

*Financial Statements and Required Supplementary
Information*

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

*Years Ended September 30, 2023 and 2022
with Report of Independent Auditors*



Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Financial Statements and Required Supplementary Information

Years Ended September 30, 2023 and 2022

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Report of Independent Auditors

Board of Commissioners
Guam Housing and Urban Renewal Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Guam Housing and Urban Renewal Authority (GHURA), a component unit the Government of Guam, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise GHURA'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 financial position of GHURA at September 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 GHURA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 GHURA's ability to continue as a going concern for 12 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 opinion. 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 GHURA'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 GHURA'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 of America require that the Management's Discussion and Analysis on pages 4 through 26 as well as the Schedules of Proportionate Share of the Net Pension Liability on pages 66 through 68, the Schedule of Pension Contributions on page 69, the Schedule of Proportionate Share of the Total OPEB Liability on page 70, and the Schedule of OPEB Employer Contributions on page 71 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 auditing standards generally accepted in the United States of America, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2024, on our consideration of GHURA'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 GHURA'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 GHURA's internal control over financial reporting and compliance.

Ernst + Young LLP

June 26, 2024

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis

Years ended September 30, 2023 and 2022

As the management of the Guam Housing and Urban Renewal Authority (GHURA), a component unit of the Government of Guam (GovGuam), we offer readers of this narrative overview and analysis of the financial activities of GHURA for the fiscal year ended September 30, 2023.

The annual financial report consists of four parts - management's discussion and analysis (this section), the basic financial statements, the accompanying footnotes, and the supplementary information.

PROFILE OF THE AUTHORITY

Our Mission

To assure the availability of quality housing for low-income persons, to promote the civic involvement and economic self-sufficiency of residents, and to further the expansion of affordable housing on Guam.

General Information

Created in 1962, GHURA's goal is to provide adequate housing and planning for those who live in our community and receive assistance through our various rental and home ownership programs. Our programs are designed to support our clients and enable them to fulfill goals for themselves and their families. Our goal is to create opportunities for our client's successful participation in the workforce and housing in the private/public sector.

GHURA's staff (of approximately 121 Full Time Equivalent) is committed to excellence in the foundation for facilitating our clients' goals. We aggressively pursue partnerships with public and/or private entities to allow for the implementation of programs beneficial to our clients.

Neighborhood by neighborhood, we are changing the definition of public housing. Public housing no longer means fencing off a property where no one from outside the "project" dares to wander in. Today, it means modernizing our developments that blend in and become part of the surrounding community.

At GHURA, we welcome constructive suggestions on how we can improve our services. We look forward to meeting the affordable housing needs for the island of Guam.

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

Overview of the Financial Statements

The management's discussion and analysis are intended to serve as an introduction to GHURA's basic financial statements. GHURA's basic financial statements are comprised of two components: 1) authority-wide financial statements; and 2) notes to the financial statements.

Authority-Wide Financial Statements

GHURA-wide financial statements are designed to provide readers with a broad overview of GHURA's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of GHURA's assets and liabilities with the difference between the two reported as net position. The Statement of Net Position reports all financial and capital resources for GHURA. The statement is presented in the format where assets, minus liabilities, equal "Net Position", formerly known as Net Assets. Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Non-Current". The focus of the Statement of Net Position (the "*Unrestricted Net Position*") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly net assets) is reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position".

GHURA-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense. The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the authority-wide financial statements.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than fund types. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. GHURA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. GHURA has only one fund type, namely an Enterprise fund. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

GHURA's FUNDS

Public Housing – Asset Management Properties

Public Housing was established to provide decent, safe, and sanitary rental housing for eligible families, the elderly, and persons with disabilities. Public Housing comes in all sizes and types – from scattered single-family houses to clustered units for elderly families or persons with disabilities. The Public Housing Program is operated under an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) GHURA's flat rent amount.

GHURA owns and operates 750 Public Housing units consisting of four Asset Management Properties (AMP): AMP 1 Central Site Base, AMP 2 - Southeast Site Base, AMP 3 – Southwest Site Base, and AMP 4 - Northern Site Base. These site bases consist of the following developments:

AMP 1 – Site Base consists of 158 units located at Sinajana, Agana Heights, Mongmong, and Asan.

AMP 2 – Site Base consists of 163 units located at Yona, Inarajan, and Talo'fo'fo and Talo'fo'fo Elderly.

AMP 3 – Site Base consists of 195 units located at Agat, Agat Elderly, Merizo, Merizo Elderly, and Umatac.

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Management's Discussion and Analysis, continued

Public Housing – Asset Management Properties, continued

AMP 4 – Site Base consists of 234 units located at Toto, Dededo, and Dededo Elderly.

Each AMP has a Property Site Manager directly responsible for their respective property management activities. Collectively, each individual AMP's property management activities include budgeting, oversight and monitoring of daily operations, overall maintenance of rental units, and the upkeep of common areas within their respective developments. In addition, each AMP also has asset management responsibilities that include short- and long-term capital improvement planning, review of finances, monitoring fixed assets and consumable stock, regulatory compliance, and planning for the long-term sustainability of the program. Property Site Managers oversee resident services, work orders, income reexaminations, evictions, and other matters.

The intention of working under an AMP system is to improve the short-term and long-term management of public housing through more accurate information and better decision-making, thus, expanding the viability of the public housing program over a long-term period. By converting to the AMP system, we now have three main advantages to offer our clients: increased efficiency, improved accountability, and better planning for the future.

GHURA is dedicated to providing quality public and affordable housing for all. Each development is a special place, reflecting the rich diversity in the experiences and backgrounds of our residents and the surrounding neighborhoods. We welcome people from many walks of life and enjoy being part of their lives in a meaningful way by providing decent, safe, sanitary, and affordable housing. We work diligently to create positive living environments to enhance the quality of life for our residents.

Guam Housing and Urban Renewal Authority
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Management’s Discussion and Analysis, continued

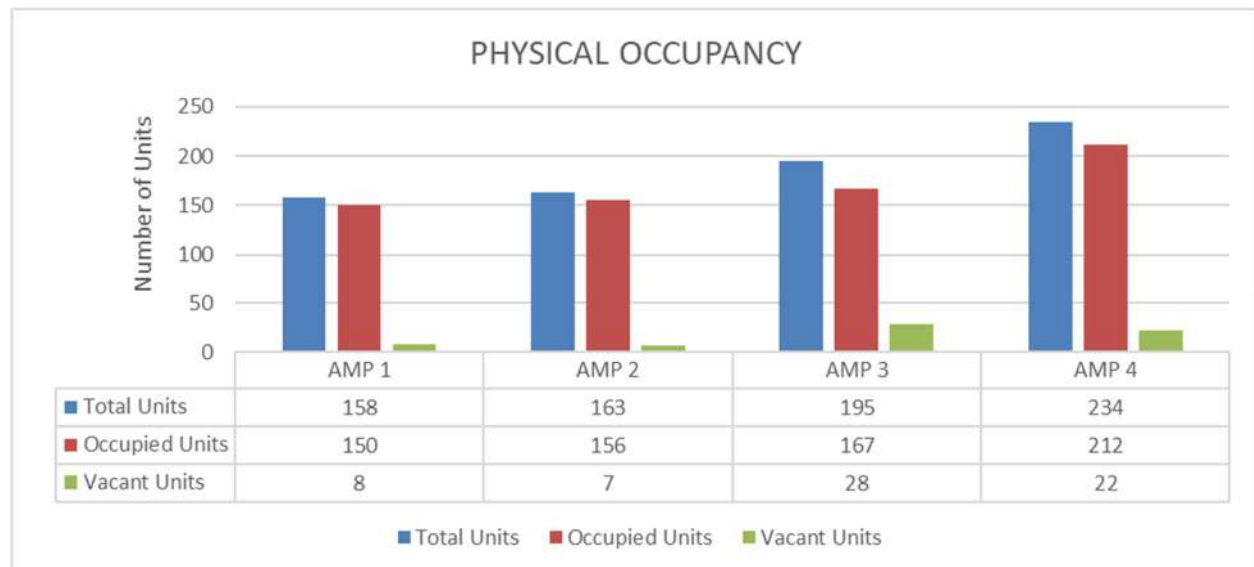
Public Housing – Asset Management Properties, continued

Head of Household Nationality (By birthplace only)

| | AMP1 | AMP2 | AMP3 | AMP4 |
|---|------|------|------|------|
| FEDERATED STATES OF MICRONESIA (Includes Chuuk, Pohnpei, and Yap) | 44 | 65 | 56 | 98 |
| GUAM | 72 | 70 | 82 | 64 |
| JAPAN | 0 | 0 | 1 | 0 |
| KOREA | 1 | 1 | 2 | 6 |
| MARSHALL ISLANDS | 3 | 1 | 2 | 0 |
| COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS (Includes Rota, Saipan, and Tinian) | 13 | 6 | 6 | 9 |
| PALAU | 1 | 0 | 0 | 5 |
| PHILIPPINES | 5 | 4 | 11 | 25 |
| SAMOA | 0 | 1 | 0 | 1 |
| US | 9 | 2 | 9 | 8 |
| OTHER | 2 | 2 | 3 | 6 |
| GRAND TOTAL | 150 | 152 | 172 | 222 |

The chart below reflects the diversity of families within our developments.

At the end of FY 2023, GHURA had 685 units occupied with 91% occupancy rate and an adjusted rate of 96% with 34 units under modernization. For the fiscal year ended September 30, 2023, GHURA received \$5.5 million in Operating Subsidy funds.



Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

Capital Fund Program

GHURA maintains its public housing inventory as a safe and habitable source of affordable housing through the development of annual Capital Improvement Plan. Through the Capital Fund Program, GHURA receives an annual formula grant of approximately \$3.2 million (based on the most recent grant) to implement such plan.

HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by GHURA. The funds are used for repairs, major replacements, upgrading and other nonroutine maintenance work that needs to be done on GHURA's dwelling units to keep them clean, safe, and in good condition. A portion of the funds may also be used to support operations and to make improvements in the management and operation of GHURA.

