at affordable rates is an immediate concern for achieving many of our goals.

To that end, Guam Housing Corporation has established the following goals to complete in FY 2025:

1. Begin major renovations of units identified under Phase II of the Lada Gardens Renovation Project utilizing \$1,547,000 in American Rescue Plan funds.
2. Continue working as a member of the Governor's Interagency Council on Homelessness to examine challenges associated with homelessness and develop and implement strategies and programs for a coordinated, effective response.
3. Upon completion of renovations of identified units, apply for a FEMA Hazard Mitigation Program grant to support the installation of typhoon shutters for housing units at Lada Gardens.

F. Contacting the Corporation's Financial Management

The Management Discussion and Analysis report aims to provide information regarding known facts and conditions that may affect the Corporation's operations. This financial report is designed to provide a general overview of the Corporation's finances and demonstrate its ability to manage its resources. For additional information concerning this report, please contact the President of Guam Housing Corporation, at (671) 647-4143, 590 S. Marine Corps Drive, Suite 514 ITC Building, Tamuning, Guam 96931 or visit the website at www.guamhousing.org.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Statements of Net Position

	September 30,	
	<u>2024</u>	<u>2023</u>
Assets		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents <i>(Note 2)</i>	\$ 3,967,619	\$ 4,196,353
Time certificate of deposits <i>(Note 2)</i>	1,704,000	1,936,000
Self-insurance fund <i>(Notes 2 and 8)</i>	1,012,483	986,096
Loans receivable, net <i>(Note 3)</i>	980,618	928,135
Tenants receivable, net	16,943	26,219
Accrued interest receivable	97,836	99,071
Prepaid expenses and other	60,026	51,839
Foreclosed assets held for resale <i>(Note 5)</i>	<u>102,082</u>	<u>102,082</u>
Total unrestricted assets	7,941,607	8,325,795
Restricted assets:		
Cash and cash equivalents <i>(Note 2)</i>	4,038,351	5,027,448
Time certificate of deposits <i>(Note 2)</i>	347,000	295,000
Investments <i>(Note 2)</i>	168,168	220,543
Loan receivable, net <i>(Note 3)</i>	<u>83,704</u>	<u>85,999</u>
Total restricted assets	<u>4,637,223</u>	<u>5,628,990</u>
Total current assets	12,578,830	13,954,785
Loans receivable, net <i>(Note 3)</i>	21,652,917	21,050,301
Restricted other receivables	1,817,180	1,707,024
Depreciable capital assets <i>(Note 4)</i>	3,773,650	3,952,995
Non-depreciable capital assets <i>(Note 4)</i>	<u>2,934,227</u>	<u>2,934,227</u>
Total assets	42,756,804	43,599,332
Deferred outflows of resources		
Pension <i>(Note 7)</i>	1,095,449	1,449,698
Other postemployment benefits <i>(Note 7)</i>	<u>1,562,292</u>	<u>1,222,693</u>
Total deferred outflows of resources	2,657,741	2,672,391
Total assets and deferred outflows of resources	<u>\$45,414,545</u>	<u>\$46,271,723</u>

See accompanying notes.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Statements of Net Position, continued

	September 30,	
	<u>2024</u>	<u>2023</u>
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued expenses	\$ 298,577	\$ 302,837
Current portion of accrued compensated absences (<i>Notes 7 and 9</i>)	123,726	128,171
Unearned revenue	60,036	95,458
Security deposits	61,073	---
Deposits by borrowers	49,214	---
Lease liabilities	5,440	5,113
Due to fiduciary fund	<u>26,277</u>	<u>20,854</u>
Total payable from unrestricted assets	<u>624,343</u>	<u>552,433</u>
Payable from restricted assets:		
Deferred revenue	1,566,850	1,547,000
Bonds payable (<i>Notes 6 and 9</i>)	275,000	260,000
Accrued interest payable	10,973	12,219
Security deposits	---	64,662
Deposits by borrowers	---	84,554
Rebate liability	<u>92,666</u>	<u>---</u>
Total payable from restricted assets	<u>1,945,489</u>	<u>1,968,435</u>
Total current liabilities	<u>2,569,832</u>	<u>2,520,868</u>
Non-current liabilities:		
Payable from unrestricted assets:		
Non-current portion of accrued compensated absences (<i>Notes 7 and 9</i>)	145,935	144,461
Net pension liability (<i>Notes 7 and 9</i>)	3,985,260	4,291,805
Lease liabilities	12,365	17,806
Total collective other postemployment benefit liability (<i>Notes 7 and 9</i>)	7,280,593	6,153,837
Payable from restricted assets - Bonds payable (<i>Notes 6 and 9</i>)	<u>2,015,000</u>	<u>2,290,000</u>
Total non-current liabilities	<u>13,439,153</u>	<u>12,897,909</u>
Total liabilities	<u>16,008,985</u>	<u>15,418,777</u>
Deferred inflows of resources		
Pension (<i>Note 7</i>)	382,645	312,034
Other postemployment benefits (<i>Note 7</i>)	<u>2,041,819</u>	<u>3,130,086</u>
Total deferred inflows of resources	<u>2,424,464</u>	<u>3,442,120</u>
Commitments and contingencies (<i>Note 8</i>)		
Net position:		
Net investment in capital assets	6,707,877	6,887,222
Restricted for lending activities	4,719,385	5,419,255
Unrestricted	<u>15,553,834</u>	<u>15,104,349</u>
Total net position	<u>\$26,981,096</u>	<u>\$27,410,826</u>

See accompanying notes.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Operating revenues:		
Interest income on loans receivable	\$ 1,151,012	\$ 1,128,894
Rental income	1,188,358	973,044
Interest income on deposits	204,388	145,960
Interest income on investments held by bond trustee	---	105,356
Miscellaneous revenues	<u>119,740</u>	<u>86,110</u>
Total operating revenue	<u>2,663,498</u>	<u>2,439,364</u>
Operating expenses:		
Salaries	1,437,109	1,296,143
Other	652,005	493,261
Retirement and Medicare contributions	550,437	361,384
Depreciation and amortization (<i>Note 4</i>)	238,281	190,057
Employee benefits, other than retirement	164,164	117,276
Interest expense on borrowings	141,642	156,089
Rent (<i>Note 8</i>)	127,062	115,028
Contractual services	76,303	64,994
Loss on investments held by bond trustees	73,703	---
Professional services	54,572	78,826
Maintenance	37,879	50,018
Bond trustee fees	16,029	16,170
Amortization of right-of use asset	5,485	5,027
Interest expense on lease liability	1,286	1,451
Director fees	550	2,450
Retiree supplemental and health benefits	<u>(70,974)</u>	<u>(574,895)</u>
Total operating expenses	<u>3,505,533</u>	<u>2,373,279</u>
Operating (loss) income	<u>(842,035)</u>	<u>66,085</u>
Nonoperating revenue – transfers from Department of Administration	<u>412,305</u>	<u>277,939</u>
(Decrease) increase in net position	<u>(429,730)</u>	<u>344,024</u>
Net position at beginning of year	<u>27,410,826</u>	<u>27,066,802</u>
Net position at end of year	<u>\$26,981,096</u>	<u>\$27,410,826</u>

See accompanying notes.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Statements of Fiduciary Net Position

	September 30,	
	<u>2024</u>	<u>2023</u>
Assets:		
Cash	\$166,292	\$157,374
Investments	304,000	292,000
Other receivables	<u>26,277</u>	<u>20,854</u>
Total assets	<u>496,569</u>	<u>470,228</u>
Net position:		
Restricted for lending activities	<u>\$496,569</u>	<u>\$470,228</u>

Statements of Changes in Fiduciary Net Position

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Additions		
Deposits by borrowers	\$350,830	\$64,645
Deductions		
Insurance premiums paid	<u>324,489</u>	<u>68,317</u>
Net change in fiduciary assets	26,341	(3,672)
Fiduciary net position at beginning of year	<u>470,228</u>	<u>473,900</u>
Fiduciary net position at end of year	<u>\$496,569</u>	<u>\$470,228</u>

See accompanying notes.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Statements of Cash Flows

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,437,708	\$ 1,419,642
Others	320,539	246,912
Cash paid to suppliers for goods and services	(394,026)	(385,725)
Benefits paid to participants	(566,242)	(367,558)
Cash paid to employees	<u>(2,267,052)</u>	<u>(1,931,964)</u>
Net cash used in operating activities	<u>(1,469,073)</u>	<u>(1,018,693)</u>
Cash flow from capital and related financing activity-		
Acquisition of capital assets	<u>(70,821)</u>	<u>(380,013)</u>
Cash flows from investing activities:		
(Increase) decrease in time certificate of deposits	(21,328)	15,000
Increase in self-insurance fund	(26,387)	(29,727)
Decrease in investments	<u>180,000</u>	<u>503,954</u>
Net cash provided by investing activities	<u>132,285</u>	<u>489,227</u>
Cash flows from noncapital financing activities:		
Cash received from DOA	500,000	277,939
Decrease (increase) of rebate liability	92,666	(87,314)
Repayment of bonds payable	(260,000)	(245,000)
Interest paid on bonds payable	<u>(142,888)</u>	<u>(157,263)</u>
Net cash provided by (used in) noncapital financing activities	<u>189,778</u>	<u>(211,638)</u>
Net decrease in cash and cash equivalents	(1,217,831)	(1,121,117)
Cash and cash equivalents at beginning of year	<u>9,223,801</u>	<u>10,344,918</u>
Cash and cash equivalents at end of year	<u>\$8,005,970</u>	<u>\$ 9,223,801</u>
Consisting of:		
Unrestricted	\$3,967,619	\$ 4,196,353
Restricted	<u>4,038,351</u>	<u>5,027,448</u>
	<u>\$8,005,970</u>	<u>\$ 9,223,801</u>

See accompanying notes.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Statements of Cash Flows, continued

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Reconciliation of change in net position to net cash used in operating activities:		
Operating (loss) income	\$(842,035)	\$ 66,085
Adjustments to reconcile (decrease) increase in net position to net cash used in operating activities:		
Non-cash pension costs	563,252	383,548
Non-cash other postemployment benefit cost	101,794	586,209
Interest expense on borrowings reported as operating expenses	141,642	156,089
Depreciation and amortization	243,766	195,084
(Reversal of) provision for doubtful rental receivables	(11,202)	13,577
Provision for loan losses	15,570	1,027
Loss (interest income) on investments held by bond trustees	73,703	(105,356)
Decrease (increase) in assets:		
Loans receivable, net	(670,669)	(10,948)
Tenants receivable, net	20,478	(14,962)
Accrued interest receivable	1,235	(77,358)
Prepaid expenses and other assets	(8,187)	7,771
Other receivables	(107,861)	(40,411)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(4,260)	33,297
Accrued compensated absences	(2,971)	41,603
Unearned revenue	(35,422)	30,182
Security deposits	(3,589)	14,842
Deposits by borrowers - insurance premiums and real estate taxes	(35,340)	(580,311)
Lease liabilities	1,286	1,451
Due to fiduciary fund	5,423	20,854
Deferred revenue	(67,845)	----
Net pension liability	(444,937)	(383,549)
Total collective other postemployment benefit liability	(<u>402,904</u>)	(<u>1,357,417</u>)
Net cash used in operating activities	\$(<u>1,469,073</u>)	\$(<u>1,018,693</u>)
Supplemental disclosure of cash flow information:		
Cash paid for interest expense during the year	\$ <u>142,888</u>	\$ <u>157,263</u>

See accompanying notes.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements

Years ended September 30, 2024 and 2023

1. Organization and Summary of Significant Accounting Policies

Organization

Guam Housing Corporation (the Corporation or primary government), a component unit of the Government of Guam (GovGuam), was created by Public Law 8-80 to promote the general welfare of the Territory of Guam by encouraging investment in and development of low cost housing and providing low cost housing rental units. The Corporation provides for its operating needs by charging interest on its loans and rent from its tenants. As a governmental entity created by public law, the Corporation is not subject to taxes.

The Corporation consists of two divisions: housing division and rental division. The housing division is engaged in lending activities of the Corporation while the rental division is engaged in the rental of housing and apartment complexes known as Lada Gardens, Guma As-Atdas and Sagan Linahyan. During the normal course of operations, transactions have occurred between the housing and rental divisions of the Corporation. These receivables and payables are eliminated in the accompanying financial statements.

Government-wide Financial Statements

The government-wide financial statements consist of the statement of net position and statement of revenues, expenses and changes in net position. Fiduciary activities are not included in the government-wide financial statements.

Fiduciary Fund Financial Statements

Separate financial statements are provided for fiduciary funds. Fiduciary fund financial statements include assets for which the Corporation has been legally designated to control but the Corporation itself is not a beneficiary. These custodial activities include the Taxes and Insurance (T&I) collected from borrowers.

Basis of Accounting

The government-wide financial statements and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Net Position

Net position represents the residual of all other elements presented in the statement of net position and is presented in the following categories:

Net investment in capital assets

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted for lending activities

Nonexpendable – Net position subject to externally imposed stipulations that require the Corporation to maintain them permanently.

Expendable – Net position whose use by the Corporation is subject to externally imposed stipulations that can be fulfilled by actions of the Corporation pursuant to those stipulations or that expire with the passage of time.

All of the Corporation’s restricted net position at September 30, 2024 and 2023 is expendable.

Unrestricted

The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

For purposes of the statement of net position and the statement of cash flows, cash and cash equivalents is defined as cash on hand, deposits in banks and time certificates of deposit with original maturities of three months or less.

Loans Receivable

The Corporation is permitted to make loans for the purchase, construction, or purchase of land and construction of homes not to exceed the loan limit established by the U.S. Department of Housing and Urban Development. The loan limit for FY2024 and FY2023 is \$563,500, for single-unit dwellings.

The Corporation accepts loan applications only for single-unit dwellings. Public Law 26-123 states that the Board of Directors may adjust the rate of interest; however, it cannot assess a rate of interest greater than two (2) points over its cost of funds. The current interest rate for this program is 2% above the prevailing rate charged by local lenders with a ceiling of six percent (6%).

Loans receivable are stated at principal amount outstanding less allowance for loan and lease losses. Interest on receivables is accrued and credited to income based on the principal amount outstanding. The accrual of interest is discontinued when principal or interest payments are delinquent for 90 days or more, or when in the opinion of management, there is an indication that the borrower may be unable to meet payments as they come due. Upon such discontinuance, all unpaid interest is transferred to overdue receivables account. Unpaid accrued interest is not reversed. Instead, a specific allowance is provided to cover unpaid accrued interest. Principal is reduced only to the extent cash payments are received after the accrued interest is recovered. Income is subsequently recognized only to the extent cash payments are received and until, in management's opinion, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

The allowance for loan and lease losses is maintained at a level, which in management's judgment is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loans receivable including the nature of the loan portfolio, estimated value of underlying collateral, credit concentration, trends in historical loss experience, specific delinquent loans, economic conditions, and other risks inherent in the portfolio. The allowance is increased by a provision for loan and lease losses and reversal of allowance. Because of the uncertainties inherent in the estimation process, management's estimate of credit losses in the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Capital Assets

Capital assets, whether purchased or constructed, are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation and amortization of capital assets is computed using the straight-line method over estimated useful lives of 5 to 50 years for buildings and improvement, 2 to 10 years for vehicles and office furniture and equipment, and over the length of the lease term for leasehold improvements.

The Corporation generally capitalizes all expenditures for capital assets in excess of \$5,000 with a useful life exceeding one year. Major renewals and betterments are charged to the capital assets, while maintenance and repairs which do not improve or extend the life of an asset are charged to expense. The cost of capital assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to other income or expenses, respectively.

Impairment of Capital Assets

In accordance with GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* the Corporation evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred.

A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value.

Investments

Investments and related investment earnings are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Compensated Absences

In accordance with Public Law 27-005 and Public Law 28-068, employee vacation rates are credited at either 104, 156 or 208 hours per year, depending upon their length of service as follows:

1. One-half day (4 hours) for each full bi-weekly pay period in the case of employees with less than five (5) years of service.
2. Three-fourths day (6 hours) for each full bi-weekly pay period in the case of employees with five (5) years of service but less than fifteen (15) years of service.
3. One (1) day (8 hours) for each full bi-weekly pay period in the case of employees with fifteen (15) years or more service.

The statutes reduce the maximum accumulation of such vacation credits from 480 to 320 hours. Public Law 27-106 amended subsection (c) of 4 Guam Code Annotated §4109. Employees who have accumulated annual leave in excess of 320 hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any excess unused leave from February 28, 2003 shall be lost. Accrued annual leave up to 320 hours is converted to pay upon termination of employment.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. The Corporation recognizes a net pension liability for the pension plan in which it participates, which represents the Corporation's proportionate share of total pension liability (actuarially calculated) over the pension plan assets, measured as of the fiscal year end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Other Post-employment Benefits

Other post-employment benefits (OPEB) are required to be recognized and disclosed using the accrual basis of accounting. The Corporation recognizes a total collective OPEB liability for the OPEB plan in which it participates, which represents the Corporation's proportionate share of total collective OPEB liability (actuarially calculated) measured as of the fiscal year end. Changes in the total collective OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. As required by GASB Statements No. 68, 71, 73 and 75 the Corporation reports deferred outflows of resources for pension-related and OPEB related amounts: payments since the measurement date, changes in assumptions, and for difference between projected and actual earnings.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources until then. As required by GASB Statements No. 68 and 75, the Corporation reports deferred inflows of resources for pension-related and OPEB related amounts: for its share of the difference between expected and actual earnings, for its share of the difference between its contributions and its proportionate share of contributions, and for the difference between expected and actual experience. The Corporation also reports deferred inflows of resources for the difference between the carrying amount and the reacquisition price of refunded bonds.