Section 8 Housing Choice Voucher Program (HCV)

GHURA administers the federally-funded Section 8 Housing Choice Voucher (HCV) Program. The program provides rental assistance to very low-income families, the elderly, and disabled participants to help them afford decent, safe, and sanitary housing in the private market. The HCV Program forged four-way partnerships between the U.S. Department of Housing and Urban Development (HUD), the Housing Authority, the owner, and the family to ensure consistency and smooth delivery of services. HUD is responsible for developing the rules and regulations of the program, allocating the funds for the Public Housing Authority (PHA) to administer the HCV program, providing technical assistance to the PHA, and monitoring and enforcing compliance. The PHA is responsible for implementing the HCV Program by HUD regulations and the established Administrative Plan, processing and paying out the rental assistance on time, ensuring the family complies with program requirements, and ensuring the owner maintains the housing quality standards of the unit. The owner is responsible for screening and selecting the tenant, maintaining the assisted unit, and enforcing the lease agreement. The Section 8 participant is responsible for keeping their obligations as tenants and as a Section 8 participant and paying their share of the rent. In most cases, GHURA pays approximately 70 percent of rental assistance to the owner on behalf of the eligible family, and the participant pays 30 percent based on the family's monthly adjusted income.

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

Section 8 Housing Choice Voucher Program (HCV), continued

GHURA administers a combined total of 2,723 HCV and special voucher programs; in 2023, the average utilization rate of vouchers is 96%, and the Housing Assistance funding utilization rate is 102%. At the start of 2023, GHURA was awarded 20 new vouchers: 15 under the mainstream program and 5 for the regular HCV Program. GHURA now administers:

- 2,113 regular Housing Choice Vouchers
- 112 Project-based Vouchers
- 30 Mainstream Vouchers
- 175 Non-elderly Disabled Vouchers
- 130 Family Unification Program Vouchers (FUP)
- 76 Veteran Affairs Supportive Housing Voucher
- 87 Emergency Housing Vouchers

GHURA established a waiting list for the HCV program in July 2020 using a lottery system. Over 64 percent of 1,800 applicants on the wait list have been served, and the remaining 36 percent will be served before 2024. As required, GHURA must select families off the waiting list per GHURA's selection policy. After everyone is selected off the waiting list, GHURA must re-establish a new waiting list. Selection of families is dependent on the availability of vouchers. At the end of October 2023, the annualized attrition rate of families leaving the HCV program is 9.19 percent. As families leave the program, GHURA re-issues vouchers to maintain the required leasing of vouchers. Consequently, a total of 685 vouchers were issued to families throughout the year, with only 86 percent successfully finding suitable rental units. Families have reported difficulty finding a unit, particularly one-bedroom units, due to the limited availability of units on the island.

Participant Demographics

The Section 8 Housing Choice Voucher Program housed 10,322 individuals. The demographic breakdown of those assisted in CY2023 is as follows:

- 2,005 families with female heads of households
- 537 families with making the head of households
- 2,324 identified as Native Hawaiian or Pacific Islanders, 225 were Asians, 39 were White, and 10 were black
- Predominantly, 1,853 heads of households are between the ages of 25 and 54 of age; 547 are between the ages of 55 and 74; 71 are between the ages of 18 and 24, and 71 are over the age of 75 years old
- 1,850 of those assisted are a family unit, 343 are couples, and 349 are single occupants
- 1,256 of those assisted pay a share of \$0 to \$100; 266 pay a share between \$101 to \$200; 253 pay a share of \$201 to \$300; and 194 pay a share between \$301 to \$400
- The average family income is \$28,470.42

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

Voucher Leasing Challenges

Commonly, many Section 8 families looking for a decent, safe, and sanitary rental within the first 60 days had trouble due to the limited inventory of available units in the private market. Those requiring one-bedroom units have a tough time finding a unit to rent. Individuals with a disability and single occupants take more than 60 days to find a unit. In Calendar Year 2023, the rental breakdown per unit size is summarized below:

- 311 participants are renting a studio or one-bedroom unit
- 653 participants are renting two-bedroom units
- 1,015 participants are renting three-bedroom units
- 432 participants are renting four-bedroom units
- 114 participants are renting five-bedroom units, and
- Only 12 participants are renting six-bedroom units

For a person with a disability, finding a unit to rent includes the limited number or lack of ADA-compliant units. The Section 8 Program has reportedly assisted at least 349 families with a disability or handicap and 365 elderly adults (over 62). Most require additional time of more than 120 days to find a unit to rent.

Other challenges reported by the families searching for a unit included the inability to hook up or maintain the connection to utilities due to the high cost of utilities. Families must pay the connection or re-connection fees on top of a deposit and monthly usage billing. Additionally, most landlords require a deposit, which families do not have or cannot raise immediately. Some landlords who understand the plight of the families, often work out a plan for the families to pay the deposit through installments on top of their monthly share.

Family Self-Sufficiency (FSS) Program

The FSS Program enables families assisted through the Section-8 Housing Choice Voucher (HCV) and Public Housing programs to increase their earned income and reduce their dependency on welfare assistance and rental subsidies. The program works in collaboration with its Program Coordinating Committee (PCC) to link FSS families with services from public and private resources. The FSS Contract of Participation is voluntary and typically lasts up to five-years, with the possibility of a two-year extension. Further, the contract delineates specific rights and responsibilities, as well as goals and services for the family.

To accomplish its goals and achieve desired results, FSS Program Coordinators focus on two main objectives: Case Management and Financial Coaching Services with a financial incentive. FSS Program Coordinators work closely with program participants to identify their financial and employment related goals, and then link them with services and other resources necessary to assist them in completing those goals. Examples of the services coordinated through the program include: child-care, transportation, education, job training, employment counseling, financial literacy, and homeownership counseling, among others.

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

Family Self-Sufficiency (FSS) Program, continued

Under the financial incentive, the PHA generally deposits an amount equal to the increase in rent due to the family's increased earnings into a FSS escrow savings account. This allows FSS participants to build savings automatically over time. As the household earned income increases, so too does their escrow savings. Monies are disbursed to the family once the Contract of Participation is completed.

FSS Coordinators continue to employ several unique processes to ensure continuity of services for FSS families. Families are provided case management, coaching, education, job search and career development workshops, as well as linkage to additional needed services. The program continues to offer families virtual based one-to-one virtual orientations, presentations, enrollments, assessments, and service coordination, as well as progress-based appointments. Additionally, Coordinators continued to execute an aggressive outreach campaign (virtually, and via telephone, email, and quarterly newsletters) to ensure that FSS families were continuously made aware of essential services and resources available to them.

Through continued collaboration with Program Coordinating Committee (PCC) partners, FSS families were able to avail of virtual Budgeting workshops, virtual and in-person job fairs, career development workshops, and academic advisement services, as well as both virtual and in-person cost-free training opportunities, which provide both certifications and job placement.

At 2023's end, the FSS Program enrolled 32 new families, and serviced a total of 148 (113 Section-8 HCV and 35 Public Housing) participants. Of these, approximately 69% of Section 8 HCV families and 53% of Public Housing families participating in the FSS program were holding escrow balances. Furthermore, the FSS Program successfully graduated three (3) FSS families from the program for effectively fulfilling the conditions of the program, achieving all their named goals and activities, and completing their respective Individual Training & Services Plan (ITSP). The total escrow payout for these five families was approximately \$22,076. The most noteworthy pay-out for 2023 was approximately \$11,262.

Supportive Housing for the Elderly (Guma Trankilidat Project)

The Guma Trankilidat Project is an elderly housing rental program, consisting of 50 dwelling units (49 one-bedroom and 1 two-bedroom unit). Construction of Guma Trankilidat Project was financed through a loan from the U.S. Department of Agriculture Section 515 Rural Rental Housing Program for \$2 Million and amortized for a 50-year period beginning March 26, 1980. Annual rental subsidies of approximately \$700 thousand are provided through project-based vouchers through HUD's Multifamily Housing Program. These subsidies cover both the annual operating expenses and mortgage payments.

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

Supportive Housing for the Elderly (Guma Trankilidat Project), continued

In compliance with Federal Regulations, a Capital Needs Assessment (CNA) and Section 504 Transition Plan was conducted in October 2013. An estimate of \$2.6 Million was identified to address improvement to operate over the next 20 years. GHURA has identified funding in Project Reserves to address this requirement.

Of the 50 dwelling units, a total of 28 units have been upgraded and completed to date for a total cost of \$540,400. Phase V is in process to renovate another (8) eight units.

Phase I – 6 unit completed on May 31, 2018; total cost \$84,300

Phase II – 6 units completed on December 11, 2018; total cost \$94,000

Phase III – 8 units completed on December 12, 2021; total cost \$151,300

Phase IV – 8 units completed on February 18, 2022; total cost \$210,800

Phase V – 8 units were budgeted for Fiscal Year 2023; Upgrade to be completed in FY2024 total cost \$224,450

Community Planning and Development Funds

Of the many HUD-funded activities administered by GHURA, the activities funded through the HUD Office of Community Planning and Development (CPD) represents the greatest diversity of projects engaged to benefit low and moderate-income populations and special needs populations. These funds find their way into the community to support activities that meet the needs of persons over a multitude of diverse economic and social backgrounds from the homelessness to permanent unsupported housing.

Guam is the Grantee recipient of HUD entitlement awarded funds administered by CPD. These funds are provided to communities to address housing and community needs in Guam. To address these needs, Guam composes an Annual Action for the use of funds to meet goals and objectives identified by Guam in a five-year Consolidated Plan. GHURA is the administrator of these funds for the Government of Guam. The funds administered by HUD CPD provided to Guam are formula grants – the Community Development Block Grant (CDBG); the Home Investment Partnership Grant (HOME); and the Hearth Emergency Solutions Grant (HESG). GHURA also administers funds competitively awarded under the Continuum of Care (CoC) Program to address the needs of homeless populations and Housing Trust Fund (HTF) Program funds intended to support the housing needs of extremely low-income persons.

Guam Housing and Urban Renewal Authority
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Management’s Discussion and Analysis, continued

Community Planning and Development Funds, continued

In fiscal year 2023, a total of \$4,546,371 was allocated to Guam for eligible projects and activities under the CDBG, HOME, HESG, and HTF programs. Project selection was based on the review of applications submitted by community groups for activities, which would satisfy the needs and goals outlined in the report “*Guam Consolidated Plan (2020-2024)*”. CoC funds totaling \$1,443,311 were approved for activities in fiscal year 2023 submitted as a competitive consolidated application.