Operating and Non-operating Revenue and Expenses

The Corporation was created with the authority to invest in and develop low cost housing and provide low cost housing rental units. The primary operating revenues are the interest income on outstanding loans receivable and income from rental properties. The primary operating expenses include interest on borrowings, property maintenance, and general and administrative expenses directly related to the operations. Non-operating revenues and expenses result from financing activities and certain other non-recurring income and expenses.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Risk Management

The Corporation is exposed to various risks of loss; theft of, damage to, and destruction of assets; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is provided for claims arising from most of these matters.

Recently Adopted Accounting Pronouncements

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The implementation of this statement did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and address certain application issues identified through pre-agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information and financial trends information in the statistical section. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 103 will be effective for fiscal year ending September 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. GASB Statement No. 104 will be effective for fiscal year ending September 30, 2026

The Corporation is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Deposits and Investments

At September 30, 2024 and 2023, bank deposits were comprised of the following:

	<u>2024</u>	<u>2023</u>
<i>Primary Government</i>		
FDIC Insured	\$ 4,295,413	\$ 3,570,496
Uncollateralized	<u>6,774,040</u>	<u>8,870,401</u>
Total deposits	<u>\$11,069,453</u>	<u>\$12,440,897</u>
<i>Fiduciary Fund</i>		
FDIC Insured	\$ 304,769	\$ 292,000
Uncollateralized	<u>165,523</u>	<u>157,374</u>
Total deposits	<u>\$ 470,292</u>	<u>\$ 449,374</u>

These deposits were insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). The Corporation does not require collateralization of its cash deposits.

Cash and cash equivalents, investments, and time certificate of deposits at September 30, 2024 and 2023 are restricted as follows:

	<u>2024</u>	<u>2023</u>
Restricted cash and cash equivalents:		
Revolving Loan Fund	\$1,879,243	\$2,051,067
American Reserve Plan funds for renovation	1,520,386	1,547,000
Foreclosure Protection Fund (FPF)	214,798	251,262
Community Affordable Housing Action Trust (CAHAT)	202,109	313,371
Hazard Mitigation Program	163,229	163,229
First-time Homeowner Assistance Program (FTHAP)	58,586	182,496
Tenant security deposits	---	434,765
Borrower's deposits	<u>---</u>	<u>84,258</u>
Total restricted cash and cash equivalents	4,038,351	5,027,448
Restricted investments - Held by Bond Trustees	168,168	220,543
Restricted time certificate of deposits - FPF	<u>347,000</u>	<u>295,000</u>
Total restricted cash, cash equivalents, time certificate of deposits, and investments	<u>\$4,553,519</u>	<u>\$5,542,991</u>

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Deposits and Investments, continued

The restricted cash, cash equivalents and investments are restricted for specific uses as required from 12 GCA Chapter 4 §4108, §4209 and Article 10, for the Revolving Loan Fund and related trust funds, the FTHAP, CAHAT, the Mortgage Revenue Bonds and self-imposed restrictions on tenant security deposits and borrower’s deposits.

The Corporation also maintains restricted time certificate of deposit for its Foreclosure Protection Fund of \$347,000 and \$295,000 for the years ended September 30, 2024 and 2023, respectively. The Foreclosure Protection Fund is used by the Corporation to protect the interest of Guam’s CAHAT program as holder of the second mortgage and is used exclusively for the purpose of paying off the first mortgage upon foreclosure.

The Mortgage Revenue Bond Indenture requires the establishment of special funds and accounts to be held and administered by the Corporation’s trustees for the accounting of the bond proceeds. The Bank of New York Mellon manages the Corporation’s investments by investing in U.S. securities, U.S. government agencies, money market funds and certificates of deposits insured by the FDIC. The U.S. securities are low risk investments as they are guaranteed by the full faith and credit of the U.S. government. While U.S. government agencies are not guaranteed, they are backed by the U.S. government and are recognized as low-risk investments as well. All investment securities are within the requirements of the mortgage revenue bond indenture.

At September 30, 2024 and 2023, the Corporation’s restricted investments held by trustee are as follows:

	Moody’s Credit Rating	<u>2024</u>	<u>2023</u>
Federal Home Loan Mortgage Corporation	Aaa	\$167,174	\$183,175
Blackrock Liquidity T-Fund	Aaa	<u>994</u>	<u>37,368</u>
		<u>\$168,168</u>	<u>\$220,543</u>

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Deposits and Investments, continued

The maturities of the Corporation's restricted investments at September 30, 2024 were:

	Investment Maturities (In Years)				<u>Total</u>
	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>Greater than 10</u>	
Federal Home Loan Mortgage Corporation	\$ ---	\$ ---	\$167,174	\$ ---	\$167,174
Blackrock Liquidity T-Fund	<u>994</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>994</u>
	<u>\$ 994</u>	<u>\$ ---</u>	<u>\$167,174</u>	<u>\$ ---</u>	<u>\$168,168</u>

The maturities of the Corporation's restricted investments at September 30, 2023 were:

	Investment Maturities (In Years)				<u>Total</u>
	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>Greater than 10</u>	
Federal Home Loan Mortgage Corporation	\$ ---	\$ ---	\$183,175	\$ ---	\$183,175
Blackrock Liquidity T-Fund	<u>37,368</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>37,368</u>
	<u>\$ 37,368</u>	<u>\$ ---</u>	<u>\$183,175</u>	<u>\$ ---</u>	<u>\$220,543</u>

Custodial credit risk is the risk that the Corporation will not be able to recover the value of investments or collateral securities held by a third-party custodian, in the event that the custodian defaults. Based on negotiated trust and custody contracts, all of these investments were held in the Corporation's name by the Corporation's custodial financial institutions at September 30, 2024 and 2023.

The deposits and investment policies of the Corporation are governed by 5 GCA 21, *Investments and Deposits*, in conjunction with the applicable mortgage revenue bond indenture. Legally authorized investments include securities issued or guaranteed by the U.S. Treasury or agencies of the United States government; demand and time deposits in or certificates of, or bankers' acceptances issued by, any eligible financial institution; corporate debt obligations, including commercial paper; certain money market funds; state and local government securities, including municipal bonds; and repurchase and investment agreements.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. In compliance with the bond indenture, the Corporation minimized the interest rate risk, by limiting maturity of investments. A majority of the Corporation's investment securities have maturities of 5 years or less. This reduces the impact of interest rate movements seen with longer maturity investments.

Concentration of risk for investments is the risk of loss attributable to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in one issuer that represents five percent (5%) or more of total investments for the Corporation. In compliance with the mortgage revenue bond indenture, the Corporation minimized credit risk loss by limiting investments to the safest types of securities.

Investments Measured at Fair Value

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following tables set forth by fair value hierarchy level the Corporation's assets carried at fair value:

	At September 30, 2024			
	Level 1	Level 2	Level 3	Level 3
Investments by fair value level:				
Debt security -Federal Home Loan Mortgage Corporation (FHLMC)	\$ 167,174	\$ ---	\$ 167,174	\$ ---
Equity security - Blackrock Liquidity T-Fund	994	994	---	---
Total investments by fair value level	\$ 168,168	\$ 994	\$ 167,174	\$ ---

	At September 30, 2023			
	Level 1	Level 2	Level 3	Level 3
Investments by fair value level:				
Debt security -Federal Home Loan Mortgage Corporation (FHLMC)	\$ 183,175	\$ ---	\$ 183,175	\$ ---
Equity security - Blackrock Liquidity T-Fund	37,368	37,368	---	---
Total investments by fair value level	\$ 220,543	\$ 37,368	\$ 183,175	\$ ---

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

3. Receivables

At September 30, 2024 and 2023, loans receivable of the Corporation are as follows:

	<u>2024</u>	<u>2023</u>
Unrestricted	\$23,134,237	\$22,463,568
Less: Allowance for loan and lease losses	<u>500,702</u>	<u>485,132</u>
	22,633,535	21,978,436
Less: Current portion	<u>980,618</u>	<u>928,135</u>
	<u>\$21,652,917</u>	<u>\$21,050,301</u>

Loans to employees totaled \$299,695 and \$309,205 at September 30, 2024 and 2023, respectively. These loans meet the same criteria as all real estate loans made to non-related individuals by the Corporation. At September 30, 2024 and 2023, loans and other receivables in arrears three months or more, or referred to an attorney for collection totaled \$682,722 and \$1,182,126, respectively.