Community Development Block Grants

GHURA engages in community development activities for the benefit of low- and moderate-income populations and special needs populations across the island. CDBG funds in the reporting year were used to fund ongoing public facilities improvements and public service programs such as the following:

Public Facilities

- (1) Continuation of a project to design and develop a public facility and transitional housing in the village of Dededo.
- (2) Continuation of a project to construct a new basketball court in the village of Inalahan.
- (3) Continuation of a project to construct a new Central Community Arts Hall to be in the village of Sinajana to regionally serve Guam’s central villages.
- (4) Continuation of a project to construct a new fire station to be in the village of Sinajana.
- (5) Continuation of a project to construct a new police substation to be in the village of Talo’fo’fo to improve access to services by residents of southeastern Guam presently served by the Agat (Hågat) Police Precinct.

Public Service –

- (6) The Salvation Army Guam Corp (TSA) received funds for The Lighthouse Recovery Center (LRC) to support the operations of a transitional shelter for persons with special needs, being men of low/moderate income in recovery from substance abuse, and to provide outpatient support services for both men and women in recovery.
- (7) TSA received match funding to support the operation of the Homeless Management Information System (HMIS). TSA operates Guam’s HMIS system, the repository for data that tracks the assistance provided to the island’s homeless through the various government and non-profit service providers. Public service funds are used to satisfy match requirements for TSA’s receipt of CoC funds for HMIS.
- (8) TSA’s Family Service Center/One-Stop Homeless Assistance Center (FSC/One-Stop) received funds for operations as they administer homeless prevention and rapid re-housing services separately awarded under HESG.

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Management's Discussion and Analysis, continued

Community Development Block Grants, continued

- (9) Manelu received funds for The Opportunity Initiative, a program providing on-site enrichment activities and curriculum-based programs to enhance work readiness and literacy skills for youth and adults.
- (10) GHURA provided one-to-one counseling, homebuyer education, group education, and case management to eligible families participating under the HOME, HCV/Section 8, and Public Housing programs.

Program Administration and Consolidated Planning –

- (11) GHURA utilized CDBG funds in the administration and planning of CDBG activities.

Hearth Emergency Solutions Grant (HESG)

In FY2023, HESG funded activities serving homeless populations and those individuals and families at or below 30% of Area Median Income. HESG funds were used to provide homeless prevention to income-eligible individuals and families, and rapid re-housing services to homeless individuals and families and for program administration.

Cares Act Funds (CDBG-CV and HESG-CV)

Covid CARES Act funds were provided to eligible jurisdictions to prepare, prevent, and respond to the Coronavirus Pandemic. These funds continued to be utilized through the FY2023 period in support of vulnerable populations eligible under the CDBG and HESG programs under program-specific Covid waivers.

Guam uses CARES Act Funds to address the needs of eligible individuals and households negatively impacted by the Pandemic. CDBG-CV and HESG-CV funds were used for such activities as job training and re-training services, street outreach, rapid-rehousing and homeless prevention activities, the lease of a non-congregate shelter, case management services, homeless management information system support and program administration.

Continuum of Care Grant Funds

In FY2023, GHURA received competitive grant funds for the support of homeless persons. Two projects not renewed for funding in FY2023 were the DV Bonus and Guma' Manhoben projects, while one new project was added to the slate.

Projects funded for the current fiscal year are:

1. Anchor of Hope. Funds are used to provide rental assistance and support services to homeless individuals with disabilities.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Continuum of Care Grant Funds, continued

2. Coordinated Entry System. Funds used to develop and implement the Coordinated Entry System utilizing the Homeless Management Information System (HMIS). Coordinated entry is a process developed to ensure that all people experiencing a housing crisis have fair and equal access and are quickly identified, assessed for, referred, and connected to housing and assistance based on their strengths and needs.
3. Continuum of Care Planning Costs. GHURA is designated to administer HUD funds on behalf of GovGuam. As the designated Collaborative Applicant, GHURA coordinates CoC activities, conducts monitoring of CoC for program performance and compliance, and provides guidance and assistance to address homelessness.
4. Planning. The Guam CoC received funds to strengthen their planning capabilities in support of the delivery of services by the recipients of CoC funds.
5. Homeless Management Information System (HMIS). HMIS is the data repository to record the provision of services and track participants receiving assistance for homelessness. The service is intended as a tool to improve the provision of services by the numerous service providers.
6. Housing First Rental Assistance Program-provides rental voucher assistance to homeless individuals. To qualify for assistance, participants must be homeless and disabled by chronic alcohol or drug problems, serious mental illness, or other disabilities. In addition to receiving a rental subsidy, participants receive support services through a network of local service agencies.
7. Manhali' Project - the Manhali' Project is a new project. Manhali' will assist individuals to obtain and maintain permanent housing. The Manhali' Project to be operated by WestCare Pacific Islands (WPI). WPI will provide permanent supportive housing services to clients enrolled WPI homeless support services programs. WPI will use Manhali' Project funds to provide tenant based rental assistance and supportive case management.
8. Y Jahame Permanent Housing Program is an 8-unit project-based permanent housing program for homeless persons with disabilities.

Low-Income Housing Tax Credit Program

The Low-Income Housing Tax Credit (LIHTC) Program, created by the Tax Reform Act of 1986, is intended to encourage the construction or rehabilitation of low-income rental units. The regulations that govern this program are contained in Section 42 of the Internal Revenue Code (the "Code" or IRC). The LIHTC Program provides Federal tax credits to qualified project owners who agree to maintain all or a portion of a project's units for low-income individuals or families.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Low-Income Housing Tax Credit Program, continued

GHURA is the recognized state housing credit agency authorized to allocate LIHTC Program credits in Guam. GHURA has been designated as the agency responsible for the administration of the LIHTC program. The LIHTC Program assists in the development of low-income rental housing by providing qualified owners with tax credits to offset their federal tax obligations. LIHTC Program credits are available to owners of qualifying buildings and projects that meet certain low-income occupancy rent restrictions. Tax credits are allocated to eligible jurisdictions by the Internal Revenue Service on an annual basis.

The latest application cycle yielded two projects for award. The two projects will result in the development of 192 units of new affordable rental housing. The first project for 64 units is complete and has been placed in service, the first project to be in the village of Barrigada. The second project awarded will yield 128 units in NCS, Dededo, a prime location for rental housing development.

Since 2005, the LIHTC Program has been a primary tool in support of affordable rental housing development in Guam. The LIHTC Program has contributed to the construction of over 1,100 units of affordable housing in northern and central Guam.

HOME Investment Partnerships Program (HOME)

Guam continues to support affordable housing through homebuyer, rental and homeowner programs utilizing HOME Investment Partnerships Program (HOME) funding. Guam reports the following for this period:

First Time Homebuyer Program

Guam has completed the construction of 2 single family units. Guam amended the approved plan for program year 2020 and 2021 to offer subsidy and/or financing to reduce the purchase or construction prices of homes for eligible first-time homebuyers. Guam will provide subsidies and/or financing with established thresholds within regulatory limits. The program will permit acquisition with or without rehabilitation, new construction without acquisition (private or government land), new construction or reconstruction. Guam will impose a Recapture Provision on assisted properties. Guam also conducted a marketing campaign with local lenders and other government agencies to promote the HOME program and offer leveraging designs.

Rental

Guam has received approval for 2022 program year funding to address a rental shortage on the island. Guam is actively pursuing acquisitions for rental purposes.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

HOME Investment Partnerships Program (HOME), continued

Homeowner Rehabilitation

Guam has determined this program requires amendments to the policy to address the rise in construction and material costs. Guam is in the process of amending this policy and identifying funding to address private eligible homeowners need for assistance in rehabilitating the substandard conditions of their principal residence.

Authority-Wide Financial Statements

Statements of Net Position

The following summary presented below reflects the condensed 2021 to 2023 Statements of Net Position. GHURA is engaged only in Business-Type Activities.

GHURA's Net Position
As of September 30
Table 1

| | | | \$ | % Change | |
|----------------------------------|----------------------|----------------------|----------------------------------|------------------------|----------------------|
| | 2023 | 2022 | Change FY2022 to FY2023 | FY2022 to FY2023 | 2021 |
| Current and Other Assets | \$ 43,861,314 | \$ 45,822,595 | \$ (1,961,281) | -4.28% | \$ 28,296,933 |
| Capital Assets | 18,989,486 | 18,737,414 | 252,072 | 1.35% | 17,511,594 |
| Other Real Estate | 2,462,887 | 2,462,887 | - | 0.00% | 2,532,193 |
| Total Assets | <u>65,313,687</u> | <u>67,022,896</u> | <u>(1,709,209)</u> | <u>-2.55%</u> | <u>48,340,720</u> |
| Deferred Outflows of Resources | <u>10,668,510</u> | <u>8,124,156</u> | <u>2,544,354</u> | <u>31.32%</u> | <u>9,547,261</u> |
| | <u>\$ 75,982,197</u> | <u>\$ 75,147,052</u> | <u>\$ 835,145</u> | <u>1.11%</u> | <u>\$ 57,887,981</u> |
| Current and Other Liabilities | \$ 38,533,047 | \$ 36,828,281 | \$ 1,704,766 | 4.63% | \$ 37,162,794 |
| Long-Term Debt | 11,948,705 | 11,996,098 | (47,393) | -0.40% | 3,229,968 |
| Total Liabilities | <u>50,481,752</u> | <u>48,824,379</u> | <u>1,657,373</u> | <u>3.39%</u> | <u>40,392,762</u> |
| Deferred Inflows of Resources | <u>\$ 7,377,598</u> | <u>\$ 5,355,290</u> | <u>\$ 2,022,308</u> | <u>37.76%</u> | <u>\$ 5,580,958</u> |
| Net Position: | | | | | |
| Net Investment in Capital Assets | 22,021,078 | 20,542,203 | 1,478,875 | 7.20% | 19,301,819 |
| Restricted | 26,247,946 | 29,745,730 | (3,497,784) | -11.76% | 19,192,375 |
| Unrestricted | (30,146,177) | (29,320,550) | (825,627) | 2.82% | (26,579,933) |
| Total Net Position | <u>18,122,847</u> | <u>20,967,383</u> | <u>(2,844,536)</u> | <u>-13.57%</u> | <u>11,914,261</u> |
| | <u>\$ 75,982,197</u> | <u>\$ 75,147,052</u> | <u>\$ 835,145</u> | <u>1.11%</u> | <u>\$ 57,887,981</u> |

Total assets and deferred outflows of resources of GHURA as of September 30, 2023 amounted to \$75,982,197 an increase of \$835,145 or 1.11% as compared to \$75,147,052 as of September 30, 2022. Cash and cash equivalents as of September 30, 2023 totaled \$23,467,069 a decrease of \$1,953,128 or approximately 7.7% as compared to \$25,420,197 as of September 30, 2022.

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

Statements of Net Position, continued

While the results of operations are a significant measure of GHURA's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change in financial well-being.

Table 2 presents details on the change in Unrestricted Net Position for the fiscal years ended September 30, 2021 to 2023. (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.

GHURA's Change in Unrestricted Net Position
Years Ended September 30
Table 2

| | | | \$ Change FY2022 to FY2023 | % Change FY2022 to FY2023 | |
|--------------------------------------|-------------------------------|-------------------------------|--|---------------------------------------|-------------------------------|
| Unrestricted Net Position, Beginning | \$ (29,320,550) | \$ (26,579,933) | \$ (2,740,617) | 10.3% | \$ (26,767,699) |
| Change in Net Position | (2,844,536) | 9,053,122 | (11,897,658) | -131.4% | 942,881 |
| Adjustments: | | | | | |
| Depreciation | <u>1,527,106</u> | <u>1,458,548</u> | <u>68,558</u> | <u>4.7%</u> | <u>1,988,678</u> |
| Adjusted Change in Net Position | (1,317,430) | 10,511,670 | (11,829,100) | -112.5% | 2,931,559 |
| Change in Restricted Net Position | 3,497,784 | (10,553,355) | 14,051,139 | -133.1% | (912,741) |
| Investment in Capital Assets, net | (2,916,588) | (2,615,062) | (301,526) | 11.5% | (1,751,448) |
| Repayment of Long-Term Debt | <u>(89,393)</u> | <u>(83,870)</u> | <u>(5,523)</u> | <u>6.6%</u> | <u>(79,604)</u> |
| Net Change | <u>(825,627)</u> | <u>(2,740,617)</u> | <u>1,914,990</u> | <u>-69.9%</u> | <u>187,766</u> |
| Unrestricted Net Position | \$ <u>(30,146,177)</u> | \$ <u>(29,320,550)</u> | \$ <u>(825,627)</u> | <u>2.8%</u> | \$ <u>(26,579,933)</u> |

Statements of Revenues, Expenses and Change in Net Position

The following summary presented below reflects the condensed 2021 to 2023 Statements of Revenues, Expenses and Changes in Net Position.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Statements of Revenues, Expenses and Change in Net Position, continued

GHURA's Change in Net Position
Years Ended September 30
Table 3

| | 2023 | 2022 | \$ Change FY2022 to FY2023 | % Change FY2022 to FY2023 | 2021 |
|------------------------------|-------------------|-------------------|--|------------------------------------|-------------------|
| Revenues: | | | | | |
| Operating and Capital Grants | \$ 62,334,117 | \$ 64,444,721 | \$ (2,110,604) | -3.28% | 51,984,374 |
| Tenant Rental Revenue | 1,408,780 | 1,217,579 | 191,201 | 15.70% | 798,387 |
| Other Operating Revenues | 973,984 | 3,119,513 | (2,145,529) | -68.78% | 797,871 |
| Non-Operating Revenues | <u>258,815</u> | <u>1,088,905</u> | <u>(830,090)</u> | -76.23% | <u>601,822</u> |
| Total Revenues | <u>64,975,696</u> | <u>69,870,718</u> | <u>(4,895,022)</u> | -7.01% | <u>54,182,454</u> |
| Expenses: | | | | | |
| Housing Assistance Payments | 46,674,141 | 41,170,222 | 5,503,919 | 13.37% | 38,049,419 |
| Other Operating Expenses | 20,461,136 | 19,552,378 | 908,758 | 4.65% | 15,136,965 |
| Non-Operating Expenses | <u>684,955</u> | <u>94,996</u> | <u>589,959</u> | 621.04% | <u>53,189</u> |
| Total Expenses | <u>67,820,232</u> | <u>60,817,596</u> | <u>7,002,636</u> | 11.51% | <u>53,239,573</u> |
| Change in Net Position | \$ (2,844,536) | \$ 9,053,122 | \$ (11,897,658) | -131.42% | \$ 942,881 |

Table 3 presents the changes in GHURA's net position for the years ended September 30, 2021 to 2023. GHURA had total revenues of \$64,975,696 in 2023 and \$69,870,718 in 2022, a decrease of \$4,895,022 or 7.01% while total expenses were \$67,820,232 in 2023 and \$60,817,596 in 2022, an increase of \$7,002,636 or 11.51%.

Revenues

Tenant Revenue

Tenant revenue, which accounted for 2.17% of total current year revenues, increased by \$191,201 or approximately 15.70% from \$1,217,579 in 2022.

Other Revenue

Other income consists of program income, land sales, interest earned on cash equivalents, and other income.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Expenses

Housing Assistance Payments

Housing assistance payments, which accounted for 68.82% of total current year expenses, increased by \$5,503,919, or approximately 13.37% from \$41,170,222 in 2022. The increase in the current year expenses is attributed to increase in Section 8 Housing Choice vouchers for the period due to higher unit month leasing costs.

Other Operating Expenses

Other operating expenses, which accounted for 30.17% of total current year expenses, increased by \$908,758 or approximately 4.65% from \$19,552,378 in 2022.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2023, GHURA had \$18,989,486 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (net of additions and depreciation) of \$252,071, or approximately 1.35% from the end of last year.

Debt Administration

GHURA has certain notes payable under the USDA Farmers Home Administration and the HUD Loan Guarantee Program. Debt additions amounted to \$509,000 in FY2023. For additional information concerning debt, please refer to Note 7 to the accompanying financial statements.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

Capital Assets and Debt Administration, continued

GHURA's Capital Assets
As of September 30
Table 4

| | 2023 | 2022 | 2021 |
|-------------------------------------|----------------|---------------|---------------|
| Depreciable Assets: | | | |
| Structures | \$ 100,999,490 | \$ 99,774,579 | \$ 97,736,439 |
| Furnitures, Fixtures, and Equipment | 5,034,146 | 5,033,941 | 4,456,231 |
| Leasehold Improvements | 319,429 | 335,736 | 296,583 |
| | 106,353,065 | 105,144,256 | 102,489,253 |
| Accumulated Depreciation | (92,195,464) | (90,668,429) | (89,209,881) |
| Total Depreciable Assets, Net | 14,157,601 | 14,475,827 | 13,279,372 |
| Nondepreciable Assets: | | | |
| Land | 3,780,831 | 3,675,882 | 3,675,882 |
| Homes for Transfer to Persons | 522,898 | 110,235 | 322,515 |
| Construction in Progress | 528,156 | 475,470 | 233,825 |
| Total Non-Depreciable Assets | 4,831,885 | 4,261,587 | 4,232,222 |
| Total Capital Assets, Net | \$ 18,989,486 | \$ 18,737,414 | \$ 17,511,594 |

For additional information on GHURA’s capital assets, please refer to Note 5 to the accompanying financial statements.

ECONOMIC FACTORS

The Guam Housing and Urban Renewal Authority (“GHURA”) is 100% Federally funded from the U.S. Department of Urban Development (“HUD”), falling into three (3) categories:

1. Formula Grants
2. Competitive Grants
3. Program Income

All funding is subject to Federal statutory and regulatory requirements are largely restrictive, relative to its major program area. Economic factors affect GHURA’s general operations and overall program goals, both directly and indirectly. Significant economic factors that affect GHURA’s primary revenue inflows are:

1. Inflation
2. Labor supply
3. Government Activities
4. Wages

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

Direct Effects

Inflation continues to be the most significant economic factor, affecting our general operations with increased costs for supplies and services, capital outlay, and programmatic capital projects. It was necessary to shift strategies from construction to acquisition and rehab. Acquisitions have increased GHURA's overall net position, but programs requirements restrict future sales or collateralization. High-demand and limited-availability of skilled labor have increased costs requiring most programmatic capital projects funds to be reprogrammed and prospective projects to be removed from consideration.

Indirect Effects

Government activities have indirectly affected our general operations negatively. Increased General Fund revenue, because of Federal capital projects, have generally been an economic benefit to the Government of Guam. Projected increases in revenue beginning in FY2022 lead a substantial upward pay adjustments for most Government of Guam employees. GHURA determined it was necessary to adjust employee salaries upward to prevent an exodus of our workforce. Implemented in FY2023, increased personnel costs remain as the single largest operational expenditure. Additionally, the surge and scale of Federal capital projects creates high-demand for skilled labor. This creates a highly competitive environment for the limited supply of skilled labor and materials causing significant inflation. Private sector wages have seen nominal increases and are not keeping up with inflation. Program clients are having more difficulty paying for utilities, rent, and security deposits, increasing the difficulty of maintain high-occupancy rates amongst our programs, resulting in decreased program income that directly supports general operations.

RENTAL ASSISTANCE DEMONSTRATION

The HUD Rental Assistance Demonstration (RAD) Program is under continuing review by GHURA. GHURA's aim is to determine its applicability and benefit to the island's inventory of Public Housing. Participation in the RAD Program would see the conversion of Public Housing properties to a Section 8 Project-Based Voucher (PBV) or Project-Based Rental Assistance (PBRA) program. The RAD Program is a key component of the HUD Office of Public and Indian Housing's rental housing preservation strategy, working to preserve the nation's stock of deeply affordable rental housing, and to promote efficiency within and among HUD programs to build strong, stable communities.

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

AUDIT AND COMPLIANCE

To ensure accountability for performance and results, the Executive Management is using a Management Scorecard. The Executive Management will use this scorecard to track how well departments are executing the management initiatives, and where they stand at a given point in time against the overall standards for success. Scores are based on standards established under the Public Housing Assessment System, Section Eight Management Assessment System, Voucher Management System, Rental Integrity Monitoring Reviews, and independent audits, to name a few. Over time, the scores should improve as departments correct the problems. The Executive Management will update this report twice a year and issue a mid-year report. We will hold ourselves responsible and report honestly, when progress is too slow.

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Systems

GHURA currently utilizes a commercially developed package that integrates all housing program areas under one common software umbrella. The software incorporates Section 8 Tenant and Landlords, Occupancy and Rent, Applications Waiting List, Receivables, General Ledger, Work Orders, Purchase Orders, Budgeting and Payroll as the main modules. All data entry is self-contained within this system and, ultimately feeds into the financials, where pay out, reporting, and tracking occurs. On average, the system generates approximately \$4.25 million per month in payments to tenants, landlords, employees, and vendors. Data is available real-time and on-line.