As of September 30, 2024 and 2023, loans receivable due from borrowers for loans under the CAHAT and Down Payment and Closing Cost Assistance (DPCCA) programs consisted of the following:

	<u>2024</u>	<u>2023</u>
CAHAT	\$1,789,737	\$1,680,876
DPCCA	<u>111,147</u>	<u>112,147</u>
	<u>\$1,900,884</u>	<u>\$1,793,023</u>

The CAHAT was funded by appropriations received from GovGuam through Public Law 21-99. The DPCCA program was funded by the Guam Housing and Urban Renewal Authority (GHURA) with monies received from the U.S. Department of Housing and Urban Development. The repayments received by the Corporation from its borrowers are remitted monthly to GHURA.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

4. Capital Assets

A summary of changes in net capital assets for the years ended September 30, 2024 and 2023 is as follows:

	Beginning Balance October 1, <u>2023</u>	Transfers-in and <u>Additions</u>	Transfers-out and <u>Disposals</u>	Ending Balance September 30, <u>2024</u>
Capital assets depreciated and amortized:				
Buildings and improvements	\$8,463,181	\$ 15,724	\$ ---	\$ 8,478,905
Office furniture and equipment	283,148	---	---	283,148
Vehicles	157,615	29,581	---	187,196
Land improvements	64,749	---	---	64,749
Leasehold improvements	29,445	---	---	29,445
Lease assets	27,422	---	---	27,422
Other – renovations in progress	<u>7,499</u>	<u>19,116</u>	<u>---</u>	<u>26,615</u>
Total capital assets depreciated and amortized	9,033,059	64,421	---	9,097,480
Less accumulated depreciation and amortization	<u>(5,080,064)</u>	<u>(243,766)</u>	<u>(---)</u>	<u>(5,323,830)</u>
Net capital assets depreciated and amortized	3,952,995	(179,345)	---	3,773,650
Capital asset not depreciated and amortized - land	<u>2,934,227</u>	<u>---</u>	<u>---</u>	<u>2,934,227</u>
	<u>\$6,887,222</u>	<u>\$(179,345)</u>	<u>\$ ---</u>	<u>\$ 6,707,877</u>

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

4. Capital Assets, continued

	Beginning Balance October 1, <u>2022</u>	Transfers-in and <u>Additions</u>	Transfers-out and <u>Disposals</u>	Ending Balance September 30, <u>2023</u>
Capital assets depreciated and amortized:				
Buildings and improvements	\$6,993,559	\$1,469,622	\$ ---	\$ 8,463,181
Office furniture and equipment	317,831	---	(34,683)	283,148
Vehicles	157,615	---	---	157,615
Land improvements	64,749	---	---	64,749
Leasehold improvements	29,445	---	---	29,445
Lease assets	3,044	24,378	---	27,422
Other – renovations in progress	<u>944,576</u>	<u>353,391</u>	<u>(1,290,468)</u>	<u>7,499</u>
Total capital assets depreciated and amortized	8,510,819	1,847,391	(1,325,151)	9,033,059
Less accumulated depreciation and amortization	<u>(4,915,433)</u>	<u>(198,469)</u>	<u>33,838</u>	<u>(5,080,064)</u>
Net capital assets depreciated and amortized	3,595,386	1,648,922	(1,291,313)	3,952,995
Capital asset not depreciated and amortized - land	<u>2,934,227</u>	<u>---</u>	<u>---</u>	<u>2,934,227</u>
	<u>\$6,529,613</u>	<u>\$1,648,922</u>	<u>\$(1,291,313)</u>	<u>\$ 6,887,222</u>

5. Foreclosed Assets Held for Resale

A summary of the activities in the foreclosed assets held for resale as of September 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Foreclosed assets held for resale at beginning of year	\$102,082	\$102,082
Acquisition during the year	---	---
Foreclosed assets sold during the year	<u>---</u>	<u>---</u>
	<u>\$102,082</u>	<u>\$102,082</u>

At September 30, 2024 and 2023, foreclosed assets held for resale represent a residential unit acquired by the Corporation due to the borrowers' default on their mortgages.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Mortgage Revenue Bonds Payable

	<u>October 1, 2023</u>	<u>Payments</u>	<u>September 30, 2024</u>	<u>Due Within One Year</u>
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 5.75% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2031. Semi-annual principal installments totaling from \$115,000 to \$190,000	<u>2,550,000</u>	<u>260,000</u>	<u>2,290,000</u>	<u>275,000</u>
	<u>\$ 2,550,000</u>	<u>\$ 260,000</u>	<u>\$ 2,290,000</u>	<u>\$ 275,000</u>
	<u>October 1, 2022</u>	<u>Payments</u>	<u>September 30, 2023</u>	<u>Due Within One Year</u>
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 5.75% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2031. Semi-annual principal installments totaling from \$115,000 to \$190,000	<u>2,795,000</u>	<u>245,000</u>	<u>2,550,000</u>	<u>260,000</u>
	<u>\$ 2,795,000</u>	<u>\$ 245,000</u>	<u>\$ 2,550,000</u>	<u>\$ 260,000</u>

On April 15, 1998, the Corporation issued \$50,000,000 (Guaranteed Mortgage-Backed Securities Program) 1998 Series A tax-exempt Single Family Mortgage Revenue Bonds. The bonds were issued for the purpose of providing money to engage in a home-financing program within the Territory of Guam. Principal installments and interest due on the bonds are payable semi-annually on March 1 and September 1 of each year, commencing on September 1, 1998 at various rates indicated in the preceding paragraph.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Mortgage Revenue Bonds Payable, continued

The Corporation is required to calculate rebatable arbitrage as of the last day of any Bond year pursuant to the provisions of the U.S. Department Treasury Regulation Section 1.148. The arbitrage provisions require the Corporation to rebate excess arbitrage earnings from bond proceeds to the federal government. As provided for by the bond indenture, this amount has been recorded as "Rebate Liability" for the benefit of the federal government and will be paid as required by applicable regulations. As of September 30, 2024 and 2023, the rebate liability totaled \$92,666 and nil, respectively. The bonds are limited obligations of the Corporation payable from the revenues and other assets pledged for the payment thereof and are not a lien or charge upon the funds of the Corporation, except to the extent of the pledge and assignment set forth in the Indenture and in the bonds. The bonds do not constitute indebtedness or a loan of credit of the GovGuam or the United States of America, within the meaning of the Organic Act of Guam or statutory provisions. Neither the faith and credit nor the taxing power of the GovGuam is pledged to the payment of the principal of, or interest on the bonds. The Corporation has no taxing authority.

The bonds are not debts, liabilities or obligations of the GovGuam and the GovGuam is not liable for the payment should the Corporation default on the loan.

The bonds maturing on September 1, 2031 are not subject to optional redemption prior to maturity.

The Bond Indenture contains certain restrictive covenants, including restrictions on the use of bond funds. Management of the Corporation is of the opinion that the Corporation is in compliance with all significant covenants of the mortgage revenue bonds as of September 30, 2024 and 2023.

Future bond principal and mandatory sinking fund installments payable by the Corporation to the bond trustees are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 275,000	\$ 127,794	\$ 402,794
2026	295,000	111,694	406,694
2027	305,000	94,588	399,588
2028	325,000	76,763	401,763
2029	345,000	57,788	402,788
2030 to 2031	<u>745,000</u>	<u>54,048</u>	<u>799,048</u>
	<u>\$ 2,290,000</u>	<u>\$ 522,675</u>	<u>\$ 2,812,675</u>

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Employee Benefits

General Pension Plan Descriptions

Defined Benefit Plan (DB Plan)

The DB Plan is a single-employer plan. A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. The Government of Guam Retirement Fund (GGRF) issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - www.ggrf.com.

In accordance with Public Law 33-186, the Defined Benefit 1.75 Plan became effective January 1, 2018. Members of the DB 1.75 Plan also automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution.

The DB Plan is administered by the GGRF, to which the Corporation contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan.

Membership: Employees of the Corporation hired before September 30, 1995 are under the Government of Guam Employees Retirement System, the DB Plan. Until December 31, 1999, and for several limited periods after December 31, 1999, those employees who are members of the defined benefit plan with less than 20 years of service at September 30, 1995, had the option to switch to the Defined Contribution Retirement System (DCRS). Otherwise, they remained under the old plan.

The DB 1.75 Plan is open for participation by certain existing employees, new employees and reemployed employees who would otherwise participate in the DCRS and who make election on a voluntary basis to participate in the DB 1.75 plan by December 31, 2017.

Contributions: Plan members of the DB Plan are required to contribute a certain percentage of their annual covered salary. The contribution requirements of the plan members and the Corporation are established and may be amended by the GGRF.

The Corporation's statutory contribution rates were 29.43% and 28.43% for the years ended September 30, 2024 and 2023, respectively. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2024 and 2023.

The Corporation's contributions to the DB Plans for the years ended September 30, 2024 and 2023 were \$243,015 and \$180,028, respectively, which is was equal to the statutory required contributions for the years then ended.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

Benefits: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater.

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2015 through September 30, 2020. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Inflation	2.50% per year
Investment rate of return:	7.0%
Payroll growth:	4.0% for fiscal year 2023; 2.50% per year thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6 to 10, 3.0% for years 11 to 15, and 3.0% for service after 15 years
Retirement age:	40% of employees assumed to retire when first eligible for unreduced retirement, 20% per year thereafter until age 75, at which time all remaining employees are assumed to retire.
Investment rate of return:	The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best estimate range of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.
Mortality:	Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

Discount Rate: The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Expected Remaining Service Lives: Under GASB Statement No. 68, gains and losses that are deferred and amortized over future periods are presented as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining services lives of all covered active and inactive members, determined as of the beginning of the measurement period.

Expected Rate of Return and Asset Allocation: The Fund has a target asset allocation based on the investment policy adopted by the GGRF Board of Trustees. The target allocation and best estimates of the expected nominal return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26.0%	7.88%	2.05%
U.S. Equities (small cap)	4.0%	9.44%	0.38%
Non-U.S. Equities	17.0%	10.16%	1.73%
Non-U.S. Equities (emerging markets)	3.0%	12.09%	0.36%
U.S. Fixed Income (aggregate)	22.0%	4.71%	1.04%
Risk Parity	8.0%	6.64%	0.53%
High Yield Bonds	8.0%	6.52%	0.52%
Global Real Estate (REITs)	2.5%	9.38%	0.23%
Global Equity	7.5%	8.73%	0.65%
Global Infrastructure	2.0%	8.20%	0.16%
Expected arithmetic mean (1 year)			7.66%
Expected geometric mean (30 years)			6.94%

The discount rate assumption of 7.0% is about equal to the expected geometric mean over 30 years, but lower than the average arithmetic return for one year. The geometric mean is lower than the arithmetic mean due to the expected volatility of investments. If investments fail to achieve the assumed interest rate, future required contributions will increase.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA/Supplemental Annuity (COLA/SA) Plan for DB Participants

Members of the DB Plan also receive ad hoc cost of living allowance and supplemental annuity benefits that are appropriated yearly by the Guam Legislature. Those benefits are deemed to be substantively automatic, requiring reporting under GASB Statement No. 73. The Ad Hoc COLA/SA Plan for DB Participants is a single-employer plan. A single actuarial valuation is performed annually covering all plan members. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the Ad Hoc COLA/SA Plan for DB Participants. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - www.ggrf.com.

Membership: The plan membership is the same as the DB Plan described above.

Benefits: The supplemental annuity is an amount which, when added to a retiree's annuity increases the annual annuity up to \$40,000.

The COLA payment increased from an annual amount of \$2,200 in fiscal year 2023 to \$2,300 per DB retiree effective October 1, 2023.

Contributions: The Corporation's contribution to the supplemental annuity portion of the Plan, when added to a retiree's annuity, increases the annual annuity to \$40,000.

The Corporation's contribution to the COLA payment of the Plan is \$2,300 per DB retiree starting October 1, 2023.

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2015 through September 30, 2020. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Inflation	2.50% per year
Payroll growth:	4.0% for fiscal year 2023; 2.50% per year thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for years 11 to 15, and 3.0% for service after 15 years
Retirement age:	40% of employees assumed to retire when first eligible for unreduced retirement, 20% per year thereafter until age 75, at which time all remaining employees are assumed to retire.
Mortality:	Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA/Supplemental Annuity (COLA/SA) Plan for DB Participants, continued

Discount Rate: The discount rate used to measure the Ad Hoc COLA/SA was a municipal bond rate of 4.09% and 4.02% for the years ended September 30, 2024 and 2023, respectively. This rate was used as the benefits are not funded with the accumulated assets; they are funded historically through appropriations from the Government of Guam.

Ad Hoc COLA Plan for Defined Contribution Retirement System (DCRS) Participants

The DCRS is administered by the GGRF. Members of DCRS receive ad hoc cost of living allowance (COLA) that are appropriated yearly by the Guam Legislature. Those benefits are deemed to be substantively automatic, requiring reporting under GASB Statement No. 73. The Ad Hoc COLA Plan for DCRS Participants is a single-employer plan. A single actuarial valuation is performed annually covering all plan members. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the Ad Hoc COLA Plan for DCRS Participants. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - www.ggrf.com.

Membership: Employees hired after September 30, 1995, are members of the DCRS.

Benefits: Ad Hoc COLA Plan for DCRS participants are the same as those for DB Participants.

Contributions: The Corporation's contribution to the COLA payment of the Plan is \$2,300 per DCRS retiree starting October 1, 2023.

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2015 through September 30, 2020. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Inflation	2.50% per year
Payroll growth:	4.0% for fiscal year 2023; 2.50% per year thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for years 11 to 15, and 3.0% for service after 15 years
Retirement age:	5% of employees assumed to retire each year for ages 55 to 64, 10% of employees per year thereafter from age 65 until age 74, at which time all remaining employees are assumed to retire
Mortality:	Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA Plan for Defined Contribution Retirement System (DCRS) Participants, continued

Discount Rate: The discount rate is the same as that used in the Ad Hoc COLA/SA Plan for DB Participants.

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

Net pension liability at the fiscal years presented for the aforementioned plans were measured on and was determined by actuarial valuations as of the following dates:

Reporting date	September 30, 2024	September 30, 2023
Measurement date:	September 30, 2023	September 30, 2022
Valuation date:	September 30 2022	September 30, 2021

Net pension liability as of September 30, 2024 and 2023 for the aforementioned plans are as follows:

	<u>2024</u>	<u>2023</u>
DB Plan	\$2,921,256	\$3,329,795
Ad hoc COLA/SA Plan for DB Participants	665,292	635,438
Ad hoc COLA Plan for DCRS Participants	<u>398,712</u>	<u>326,572</u>
	<u>\$3,985,260</u>	<u>\$4,291,805</u>

Proportionate share of net pension liabilities at September 30, 2024 and 2023 for the aforementioned plans are as follows:

	<u>2024</u>	<u>2023</u>
DB Plan	0.21%	0.22%
Ad hoc COLA/SA Plan for DB Participants	0.25%	0.25%
Ad hoc COLA Plan for DCRS Participants	0.51%	0.54%

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA Plan for Defined Contribution Retirement System (DCRS) Participants, continued

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued

Pension expense for the years ended September 30, 2024 and 2023 for the aforementioned plans are as follows:

	<u>2024</u>	<u>2023</u>
DB Plan	\$421,258	\$332,881
Ad hoc COLA/SA Plan for DB Participants	55,089	13,080
Ad hoc COLA Plan for DCRS Participants	<u>86,905</u>	<u>37,587</u>
	<u>\$563,252</u>	<u>\$383,548</u>

Deferred outflows and Inflows of resources: At September 30, 2024 and 2023, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024					
	DB Plan		COLA/SA Plan for DB Participants		COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,995	\$(32,860)	\$ ---	\$(26,945)	\$ 39,063	\$(5,129)
Net difference between projected and actual earnings on pension plan investments	380,197	---	---	---	---	---
Corporation's contributions subsequent to the measurement date	376,813	---	56,413	---	16,100	---
Changes in assumption	---	(17,629)	10,192	(33,895)	77,191	(70,586)
Changes in proportion and difference between the Corporation's contributions and proportionate share of contributions	---	(137,970)	13,181	(599)	96,304	(57,032)
	<u>\$787,005</u>	<u>\$(188,459)</u>	<u>\$79,786</u>	<u>\$(61,439)</u>	<u>\$228,658</u>	<u>\$(132,747)</u>

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Employee Benefits, continued

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued

	2023					
	DB Plan		COLA/SA Plan for DB Participants		COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,555	\$ (8,904)	\$ ---	\$ (5,431)	\$ 40,388	\$ (6,468)
Net difference between projected and actual earnings on pension plan investments	750,421	---	---	---	---	---
Corporation's contributions subsequent to the measurement date	309,539	---	60,952	---	15,400	---
Changes in assumption	---	---	1,037	(68,950)	67,904	(87,477)
Changes in proportion and difference between the Corporation's contributions and proportionate share of contributions	---	(63,931)	27,676	(23,877)	111,826	(46,996)
	<u>\$ 1,124,515</u>	<u>\$ (72,835)</u>	<u>\$ 89,665</u>	<u>\$ (98,258)</u>	<u>\$ 235,518</u>	<u>\$ (140,941)</u>