The software exchanges data with HUD's web-based reporting requirements and transmits and receives electronic banking payment (receivables) on a daily basis, as well as other various GovGuam agencies. All modules are accessible simultaneously by the approximate 90 staff via remote sites, designed to improve our customer service and support. These remote locations in Agat, Yona, Toto, Tumon, and Agana all access the main host server located in Sinajana via a common telecommunications media. Additionally, a second software is utilized too effectively track and forecast grant expenditures managed by CPD. These grants include CDBG, HOME, ESG, and CoC programs. Data from both systems are exchanged and utilized in the reconciliation process, payment, and reporting requirements. Numerous controls, interface programs, and preventive measures have been developed, tested, and implemented to ensure the integrity and accuracy of the data, to include quality control and discrepancy reports.

Controls

Management controls are the organization, policies, and procedures used to reasonably ensure that (1) programs achieve their intended results; (2) resources are used consistent with agency's mission; (3) programs and resources are protected from waste, fraud, and mismanagement; (4) laws and regulations are followed; and (5) reliable and timely information is obtained, maintained, reported, and used for decision making.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Controls, continued

Managers must take systematic and proactive measures to (1) develop and implement appropriate, cost-effective management controls for results-oriented management; (2) assess the adequacy of management controls in Federal programs and operations; (3) identify needed improvements; (4) take corresponding corrective action; and (5) report monthly, semi-annually, and annually on management controls.

Legal Compliance

GHURA is required to comply with a wide range of laws and regulations, including appropriations, employment, health and safety, and others. Responsibility for compliance primarily rests with agency management; compliance is addressed as part of agency financial statement audits.

Accountability

Management accountability is the expectation that “managers are responsible for the quality and timeliness of program performance, increasing productivity, controlling costs and mitigating adverse aspects of agency operations, and assuring that programs are managed with integrity and in compliance with applicable law.”

Fraud, Waste, and Abuse

GHURA must maintain its credibility with applicant and participant families, owners, HUD, and the larger community by enforcing program requirements. When families, owners, or GHURA employees fail to adhere to program requirements, GHURA must take appropriate action. The action that is appropriate depends on the case or circumstances.

GHURA will address program errors, omissions, fraud, or abuse through both prevention and detection. Preventive measures are the most effective way to deter widespread program irregularities. Errors, omissions, fraud, and abuse will occur, and GHURA will have preventive measures in place so that any irregularity can be quickly detected and resolved as efficiently, professionally, and as possible. Because preventive monitoring measures are the most effective way to deter widespread program irregularities, they will be an integral part of daily operations.

GHURA must ensure it operates legally and with integrity. The central principle underlying the public ethics codes are the Conflict of Interest, more specifically, the conflict between a public official's individual self-interest and the public interest. We, as public officials, are held to a higher standard than individuals in the private sector are. Public officials are repositories of the public trust and as such have a duty to faithfully and honestly represent the interests of the public.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

COVID-19 CARES FUNDS

GHURA received two separate allocations of Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) funds through HUD's Office of Community Planning and Development. CDBG and ESG funds are intended to fund activities and programs that would directly address the COVID-19 pandemic emergency for five (5) years. In general, funds are intended to prevent, prepare, and respond to the community's needs because of the pandemic and to do so by consulting with public health and other government officials to identify how best to meet the needs of the public.

The total allocation of CDBG funds amounted to \$4,705,410. The total allocation of ESG funds amounted to \$3,519,238. Guam will amend its existing 5-Year Consolidated Plan and the PY2019 Annual Action Plan to propose projects for COVID-19 purposes. Both programs have made liberal adjustments to program rules that positively affect the use of funds to maximize their reach to the populations rendered vulnerable due to the emergency.

The HCV Program received CARES Administrative Fees under Notice PIH-2020-08. The notice provides guidance on the disbursement of funds, reporting requirements, and a description on eligible and ineligible expenses. Funding availability expired December 31, 2021. However, the HCV CARES funds were extended to liquidate funds obligated after the expiration date.

FINANCIAL CONTACT

Requests regarding any information contained in this report or any additional information or questions concerning the report should be addressed to Elizabeth F. Napoli, Executive Director, Guam Housing and Urban Renewal Authority, 117 Bien Venida Avenue, Sinajana, Guam 96910.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Statements of Net Position

| | September 30, | |
|---|---------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| Assets and Deferred Outflows of Resources | | |
| Current assets: | | |
| Cash and cash equivalents | \$22,337,773 | \$24,395,050 |
| Receivables, net: | | |
| HUD | 3,206,721 | 3,091,256 |
| Notes receivable – current | 795,128 | 802,221 |
| Tenants | 490,580 | 408,223 |
| Other government | 9,774 | 9,774 |
| Accrued interest receivable | 108,809 | 3,429 |
| Miscellaneous | 392,303 | 363,308 |
| Allowance for doubtful accounts | (475,286) | (377,848) |
| Due from/to other funds | 44,576 | 2,322 |
| Prepayments and other current assets | 35,466 | 135,747 |
| Inventories | <u>362,726</u> | <u>321,830</u> |
| Total current assets | <u>27,308,570</u> | <u>29,155,312</u> |
| Noncurrent assets: | | |
| Cash and cash equivalents – restricted | 1,129,296 | 1,025,147 |
| Notes receivable, net of current portion | 14,990,719 | 15,188,045 |
| Lease receivables | 432,729 | 454,091 |
| Capital assets: | | |
| Depreciable assets, net of accumulated depreciation | 14,157,601 | 14,475,827 |
| Non-depreciable assets | 4,831,885 | 4,261,587 |
| Other real estate | <u>2,462,887</u> | <u>2,462,887</u> |
| Total noncurrent assets | <u>38,005,117</u> | <u>37,867,584</u> |
| Total assets | <u>65,313,687</u> | <u>67,022,896</u> |
| Deferred outflows of resources: | | |
| Pension | 7,038,561 | 2,786,792 |
| OPEB | <u>3,629,949</u> | <u>5,337,364</u> |
| Total deferred outflows of resources | <u>10,668,510</u> | <u>8,124,156</u> |
| Total assets and deferred outflows of resources | <u>\$75,982,197</u> | <u>\$75,147,052</u> |

See accompanying notes.

Guam Housing and Urban Renewal Authority
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Statements of Net Position, continued

| | September 30, | |
|--|---------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| Liabilities, Deferred Inflows of Resources and Net Position | | |
| Current liabilities: | | |
| Accounts payable and other deposits | \$ 1,754,735 | \$ 1,604,358 |
| Due to HUD | 16,755 | 16,755 |
| Current portion of accrued compensated absences | 88,469 | 107,705 |
| Current portion of notes payable | 571,000 | 556,000 |
| Accrued payroll and other liabilities | 227,118 | 200,933 |
| Unearned revenues | 1,493,529 | 1,497,102 |
| Security and escrow deposits | 326,439 | 328,626 |
| Other current liabilities | <u>319,706</u> | <u>133,425</u> |
| Total current liabilities | 4,797,751 | 4,444,904 |
| Accrued compensated absences, net of current portion | 869,207 | 849,961 |
| Notes payable, net of current portion | 11,377,705 | 11,440,098 |
| Net pension liability | 18,965,963 | 13,014,620 |
| Collective total OPEB liability | <u>14,471,126</u> | <u>19,074,796</u> |
| Total liabilities | <u>50,481,752</u> | <u>48,824,379</u> |
| Deferred inflows of resources: | | |
| Pension | 595,679 | 1,660,073 |
| OPEB | <u>6,781,919</u> | <u>3,695,217</u> |
| Total deferred inflows of resources | <u>7,377,598</u> | <u>5,355,290</u> |
| Net position: | | |
| Net investment in capital assets | 22,021,078 | 20,542,203 |
| Restricted for housing operations | 26,247,946 | 29,745,730 |
| Unrestricted | <u>(30,146,177)</u> | <u>(29,320,550)</u> |
| Total net position | <u>18,122,847</u> | <u>20,967,383</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$75,982,197</u> | <u>\$75,147,052</u> |

See accompanying notes.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position

| | Year ended September 30, | |
|--|-----------------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| Operating revenues: | | |
| HUD PHA Operating Grants | \$59,734,868 | \$62,870,392 |
| Tenant rental income | 1,408,780 | 1,217,579 |
| Other income | <u>973,984</u> | <u>3,119,513</u> |
| Total operating revenue | <u>62,117,632</u> | <u>67,207,484</u> |
| Operating expenses: | | |
| Housing assistance payments | 46,674,141 | 41,170,222 |
| Salaries and wages | 5,355,061 | 5,753,885 |
| Other administrative expenses | 4,693,200 | 4,725,935 |
| Repairs and maintenance | 3,502,553 | 2,763,624 |
| Employee benefits | 2,951,528 | 1,958,568 |
| Depreciation | 1,527,106 | 1,458,548 |
| Retiree healthcare costs | 990,927 | 1,339,641 |
| Utilities | 623,851 | 513,807 |
| Office expense | 261,243 | 545,248 |
| Insurance | 175,625 | 141,878 |
| Professional fees | 135,104 | 198,556 |
| Bad debts expense (recovery) | 83,524 | (14,632) |
| Payments in lieu of taxes | 80,936 | 84,204 |
| Advertising | 50,252 | 55,269 |
| Travel | 15,523 | --- |
| Protective services | 14,692 | 14,206 |
| Compensated absences | <u>11</u> | <u>13,641</u> |
| Total operating expenses | <u>67,135,277</u> | <u>60,722,600</u> |
| Operating (loss) income | (5,017,645) | 6,484,884 |
| Nonoperating (expenses) revenues: | | |
| Contributions from GovGuam for retiree benefits | 455,346 | 361,984 |
| Fraud recovery | 16,279 | 12,822 |
| Interest income | 4,421 | 2,197 |
| Other (loss) income | (217,231) | 711,902 |
| Interest expense | <u>(684,955)</u> | <u>(94,996)</u> |
| Total nonoperating (expenses) revenues, net | <u>(426,140)</u> | <u>993,909</u> |
| (Expense) Income before capital grants and contributions | (5,443,785) | 7,478,793 |
| Capital grants and contributions: | | |
| Federal grants | <u>2,599,249</u> | <u>1,574,329</u> |
| Change in net position | (2,844,536) | 9,053,122 |
| Net position at the beginning of the year | <u>20,967,383</u> | <u>11,914,261</u> |
| Net position at the end of the year | <u>\$18,122,847</u> | <u>\$20,967,383</u> |