Deferred outflows of resources at September 30, 2024 and 2023, resulting from the Corporation's employer contributions for the following plans are as follows:

	<u>2024</u>	<u>2023</u>
DB Plan	\$376,813	\$309,539
Ad hoc COLA/SA Plan for DB Participants	56,413	60,952
Ad hoc COLA Plan for DCRS Participants	<u>16,100</u>	<u>15,400</u>
	<u>\$449,326</u>	<u>\$385,891</u>

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Employee Benefits, continued

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending September 30,</u>	
2025	\$ 58,123
2026	39,987
2027	171,481
2028	(23,328)
2029	5,641
Thereafter	<u>11,574</u>
	<u>\$263,478</u>

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Sensitivity analysis: The following presents the net pension liability calculated using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

DB Plan

	1% Decrease <u>6.00%</u>	Current Discount <u>7.00%</u>	1% Increase <u>8.00%</u>
Net pension liability	\$ <u>3,587,643</u>	\$ <u>2,921,255</u>	\$ <u>2,350,820</u>

Ad Hoc COLA/SA for DB Participants

	1% Decrease <u>3.09%</u>	Current Discount <u>4.09%</u>	1% Increase <u>5.09%</u>
Total collective pension liability	\$ <u>725,885</u>	\$ <u>665,292</u>	\$ <u>612,372</u>

Ad Hoc COLA for DCRS Participants

	1% Decrease <u>3.09%</u>	Current Discount <u>4.09%</u>	1% Increase <u>5.09%</u>
Total collective pension liability	\$ <u>449,994</u>	\$ <u>398,712</u>	\$ <u>355,351</u>

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Employee Benefits, continued

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued

Detailed information about the DB Plan's fiduciary net position is available in the separately issued GGRF financial report.

DCRS

The DCRS was created by Public Law 23-42:3 to provide an individual account retirement system for any person who is employed by the Government of Guam on or after October 1, 1995. Contributions into the DCRS, by members are based on an automatic deduction of 6.2% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions into the DCRS for the years ended September 30, 2024 and 2023 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 6.2% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

During the years ended September 30, 2024 and 2023, contributions made and amounts accrued under the DCRS amounted to \$170,004 and \$163,338, respectively. Of these amounts, \$134,165 and \$127,511 were contributed towards the unfunded liability of the DB Plan for the years ended September 30, 2024 and 2023, respectively.

Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 6.2% of the employee's base salary while employer contributions are actuarially determined.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Employee Benefits, continued

Other Post-employment Benefit (OPEB) Plan Description

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a single employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GGRF known as the GovGuam Group Health Insurance Program. GovGuam issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to the Government of Guam Department of Administration, Suite 224, 2nd Floor, ITC Building, 590 South Marine Corps Drive, or by visiting the Guam Department of Administration website – <https://da.doa.guam.gov/reports/guam-other-post-employment-benefits-opeb-reports>.

Membership: All employees of the Corporation who are members of the GGRF are members of the OPEB Plan.

Contributions: The Corporation is invoiced a portion of the medical and dental premiums. Retirees are required to pay a portion of the medical and dental insurance premiums.

Benefits: GovGuam provides postemployment medical, dental and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only.

Actuarial Assumptions: A summary of actuarial assumptions applied to all periods included in the measurement is shown below:

Inflation:	2.50% per year.
Healthcare cost trend rate:	Non-Medicare, Medicare claims and retiree contributions – 8% for FY2023, then 26%, 14% and 0% for FY2024, for non-medicare, medicare claims, and retiree contributions, respectively. 7% for FY2025, decreasing 0.5% per year to 4.5% in FY2030 and an ultimate rate of 4.1% for FY2031 and later years. The trend rates for Medicare Part B and Part D reimbursements are assumed to be 4.25% in year 1 and 3.64% in year 2 to reflect the actual changes in costs through October 1, 2024 and 4.25% per year in subsequent years.
Dental trend rates:	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Employee Benefits, continued

OPEB Plan Description, continued

Mortality rates: PUB-2010 Headcount-Weighted Mortality Table, set forward 4 years and 2 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.

Discount Rate: The discount rate used to measure the total OPEB liability was 4.09% and 4.02% for the years ended September 30, 2024 and 2023, respectively. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefits of current plan members. Therefore, the municipal bond rate at each year end was applied to all periods to determine the total OPEB liability.

OPEB liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

Expected Remaining Service Lives: Under GASB Statement No. 75, gains and losses that are deferred and amortized over future periods are presented as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining services lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period was calculated at 7.01 years. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

Total OPEB liability at the fiscal year presented for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2024	September 30, 2023
Measurement Date:	September 30, 2023	September 30, 2022
Valuation Date:	September 30, 2022	September 30, 2022

Collective total OPEB liability as of September 30, 2024 and 2023 is \$7,280,593 and \$6,153,837, respectively.

Proportionate share of collective total OPEB liability as of September 30, 2024 and 2023 is 0.27%.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Employee Benefits, continued

OPEB liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB, continued

For the years ended September 30, 2024 and 2023, the Corporation recognized OPEB expense reductions of \$101,794 and \$586,209, respectively.

As of September 30, 2024 and 2023, the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2024</u>		<u>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,113,993	\$(307,478)	\$ 479,911	\$(282,983)
Corporation contributions subsequent to the measurement date	157,623	---	119,961	---
Changes in assumption	246,018	(1,395,038)	561,374	(2,023,412)
Changes in proportion and difference between the Corporation contributions and proportionate share of contributions	<u>44,658</u>	<u>(339,303)</u>	<u>61,447</u>	<u>(823,691)</u>
	<u>\$ 1,562,292</u>	<u>\$(2,041,819)</u>	<u>\$ 1,222,693</u>	<u>\$(3,130,086)</u>

Deferred outflows of resources at September 30, 2024 and 2023, resulting from the Corporation's employer contributions totaled \$157,623 and \$119,961, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending September 30,</u>	
2025	\$(104,328)
2026	(185,370)
2027	(116,566)
2028	(173,108)
2029	(173,108)
Thereafter	<u>115,330</u>
	<u>\$(637,150)</u>

In the table above, positive amounts will increase OPEB expense, while negative amounts will decrease OPEB expense.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Employee Benefits, continued

OPEB Liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB, continued

Sensitivity analysis: The following presents the total OPEB liability calculated using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>3.09%</u>	<u>4.09%</u>	<u>5.09%</u>
Total OPEB liability	<u>\$8,439,353</u>	<u>\$7,280,593</u>	<u>\$6,340,205</u>

The following presents the total OPEB liability calculated using a healthcare cost trend rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$6,196,563</u>	<u>\$7,280,593</u>	<u>\$8,668,741</u>

Accrued Sick Leave

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. As of September 30, 2024 and 2023, the Corporation has accrued an estimated liability of \$86,464 and \$84,766, respectively, which is reported as a component of accrued compensated absences in the accompanying statement of net position. However, this amount is an estimate and actual payout could differ from those estimates.

8. Commitments and Contingencies

Commitments

As of September 30, 2024 and 2023, the Corporation has loan commitments totaling \$2,088,162 and \$2,026,616 respectively.

The Corporation leases office space from the Guam Economic Development Authority (GEDA) which calls for a monthly rental payment of \$10,057 and \$9,143 for the years ended September 30, 2024 and 2023, respectively. Lease is a year to year contract.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

8. Commitments and Contingencies, continued

Litigation

The Corporation is involved in certain litigation and management is of the opinion that liabilities of a material nature will not be realized.

As of September 30, 2024 and 2023, the Corporation reported claims under legal procedures for approximately \$337,059 and \$556,270, respectively, in which foreclosure, litigation or bankruptcy is involved. These claims are at various stages and the ultimate outcome is uncertain. Therefore, no additional provision for any potential liability that may result from these claims has been made in the accompanying financial statements.

Self-Insurance

The Corporation self-insures for all risks to Lada Gardens and Guma As-Atdas. A separate account was established to fund any damages that may arise in the future, to be increased on a monthly basis by the weighted-average yield of the Corporation's checking account. This amount is primarily invested in time certificate of deposits with original maturities greater than 90 days. Excess of losses over the fund is recognized in the year realized. At September 30, 2024 and 2023, the self-insurance fund totaled \$1,012,483 and \$986,096, respectively, as reported in the accompanying statements of net position.

9. Long-Term Liabilities

A summary of changes in long-term liabilities during fiscal years 2024 and 2023 is as follows:

	October 1, 2023	Increases	Decreases	September 30, 2024	Current	Noncurrent
Accrued compensated absences	\$ 272,632	\$ 147,064	\$ 150,035	\$ 269,661	\$ 123,726	\$ 145,935
Net pension liability	4,291,805	---	306,545	3,985,260	---	3,985,260
Lease liabilities	22,919	---	5,114	17,805	5,440	12,365
Total collective other						
post-employment benefit liability	6,153,837	1,126,756	---	7,280,593	---	7,280,593
Bonds payable	2,550,000	---	260,000	2,290,000	275,000	2,015,000
	<u>\$ 13,291,193</u>	<u>\$ 1,273,820</u>	<u>\$ 721,694</u>	<u>\$ 13,843,319</u>	<u>\$ 404,166</u>	<u>\$ 13,439,153</u>

	October 1, 2022	Increases	Decreases	September 30, 2023	Current	Noncurrent
Accrued compensated absences	\$ 231,029	\$ 176,987	\$ 135,384	\$ 272,632	\$ 128,171	\$ 144,461
Net pension liability	3,308,501	983,304	---	4,291,805	---	4,291,805
Lease liabilities	2,955	24,378	4,414	22,919	5,113	17,806
Total collective other						
post-employment benefit liability	7,696,588	---	1,542,751	6,153,837	---	6,153,837
Bonds payable	2,795,000	---	245,000	2,550,000	260,000	2,290,000
	<u>\$ 14,034,073</u>	<u>\$ 1,184,669</u>	<u>\$ 1,927,549</u>	<u>\$ 13,291,193</u>	<u>\$ 393,284</u>	<u>\$ 12,897,909</u>

Required Supplementary Information

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
(Unaudited)

Defined Benefit Plan

Last 10 Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Corporation's proportion of the net pension liability	0.21%	0.22%	0.23%	0.23%	0.24%	0.24%	0.23%	0.24%	0.24%	0.24%
Corporation's proportionate share of the net pension liability	\$ 2,921,256	\$ 3,329,795	\$ 2,231,269	\$ 2,916,016	\$ 2,902,759	\$ 2,823,658	\$ 2,616,172	\$ 3,256,011	\$ 3,472,473	\$ 2,948,762
Corporation's covered payroll	1,212,899	1,209,245	1,198,782	1,218,275	1,224,691	805,614	1,197,094	1,266,692	1,354,686	1,284,400
Corporation's proportionate share of the net pension liability as a percentage of its covered payroll	240.85%	275.36%	186.13%	239.36%	237.02%	350.50%	218.54%	257.00%	256.00%	230.00%
Plan fiduciary net position as a percentage of total pension liability	59.17%	54.45%	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Required Supplementary Information
Schedule of Contributions
(Unaudited)

Defined Benefit Plan

Last 10 Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 379,435	\$ 310,162	\$ 309,592	\$ 293,040	\$ 289,541	\$ 291,780	\$ 187,900	\$ 278,104	\$ 297,444	\$ 347,068
Contribution in relation to the contractually required contribution	<u>376,813</u>	<u>309,539</u>	<u>308,345</u>	<u>291,849</u>	<u>297,486</u>	<u>293,201</u>	<u>194,684</u>	<u>276,288</u>	<u>296,576</u>	<u>359,159</u>
Contribution excess (deficiency)	\$(<u>2,622</u>)	\$(<u>623</u>)	\$(<u>1,247</u>)	\$(<u>1,191</u>)	<u>7,945</u>	<u>1,421</u>	<u>6,784</u>	\$(<u>1,816</u>)	\$(<u>868</u>)	<u>12,091</u>
Corporation's covered payroll	869,037	642,353	627,837	704,033	718,892	684,407	230,135	310,135	304,556	296,475
Contribution as a percentage of the covered payroll	43.36%	48.19%	49.11%	41.45%	41.38%	42.84%	84.60%	89.09%	97.38%	121.14%

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Required Supplementary Information
Schedule of Proportionate Share of the Collective Total Pension Liability
(Unaudited)

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants

Last 10 Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Corporation's proportionate share of the collective total pension liability	\$ 665,292	\$ 635,438	\$ 723,904	\$ 837,705	\$ 799,484	\$ 644,322	\$ 600,954	\$ 518,756	\$ 522,556	*
Corporation's proportion of the collective total pension liability	0.25%	0.25%	0.23%	0.26%	0.25%	0.22%	0.21%	0.23%	0.22%	*

The Corporation's share of contributions to the Ad Hoc COLA/SA Plan for DB participants is based on amounts specified in Guam legislation and is not based on a portion of payroll.

*This data is presented for those years for which information is available.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Required Supplementary Information
Schedule of Contributions
(Unaudited)

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants

Last 10 Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 56,413	\$ 60,952	\$ 54,952	\$ 54,952	\$ 59,280	\$ 54,981	\$ 57,400	\$ 53,879	\$ 54,078	\$ 54,198
Contribution in relation to the contractually required contribution	<u>56,413</u>	<u>60,952</u>	<u>54,952</u>	<u>54,952</u>	<u>59,280</u>	<u>55,191</u>	<u>57,190</u>	<u>53,879</u>	<u>54,078</u>	<u>54,198</u>
Contribution excess (deficiency)	<u>\$ ---</u>	<u>\$ 210</u>	<u>\$ (210)</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>				

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Required Supplementary Information
Schedule of Proportionate Share of the Collective Total Pension Liability
(Unaudited)

Ad Hoc COLA Plan for DCRS Participants

Last 10 Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Corporation's proportionate share of the net pension liability	\$ 398,712	\$ 326,572	\$ 353,328	\$ 350,369	\$ 194,852	\$ 157,980	\$ 227,627	\$ 260,379	\$ 173,951	*
Corporation's proportion of the net pension liability	0.51%	0.54%	0.50%	0.53%	0.33%	0.32%	0.36%	0.42%	0.33%	*

*This data is presented for those years for which information is available.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Required Supplementary Information
Schedule of Contributions
(Unaudited)

Ad Hoc COLA Plan for DCRS Participants

Last 10 Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 16,100	\$ 15,400	\$ 12,000	\$ 12,000	\$ 12,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 4,000
Contribution in relation to the contractually required contribution	<u>16,100</u>	<u>15,400</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>4,000</u>
Contribution excess (deficiency)	<u>\$ ---</u>									

Guam Housing Corporation
 (A Component Unit of the Government of Guam)

Required Supplementary Information
Schedule of Proportionate Share
of the Collective Total Other Postemployment Benefit Liability
 (Unaudited)

Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Corporation's proportion of the collective total other postemployment benefit liability	0.27%	0.27%	0.28%	0.27%	0.29%	0.30%	0.46%	0.47%	0.49%	*
Corporation's proportionate share of the collective total other postemployment benefit liability	\$ 7,280,593	\$ 6,153,837	\$ 7,696,588	\$ 6,918,351	\$ 7,429,975	\$ 5,676,959	\$ 11,223,930	\$ 11,881,411	\$ 10,443,665	*

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Note to Required Supplementary Information
(Unaudited)

Changes in Assumptions – Pension Plans

Amounts reported in 2022 actuarial valuation reflected an assumption related to administrative expenses to increase to \$6,798,000 per year.

Amounts reported in 2021 actuarial valuation reflected an assumption related to administrative expenses to increase to \$6,565,000 per year.

Amounts reported in 2020 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,439,000 per year.

Amounts reported in 2019 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,860,000 per year.

Amounts reported in 2018 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,082,000 per year.

Amounts reported in the 2017 actuarial valuation reflect a change in assumption of payroll growth to 2.75% rather than 3%. The mortality, retirement age and disability assumption were changed to more closely reflect actual experience. Assumption related to administrative expense reflected an increase to \$6,344,000 per year and a revised allocation to the various pension plans to reflect actual experience.

Amounts reported in 2016 actuarial valuation reflect a change in assumption of administrative expenses to \$6,078,000 per year rather than \$5,806,000.

Amounts reported in 2015 actuarial valuation reflect a change in assumption of payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015. Amounts reported in 2014 reflect an adjustment of the expectations of salary increases, disability and retirement age to more closely reflect actual experience. The amounts reported in the 2011 actuarial valuation reflect an expectation of retired life mortality based on the RP-2000 Mortality Table rather than the 1994 U.S. Uninsured Pensioners Table, which was used to determine amounts reported prior to 2011. Amounts reported in 2011 also reflect a change in assumption on valuation of assets to a 3-year phase in for gains/losses relative to interest rate assumption from market value, with fixed income investments at amortized costs which was used to determine amounts reported prior to 2011.

Other Postemployment Benefit Plan

The information presented has no assets accumulated in a trust to pay related benefits.