See accompanying notes.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Statements of Cash Flows

| | Year ended September 30, | |
|--|-----------------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| Cash flows from operating activities: | | |
| Operating grants received | \$59,734,868 | \$62,870,392 |
| Receipts from tenants and customers | 2,753,435 | 3,011,345 |
| Housing assistance paid | (46,674,141) | (41,170,222) |
| Payments to suppliers for goods and services | (9,159,123) | (8,713,709) |
| Payments to employees | (7,990,359) | (8,053,334) |
| Net cash (used for) provided by operating activities | (1,335,320) | 7,944,472 |
| Cash flows from capital and related financing activities: | | |
| Capital grants received | 2,599,249 | 1,574,329 |
| Acquisition of capital assets | (1,779,178) | (2,684,368) |
| Proceeds from sales of other real estate | --- | 69,306 |
| Proceeds from notes payable | 509,000 | 9,003,000 |
| Advances to subrecipient | (509,000) | (9,003,000) |
| Repayment of note payable | (556,393) | (236,870) |
| Interest paid | (684,955) | (94,996) |
| Net cash used for capital and related financing activities | (421,277) | (1,372,599) |
| Cash flows from investing activities: | | |
| Interest and other | (196,530) | 2,197 |
| Net change in cash | (1,953,127) | 6,574,070 |
| Cash and cash equivalents at beginning of year | <u>25,420,197</u> | <u>18,846,127</u> |
| Cash and cash equivalents at end of year | <u>\$23,467,070</u> | <u>\$25,420,197</u> |
| Cash and cash equivalents consist of the following: | | |
| Unrestricted | \$22,337,774 | \$24,395,050 |
| Restricted | <u>1,129,296</u> | <u>1,025,147</u> |
| | <u>\$23,467,070</u> | <u>\$25,420,197</u> |

See accompanying notes.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Statements of Cash Flows, continued

| | Year ended September 30, | |
|---|-----------------------------|--------------------|
| | <u>2023</u> | <u>2022</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating (loss) income | \$(5,017,645) | \$6,484,884 |
| Adjustments to reconcile operating (loss) income to net cash (used for) provided by operating activities: | | |
| Depreciation | 1,527,106 | 1,458,548 |
| Bad debts expense (recovery) | 83,524 | (14,632) |
| Noncash OPEB cost | 646,668 | 1,258,120 |
| Noncash pension cost | 2,586,860 | 1,333,381 |
| Fraud recovery and other income | --- | 724,724 |
| (Increase) decrease in assets: | | |
| Receivables | (318,283) | (1,489,688) |
| Notes receivable | 734,781 | (405,004) |
| Due from/to other funds | (42,254) | 504 |
| Prepayments and other current assets | 100,281 | (6,019) |
| Inventories | (40,896) | (33,753) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and other deposits | 150,377 | 343,975 |
| Accrued compensated absences | 10 | (31,590) |
| Accrued payroll and other liabilities | 26,185 | 38,193 |
| Unearned revenues | (3,573) | (156,283) |
| Security and escrow deposits | (2,187) | (10,182) |
| Collective total OPEB liability | (875) | 81,521 |
| Net pension liability | (1,951,680) | (1,667,224) |
| Other current liabilities | <u>186,281</u> | <u>34,997</u> |
| Net cash (used for) provided by operating activities | <u>\$(1,335,320)</u> | <u>\$7,944,472</u> |

See accompanying notes.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements

Years ended September 30, 2023 and 2022

1. Reporting Entity

The Guam Housing and Urban Renewal Authority (GHURA), a component unit of the Government of Guam (GovGuam), was created on December 18, 1962 by Government Code, Vol. II, Title XIV, Chapter X, 13902. The primary purpose of GHURA is to provide safe, decent, sanitary, and affordable housing for low to moderate-income families and elderly families in the Territory of Guam, and to operate its housing programs in accordance with federal and local laws and regulations. GHURA's federal programs are administered through the U.S. Department of Housing and Urban Development (HUD) under the provisions of the U.S. Housing Act of 1937, as amended.

The administration and operation of GHURA is under the control of a six-member Board of Commissioners appointed by the Governor of Guam with the advice and consent of the Legislature with one of the seven members being a resident of the Public Housing program, elected by the residents and appointed by the Governor. GHURA has no component units required to be reported in accordance with the respective Governmental Accounting Standards Board (GASB) Statements.

2. Summary of Significant Accounting Policies

The accompanying financial statements of GHURA have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by GHURA.

GASB establishes financial reporting standards for governmental entities, which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Organization and Program Descriptions

GHURA, formed to pursue an active community development program through urban renewal projects and to provide housing of low income, administers the following community programs:

Housing Assistance Payments Program:

HUD funds the Housing Choice Voucher Program. The principal purpose of the program is to enable lower income families to reside in existing privately owned housing. Assistance is calculated according to family needs and paid directly to the dwelling owner. As of September 30, 2023 and 2022, GHURA was authorized by HUD to approve housing assistance payment contracts for up to 2,621 and 2,657 families, respectively, dependent upon budget authority and available resources. Total contracted units under lease totaled 2,512 or 96% and 2,525 or 95% as of September 30, 2023 and 2022, respectively. The project-based voucher program located at the Summer Town Estates in Lada, Dededo, consists of 112 units, which began in November 2015. As of September 30, 2023 and 2022, Elderly Families occupied 111 units and 110 units, respectively.

Public Housing Capital Fund Program:

The Capital Fund Program Grant accounts for modernization funds received from HUD for capital improvements, major repairs, management improvements, operational costs and related planning costs to improve the physical quality of low-income housing. Upon completion of major capital improvement, the assets are transferred to the Low Income Housing Program.

Supportive Housing for the Elderly:

The Supportive Housing for the Elderly project is designed to provide housing accommodations for elderly residents of Guam. The project was built on land donated by GovGuam at an appraised value of \$1,380,000. The project officially commenced operations in March 1980.

Low Income Housing Program:

Under this program, GHURA rents its own units to low-income households. The Low Income Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidies to enable GHURA to provide the housing at a rent that is based on 30 percent of household income. GHURA entered into an ACC that allowed them to develop and operate a Low-Income Housing Program. Since that time, nine projects were developed: Guam 1-1 through 1-9. For the years ended September 30, 2023 and 2022, 720 and 729 units, respectively, were available for rent, of which 30 and 21 units, respectively, were modernized under HUD's Capital Funds Program. In 2023 and 2022, 716 or 95% and 705 or 97% units were occupied, respectively.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Organization and Program Descriptions, continued

HOME Investment Partnership Program:

This program is designed to increase homeownership and affordable housing opportunities for low-income and very low-income Americans. Program funds are used to provide incentives to develop and support affordable rental housing and homeownership affordability through the acquisition, new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, among others.

Continuum of Care Program:

GHURA administers grant funds received through the HUD's Continuum of Care Grant to serve the housing and service needs of homeless individuals with disabilities. GHURA acts as the collaborative applicant to submit for annual consideration a series of grants that are awarded to different island NGO's providing services to their individual populations.

Community Development Block Grants (CDBG):

These grants are used to carry out a wide range of community development activities directed toward neighborhood revitalization, economic development, and improved community facilities and services. All CDBG activities must meet one of the following national objectives: benefit low-income and moderate-income persons; aid in the prevention or elimination of slums and blight; or meet certain community development needs having a particular urgency. Some of the activities that these funds can be used for includes the acquisition of real property; rehabilitation of residential and nonresidential properties; provision of public facilities and improvements, such as water, sewer, streets, and community centers; clearance, demolition and removal of buildings and improvements; homeownership assistance; and assistance to for-profit businesses for economic development activities.

Emergency Solutions Grant Program:

This program provides grants to assist homeless and near-homeless individuals by providing rapid re-housing and homeless prevention services. The grants cover rental and utility assistance for persons and individuals who are homeless or on the verge of becoming homeless. Eligible households also can receive housing relocation and stabilization services such as counseling, case management and money management classes.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Organization and Program Descriptions, continued

Resident Opportunity and Supportive Services:

This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

Multifamily Housing Service Coordinator:

The purpose of this program is to link elderly, especially frail and disabled, or disabled non-elderly assisted housing and neighborhood residents to supportive services in the general community; to prevent premature and unnecessary institutionalization; and, to assess individual service needs, determine eligibility for public services and make resource allocation decisions, which enable residents to stay in the community longer.

Economic, Social and Political Development of the Territories (Compact Impact):

This program is funded by the U.S. Department of the Interior to promote the economic, social and political development of the territories and freely associated states, leading toward greater self-government and self-sufficiency for each of them. In addition, Federal funding is provided for capital improvement programs and technical assistance to the insular areas including Guam.

Family Self-Sufficiency Program:

The objectives of the Family Self-Sufficiency program promote the development of local strategies to coordinate the use of assistance under the Housing Choice Voucher and Public Housing programs with public and private resources to enable participating families to increase earned income and financial literacy, reduce or eliminate the need for welfare assistance, and make progress toward economic independence and self-sufficiency.

Neighborhood Stabilization Program – Recovery Act Fund:

The objectives of this program are to stabilize property values; arrest neighborhood decline; assist in preventing neighborhood blight; and stabilizing communities across America hardest hit by residential foreclosures and abandonment. These objectives are to be achieved through the purchase and redevelopment of foreclosed and abandoned homes and residential properties that will allow those properties to turn into useful, safe and sanitary housing.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Organization and Program Descriptions, continued

Low-Income Housing Tax Credits (LIHTC) Program:

This program was created by the Tax Reform Act of 1986 and is intended to encourage the construction or rehabilitation of low-income rental units. The regulations governing this program are contained in Section 42 of the Internal Revenue Code (the “Code” or IRC). The LIHTC Program provides Federal tax credits to qualified project owners who agree to maintain all or a portion of a project’s units for low-income individuals or families.

Local Funds:

GHURA is charged with administrative oversight responsibility for a variety of community projects as established and funded by GovGuam through contributions and local grants-in-aid.

Revolving and Trust Funds:

These funds function primarily to facilitate cash management for all funds.

Other Funds:

Other funds consist primarily of local projects that have been completed and have undergone a final close out audit. Such projects include Yona and Sinajana Urban Renewals, and neighborhood facilities constructed in Agat and Sinajana.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the financial statements. GHURA has elected to use proprietary fund types as its principle reporting. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The accounting objectives of its measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and deferred outflows of resources, and liabilities and deferred inflows or resources (whether current or noncurrent) associated with the operation of GHURA are included in the statements of net position. Proprietary fund equity is classified as net position. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. GHURA accounts for those operations that are financed and operated in a manner similar to private business or where GHURA has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The principal operating revenues of GHURA are operating subsidies and administrative fees received from HUD and rental revenues received from residents. Grants and similar items are recognized as revenue as soon as all eligible requirements have been met.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting, continued

Gains from sale of capital assets are included in non-operating revenues. Operating expenses of GHURA include the cost of operating housing units, cost of tenant services, protective services, general, administrative, maintenance, depreciation, and housing assistance payments.

Other expenses of GHURA include interest expense. Housing assistance payments from HUD are received by GHURA for each unit rented to qualified tenants in the public housing and Section 8 programs. HUD grants associated with capital acquisition and improvements are considered non-operating revenues and are separately presented as capital contributions in the accompanying statements of revenues, expenses and changes in net position.

Net Position

Net position represents the residual interest in GHURA's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets. Deferred outflows of resources that are attributable to related debt are also included in this component.

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law. GHURA's restricted expendable net position pertains to unexpended HUD funds under various federal programs.

Unrestricted net position consists of net position, which does not meet the definition of the two preceding categories. Unrestricted net position may be designated for specific purposes by action by management or the Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

All of GHURA's restricted net position is expendable. When both restricted and unrestricted resources are available for use, generally it is GHURA's policy to use restricted resources first and the unrestricted resources when they are needed.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

For purposes of the statements of net position and of cash flows, GHURA considers cash and cash equivalents to be cash on hand, cash in checking and savings account and time certificates of deposit with original maturities of less than three months.

As of September 30, 2023 and 2022, bank balance were \$23,357,281 and \$25,482,884, respectively, which are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance.

As of September 30, 2023 and 2022, bank deposits in the amount \$250,000 were FDIC insured. In accordance with 5 GCA 21, *Investments and Deposits*, GHURA requires collateralization of deposits in excess of depository insurance limits at 100%. Such collateralization shall be in securities in U.S. treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged or such other securities as may be approved by GHURA. As of September 30, 2023 and 2022, all of GHURA's bank deposits in excess of depository insurance limits are collateralized with securities held by the pledging financial institution but not in GHURA's name.

Receivables from HUD

Reimbursements due to GHURA for its expenditures on federally funded reimbursement and grant programs are reported as "receivables from HUD" in the accompanying financial statements.

Accounts Receivables - Tenants

GHURA recognizes bad debts using the allowance method and receivables are only written off after approval by management and subsequent reporting to the Board of Commissioners. The allowance for doubtful accounts is determined based on management estimates. While management believes the amount is adequate, the ultimate uncollectible balance may differ from the amounts provided. As of September 30, 2023 and 2022, the allowance for doubtful accounts on tenants receivable amounted to \$310,009 and \$215,793, respectively.

Notes Receivable

Notes receivable are stated at the amount of unpaid principal. The allowance for doubtful accounts is established through a provision charged to expense. Notes are charged against the allowance when the principal due aged beyond 90 days.

Prepayments

Payments made to vendors for services that will benefit future periods are recorded as prepayments.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Lease receivable

Lease receivable represents the present value of lease payments expected to be received during the lease term. GHURA has adopted policies to assist in determining lease treatment in accordance with the requirements of GASB Statement No. 87, which include the following: (1) the maximum possible lease term is non-cancelable by both lessee and lessor and is more than 12 months and (2) the terms of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal.

Inventories

Inventories are stated at the lower of weighted average cost or market (net realizable value).

Capital Assets and Depreciation

All capital assets with a value greater than \$5,000 and a useful life over one year are capitalized. Capital assets are stated at cost or at estimated historical cost if actual historical cost is not available except for certain parcels of land donated by GovGuam, which are recorded at the estimated fair market value at date of donation.

The cost of maintenance and repairs is charged to operations as incurred and improvements are capitalized. Depreciation of capital assets is computed using the straight-line method over the estimated useful lives of the assets. Property and equipment for the Supportive Housing for the Elderly are stated at cost, while property that was donated or contributed is carried at the fair value on the date of donation or contribution.

Property and equipment for this project are depreciated utilizing straight-line method over their estimated useful lives. Capital assets are depreciated on a straight-line basis method over estimated useful lives as follows:

| <u>Category</u> | <u>Useful Life</u> |
|-----------------------------------|--------------------|
| Structures | 15-40 years |
| Leasehold improvements | 15 years |
| Furniture, fixtures and equipment | 5-7 years |

Upon retirement or other disposition of capital assets recorded, the cost and related accumulated depreciation are removed from the respective program or fund accounts and any gain or loss is included in the respective program or fund current operations. GHURA also has other assets, which consist primarily of property inventory under the Local Funds programs. Additionally, capital assets include deferred charges, developmental costs, management improvements, and dwelling and non-dwelling costs from other various projects.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Capital Assets and Depreciation, continued

GHURA evaluates events or changes in circumstances affecting long-lived assets, including intangible and capital assets, to determine whether an impairment of its assets has occurred. If GHURA determines that a long-lived asset is impaired, and that the impairment is significant and other-than temporary, then an impairment loss will be recorded in GHURA's financial statements. In 2023 and 2022, GHURA did not recognize any loss on impairment related to its long-lived assets.

Other Real Estate

Other real estate consists primarily of land transferred from GovGuam to GHURA to construct 500 single-family homes under the GHURA 500 Low Cost Housing Project. This property is recorded at the fair value less estimated selling cost. Management periodically performs valuations and property held for sale is carried at the lower of new cost basis or fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of the property exceeds its fair value. Costs of significant improvement are capitalized, whereas costs relating to holding property are expensed.

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. GHURA has determined differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability, differences between projected and actual earnings on pension plan investments, changes of actuarial assumptions or other inputs, pension and OPEB contributions made subsequent to the measurement date, and changes in proportion and differences between GHURA pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. GHURA has determined differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability and the OPEB liability, differences between projected and actual earnings on pension plan investments, changes of actuarial assumptions or other inputs, and changes in proportion and differences between GHURA pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. GHURA recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents GHURA's proportionate share of excess total pension liability over the pension plan assets - actuarially calculated - of a single-employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes GHURA's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA to DCRS members.

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. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes of actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are 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 are 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.

Other Postemployment Benefits (OPEB)

OPEB is required to be recognized and disclosed using the accrual basis of accounting. GHURA recognizes a collective total OPEB liability for the defined benefit OPEB plan in which it participates, which represents GHURA's proportionate share of collective total OPEB liability - actuarially calculated - of a single-employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. An OPEB trust has not been established thus the OPEB plan does not presently report OPEB plan fiduciary net position. Instead, the OPEB plan is financed on a substantially "pay-as-you-go" basis.

Changes in the collective total 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. Those changes in collective total OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes of actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Compensated Absences

Compensated absences are accrued and reported as a liability in the period earned. Annual leave, expected to be paid out within the next fiscal year, is accrued and is included in current liabilities. The maximum accumulation of annual leave convertible to pay upon termination of employment is limited to 320 hours. Pursuant to Public Law 27-106, employees who have accumulated annual leave in excess of 320 hours as February 28, 2003, may carry over their excess leave and shall use the excess amount prior to retirement or termination of service. Any unused leave over 320 hours shall be lost upon retirement. As of September 30, 2023 and 2022, accrued earned compensated absences totaled \$617,642 and \$654,730, respectively.

Public Law 26-86 allows members of the Defined Contribution Retirement System (DCRS) to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. As of September 30, 2023 and 2022, GHURA has accrued an estimated sick leave liability of \$340,034 and \$302,936, respectively, for potential future sick leave payments as a result of this law. However, this amount is an estimate and actual payout may be materially different than estimated.

Unearned Revenues

Unearned revenues arise when resources are received before GHURA has legal claim for them, such as when federal award money is received before the qualifying expenditure is made. In the subsequent period, when GHURA has a legal claim to the resources, the liability for unearned revenue is reduced and the revenue is recognized.

HUD Subsidies and Contributions

Subsidies and contributions from HUD are received periodically and represent the most significant source of revenues to GHURA. The terms of these subsidies are defined in various Consolidated Annual Contributions Contracts. HUD subsidies for ongoing operations and housing assistance payments for each unit rented to qualified tenants are recorded as operating grant revenues. HUD contributions for project acquisition and development or modernization are recorded as capital contributions.

Tenant Rental Income

Revenue from rental charges to residents is recognized ratably over the terms of the lease agreements, which are generally on a month-to-month basis or 12-month period.

Administrative and General Expenses

Certain operating facilities and materials used by the programs are shared with other programs. Costs associated with these facilities and materials are accumulated and paid by a central disbursement fund, which allocates such costs to the various programs based on each program's pro rata share of payroll hours.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The adoption of GASB Statement No. 91 did not have an effect on GHURA's financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The adoption of GASB Statement No. 94 did not have an effect on GHURA's financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The adoption of GASB Statement No. 96 did not have an effect on the GHURA's financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This statement provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:

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Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives. This implementation did not have a material effect on the accompanying financial statements.
- Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. This implementation did not have a material effect on the accompanying financial statements.
- Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. This implementation did not have a material effect on the accompanying financial statements.
- Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. This implementation did not have a material effect on the accompanying financial statements.

Upcoming 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. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

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

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Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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.

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 defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. 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 years ending September 30, 2025.

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

3. Cash

The deposits and investment policies of GHURA are governed by 5 GCA 21, *Investments and Deposits*. 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. With the exception of investments in U.S. government securities, which are explicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

3. Cash, continued

Custodial credit risk is the risk that in the event of a bank failure, GHURA's deposits may not be returned to it. Such deposits are not covered by depositor insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. GHURA has an investment and deposit policy for custodial credit risk. For deposits, GHURA and the depository must execute a general depository agreement pursuant to HUD regulations. The depository bank must be a bank or financial institution whose deposits are insured by FDIC, Federal Savings and Loan Corporation or the National Credit Union Administration and all deposits must be fully collateralized by U.S. securities.