Supplementary Information

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Combining Statement of Net Position

September 30, 2024

	<u>Housing</u>	<u>Rental</u>	<u>Combined Total</u>
Assets			
Current assets:			
Unrestricted assets:			
Cash and cash equivalents	\$ 3,091,292	\$ 876,327	\$ 3,967,619
Time certificate of deposits	1,704,000	---	1,704,000
Self-insurance fund	---	1,012,483	1,012,483
Loans receivable, net	980,618	---	980,618
Tenants receivable, net	---	16,943	16,943
Accrued interest receivable	70,081	27,755	97,836
Prepaid expenses and other	1,473	58,553	60,026
Foreclosed assets held for resale	102,082	---	102,082
Interdivision	<u>1,079,472</u>	<u>(1,079,472)</u>	<u>---</u>
Total unrestricted assets	<u>7,029,018</u>	<u>912,589</u>	<u>7,941,607</u>
Restricted assets:			
Cash and cash equivalents	2,517,965	1,520,386	4,038,351
Time certificate of deposits	347,000	---	347,000
Investments	168,168	---	168,168
Loans receivable, net	<u>83,704</u>	<u>---</u>	<u>83,704</u>
Total restricted assets	<u>3,116,837</u>	<u>1,520,386</u>	<u>4,637,223</u>
Total current assets	10,145,855	2,432,975	12,578,830
Loans receivable, net	21,652,917	---	21,652,917
Restricted other receivables	1,817,180	---	1,817,180
Depreciable capital assets	42,860	3,730,790	3,773,650
Non-depreciable capital assets	<u>---</u>	<u>2,934,227</u>	<u>2,934,227</u>
Total assets	33,658,812	9,097,992	42,756,804
Deferred outflows of resources			
Pension	662,712	432,737	1,095,449
Other postemployment benefits	<u>814,421</u>	<u>747,871</u>	<u>1,562,292</u>
Total deferred outflow of resources	<u>1,477,133</u>	<u>1,180,608</u>	<u>2,657,741</u>
Total assets and deferred outflows of resources	<u>\$ 35,135,945</u>	<u>\$ 10,278,600</u>	<u>\$ 45,414,545</u>

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Combining Statement of Net Position, continued

September 30, 2024

	<u>Housing</u>	<u>Rental</u>	<u>Combined Total</u>
Liabilities			
Current liabilities:			
Payable from unrestricted assets:			
Accounts payable and accrued expenses	\$ 82,777	\$ 215,800	\$ 298,577
Current portion of accrued compensated absences	68,567	55,159	123,726
Unearned revenue	45,207	14,829	60,036
Security deposits	---	61,073	61,073
Deposits by borrowers	49,214	---	49,214
Lease liabilities	4,830	610	5,440
Due to fiduciary fund	26,277	---	26,277
	<u>276,872</u>	<u>347,471</u>	<u>624,343</u>
Total payable from unrestricted assets			
Payable from restricted assets:			
Deferred revenue	46,464	1,520,386	1,566,850
Bonds payable	275,000	---	275,000
Accrued interest payable	10,973	---	10,973
Rebate liability	92,666	---	92,666
	<u>425,103</u>	<u>1,520,386</u>	<u>1,945,489</u>
Total payable from restricted assets			
Total current liabilities			
	<u>701,975</u>	<u>1,867,857</u>	<u>2,569,832</u>
Non-current liabilities:			
Payable from unrestricted assets:			
Non-current portion of accrued compensated absences	63,181	82,754	145,935
Net pension liability	2,360,071	1,625,189	3,985,260
Lease liabilities	11,103	1,262	12,365
Total collective other postemployment benefit liability	3,871,244	3,409,349	7,280,593
Payable from restricted assets - Bonds payable			
	<u>2,015,000</u>	<u>---</u>	<u>2,015,000</u>
Total non-current liabilities			
	<u>8,320,599</u>	<u>5,118,554</u>	<u>13,439,153</u>
Total liabilities			
	<u>9,022,574</u>	<u>6,986,411</u>	<u>16,008,985</u>
Deferred inflows of resources			
Pension	226,603	156,042	382,645
Other postemployment benefits	1,085,678	956,141	2,041,819
Total deferred inflows of resources	<u>1,312,281</u>	<u>1,112,183</u>	<u>2,424,464</u>
Net position			
Net investment in capital assets	42,860	6,665,017	6,707,877
Restricted for lending activities	4,719,385	---	4,719,385
Unrestricted	20,038,845	(4,485,011)	15,553,834
Total net position	<u>\$ 24,801,090</u>	<u>\$ 2,180,006</u>	<u>\$ 26,981,096</u>

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2024

	<u>Housing</u>	<u>Rental</u>	<u>Combined Total</u>
Operating revenues:			
Interest on loans receivable	\$ 1,151,012	\$ ---	\$ 1,151,012
Rental income	---	1,188,358	1,188,358
Interest income on deposits	154,784	49,604	204,388
Miscellaneous revenues	<u>82,128</u>	<u>37,612</u>	<u>119,740</u>
Total operating revenues	<u>1,387,924</u>	<u>1,275,574</u>	<u>2,663,498</u>
Operating expenses:			
Salaries	837,020	600,089	1,437,109
Other	609,697	42,308	652,005
Retirement and medicare contributions	423,355	127,082	550,437
Depreciation and amortization	5,970	232,311	238,281
Employee benefits, other than retirement	86,846	77,318	164,164
Interest expense on borrowings	141,642	---	141,642
Rent	127,062	---	127,062
Contractual services	40,645	35,658	76,303
Loss on investments held by bond trustees	73,703	---	73,703
Professional services	36,729	17,843	54,572
Maintenance	---	37,879	37,879
Bond trustee fees	16,029	---	16,029
Amortization of right-of use asset	4,876	609	5,485
Interest expense on lease liability	1,171	115	1,286
Director fees	550	---	550
Retiree supplemental and health benefits	<u>215,541</u>	<u>(286,515)</u>	<u>(70,974)</u>
Total operating expenses	<u>2,620,836</u>	<u>884,697</u>	<u>3,505,533</u>
Operating (loss) income	<u>(1,232,912)</u>	<u>390,877</u>	<u>(842,035)</u>
Nonoperating revenue - transfers from			
Department of Administration	<u>412,305</u>	<u>---</u>	<u>412,305</u>
(Decrease) increase in net position	<u>(820,607)</u>	<u>390,877</u>	<u>(429,730)</u>
Net position at beginning of year	<u>25,621,697</u>	<u>1,789,129</u>	<u>27,410,826</u>
Net position at end of year	<u>\$ 24,801,090</u>	<u>\$ 2,180,006</u>	<u>\$ 26,981,096</u>

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Salaries, Wages and Benefits

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Salaries, wages and benefits:		
Salaries	\$ 1,437,109	\$ 1,296,143
Retirement and Medicare contributions	550,437	361,384
Employee benefits, other than retirement	164,164	117,276
Retiree supplemental and health benefits	(<u>70,974</u>)	(<u>574,895</u>)
 Total salaries, wages and benefits	 <u>\$ 2,080,736</u>	 <u>\$ 1,199,908</u>
 Employees at end of year	 23	 22

Guam Housing Corporation
(A Component Unit of the Government of Guam)

First-time Homeowner Assistance Program

Year ended September 30, 2024

	Number of Grantees	Balance at September 30, 2023	Total Fund Allocated	Total Amount Disbursed	Interest Earned	Administration Fee	Others	Balance at September 30, 2024
American Rescue Plan Act	43	\$ ---	\$ 500,000	\$(412,305)	\$ ---	\$(41,231)	\$ ---	\$ 46,464
Department of Administration	16	182,496	---	(153,937)	402	(15,394)	(1,446)	12,121
Total	<u>59</u>	<u>\$ 182,496</u>	<u>\$ 500,000</u>	<u>\$(566,242)</u>	<u>\$ 402</u>	<u>\$(56,625)</u>	<u>\$(1,446)</u>	<u>\$ 58,585</u>

Year ended September 30, 2023

	Number of Grantees	Balance at September 30, 2022	Total Fund Allocated	Total Amount Disbursed	Interest Earned	Administration Fee	Others	Balance at September 30, 2023
Guam Housing Corporation	---	\$ 1,510	---	\$(1,510)	\$ ---	\$ ---	\$ ---	\$ ---
Department of Administration	38	302,845	277,939	(364,774)	578	(36,477)	2,385	182,496
Total	<u>38</u>	<u>\$ 304,355</u>	<u>\$ 277,939</u>	<u>\$(366,284)</u>	<u>\$ 578</u>	<u>\$(36,477)</u>	<u>\$ 2,385</u>	<u>\$ 182,496</u>

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Management and the Board of Directors
Guam Housing Corporation

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guam Housing Corporation (the Corporation), which comprise the statement of net position as of September 30, 2024, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 6, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

June 6, 2025