4. Notes Receivable

Notes receivable consist primarily of first time homebuyer loans to provide assistance to eligible residents to purchase or construct a primary owner-occupied dwelling. The loans under GHURA's Down Payment and Closing Cost Assistance Program are interest free with a maximum loan amount of the lesser of \$18,000 or 18% of the purchase price and are collateralized by second mortgages on real estate. Under the CDBG and HOME Investment Partnerships Program, loans carry a 3% interest rate with a 30-year term.

On December 3, 2020, HUD entered into a \$12 million loan facility with GHURA under the Community Development Block Grant (CDBG) Section 108 Loan Guarantee Program. (See Note 7) GHURA simultaneously entered into a subrecipient loan agreement with "The Learning Institute" (the subrecipient), a Guam nonprofit corporation, for the purpose of funding construction, rehabilitation or installation of public facilities eligible under 24 CFR 570.703 (1), in connection with the iLearn Academy Charter School Project. As of September 30, 2023 and 2022, various drawdowns totaling \$11,847,000 and \$11,491,000, respectively, were made against this facility. As of September 30, 2023 and 2022, note receivable from the subrecipient amounted to \$11,380,000 and \$11,338,000, respectively.

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Notes to the Financial Statements, continued

4. Notes Receivable, continued

As of September 30, 2023 and 2022, these notes receivable are summarized as follows:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Section 108 Loan Guarantee Program | \$11,380,000 | \$11,338,000 |
| CDBG and HOME Investment Partnerships Program | 4,179,418 | 4,397,762 |
| Down Payment and Closing Cost Assistance Program | <u>226,429</u> | <u>254,504</u> |
| | 15,785,847 | 15,990,266 |
| Less current portion | <u>(795,128)</u> | <u>(802,221)</u> |
| | <u>\$14,990,719</u> | <u>\$15,188,045</u> |

Maturities of the principal balances subsequent to September 30, 2023, are as follows:

| <u>Year Ending</u> <u>September 30</u> | |
|---|---------------------|
| 2024 | \$ 795,128 |
| 2025 | 658,168 |
| 2026 | 630,607 |
| 2027 | 642,753 |
| 2028 | 770,419 |
| 2029 through 2033 | 3,439,894 |
| 2034 through 2038 | 3,807,620 |
| 2039 through 2043 | 4,045,719 |
| 2044 through 2048 | <u>995,539</u> |
| | <u>\$15,785,847</u> |

As of September 30, 2023 and 2022, the allowance for doubtful accounts on notes receivable amounted to \$165,277 and \$162,055, respectively.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

5. Capital Assets

A summary of changes in capital assets for the year ended September 30, 2023, is as follows:

| | Balance <u>October 1</u> | Transfers and <u>Additions</u> | Transfers and <u>Deletions</u> | Balance <u>September 30</u> |
|---|-----------------------------|--------------------------------------|--------------------------------------|--------------------------------|
| Depreciable assets: | | | | |
| Structures | \$ 99,774,579 | \$1,224,911 | \$ --- | \$100,999,490 |
| Furniture, fixtures and equipment | 5,033,941 | 205 | --- | 5,034,146 |
| Leasehold improvements | <u>335,736</u> | <u>---</u> | <u>(16,307)</u> | <u>319,429</u> |
| | 105,144,256 | 1,225,116 | (16,307) | 106,353,065 |
| Less accumulated depreciation and amortization | <u>(90,668,429)</u> | <u>---</u> | <u>(1,527,035)</u> | <u>(92,195,464)</u> |
| | <u>14,475,827</u> | <u>1,225,116</u> | <u>(1,543,342)</u> | <u>14,157,601</u> |
| Non-depreciable assets: | | | | |
| Land | 3,675,882 | 104,949 | --- | 3,780,831 |
| Homes for transfer to persons | 110,235 | 412,663 | --- | 522,898 |
| Construction in progress | <u>475,470</u> | <u>528,156</u> | <u>(475,470)</u> | <u>528,156</u> |
| | <u>4,261,587</u> | <u>1,045,768</u> | <u>(475,470)</u> | <u>4,831,885</u> |
| Total capital assets, net | <u>\$ 18,737,414</u> | <u>\$2,270,884</u> | <u>\$(2,018,812)</u> | <u>\$ 18,989,486</u> |

A summary of changes in capital assets for the year ended September 30, 2022, is as follows:

| | Balance <u>October 1</u> | Transfers and <u>Additions</u> | Transfers and <u>Deletions</u> | Balance <u>September 30</u> |
|---|-----------------------------|--------------------------------------|--------------------------------------|--------------------------------|
| Depreciable assets: | | | | |
| Structures | \$ 97,736,439 | \$2,038,140 | \$ --- | \$ 99,774,579 |
| Furniture, fixtures and equipment | 4,456,231 | 577,710 | --- | 5,033,941 |
| Leasehold improvements | <u>296,583</u> | <u>39,153</u> | <u>---</u> | <u>335,736</u> |
| | 102,489,253 | 2,655,003 | --- | 105,144,256 |
| Less accumulated depreciation and amortization | <u>(89,209,881)</u> | <u>(1,458,548)</u> | <u>---</u> | <u>(90,668,429)</u> |
| | <u>13,279,372</u> | <u>1,196,455</u> | <u>---</u> | <u>14,475,827</u> |
| Non-depreciable assets: | | | | |
| Land | 3,675,882 | --- | --- | 3,675,882 |
| Homes for transfer to persons | 322,515 | --- | (212,280) | 110,235 |
| Construction in progress | <u>233,825</u> | <u>475,470</u> | <u>(233,825)</u> | <u>475,470</u> |
| | <u>4,232,222</u> | <u>475,470</u> | <u>(446,105)</u> | <u>4,261,587</u> |
| Total capital assets, net | <u>\$ 17,511,594</u> | <u>\$1,671,925</u> | <u>\$(446,105)</u> | <u>\$ 18,737,414</u> |

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

6. Other Real Estate

GovGuam transferred five parcels of land to GHURA to construct 500 single-family homes under the GHURA 500 Low Cost Housing Project. The estimated value per house was based on the development cost incurred totaled \$34,653. As of September 30, 2023 and 2022, GHURA had sixty nine (69) lots in its inventory with an estimated value of \$2,391,057.

In addition, GHURA has five (5) lots in the GovGuam Astumbo Housing Project with estimated per lot value of \$14,366 for a total estimated value of \$71,830 as of September 30, 2023 and 2022.

7. Notes Payable

Farmers Home Administration

On March 26, 1980, GHURA entered into a Section 515 Rural Rental Housing loan with the U.S. Department of Agriculture (USDA) Farmers Home Administration for \$2,000,000 for the construction of elderly housing known as Guma Trankilidat. The loan bears interest at 6% per annum and is secured by a first mortgage and assignment of rental income and assessments. In the event that GHURA defaults in the payment of the loan or in the performance of any of its obligations under the promissory note, or GHURA or any other party defaults in their respective obligations under any of the related security documents, USDA would have the option to declare the unpaid principal amount of the loan, together with any accrued and unpaid interest and charges, immediately due and payable. Approximate annual debt service requirements to maturity for principal and interest are as follows:

| <u>Year Ending September 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|-------------------------------------|------------------|-----------------|-------------------------------|
| 2024 | \$ 95,000 | \$31,480 | \$126,480 |
| 2025 | 101,000 | 25,480 | 126,480 |
| 2026 | 107,000 | 19,480 | 126,480 |
| 2027 | 114,000 | 12,480 | 126,480 |
| 2028 | 121,000 | 5,480 | 126,480 |
| 2029 | <u>30,705</u> | <u>1,394</u> | <u>32,099</u> |
| | <u>\$568,705</u> | <u>\$95,794</u> | <u>\$664,499</u> |

Loan Guarantee Program

On December 3, 2020, GHURA entered into a loan guaranty assistance loan made pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974 as amended and 24 CFR part 570, Subpart M, in the maximum commitment amount of \$12,000,000. (See Note 4) Advances are made upon written request of GHURA and the approval of the HUD Secretary.

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Notes to the Financial Statements, continued

7. Notes Payable, continued

Loan Guarantee Program, continued

The loan bears variable interest based on the 3-month Treasury Auction Bill rate, is payable quarterly commencing August 1, 2021 with principal due annually.

Principal repayment based on the commitment schedule on the written request are as follows:

| <u>Year Ending September 30</u> | <u>Principal</u> |
|-------------------------------------|---------------------|
| 2024 | \$ 476,000 |
| 2025 | 486,000 |
| 2026 | 495,000 |
| 2027 | 505,000 |
| 2028 | 515,000 |
| 2029 through 2033 | 2,734,000 |
| 2034 through 2038 | 3,015,000 |
| 2039 through 2040 | <u>3,154,000</u> |
| | <u>\$11,380,000</u> |

Changes in notes payable for the year ended September 30, 2023, is as follows:

| | <u>Balance October 1</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance September 30</u> | <u>Due Within One Year</u> |
|-----------------------------|------------------------------|------------------|---------------------|---------------------------------|--------------------------------|
| Notes payable: | | | | | |
| Farmers Home Administration | \$ 658,098 | \$ --- | \$(89,393) | \$ 568,705 | \$ 95,000 |
| Loan Guarantee Program | <u>11,338,000</u> | <u>509,000</u> | <u>(467,000)</u> | <u>11,380,000</u> | <u>476,000</u> |
| | <u>\$11,996,098</u> | <u>\$509,000</u> | <u>\$(556,393)</u> | <u>\$11,948,705</u> | <u>\$571,000</u> |

Changes in notes payable for the year ended September 30, 2022, is as follows:

| | <u>Balance October 1</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance September 30</u> | <u>Due Within One Year</u> |
|-----------------------------|------------------------------|--------------------|---------------------|---------------------------------|--------------------------------|
| Notes payable: | | | | | |
| Farmers Home Administration | \$ 741,968 | \$ --- | \$(83,870) | \$ 658,098 | \$ 89,000 |
| Loan Guarantee Program | <u>2,488,000</u> | <u>9,003,000</u> | <u>(153,000)</u> | <u>11,338,000</u> | <u>467,000</u> |
| | <u>\$ 3,229,968</u> | <u>\$9,003,000</u> | <u>\$(236,870)</u> | <u>\$11,996,098</u> | <u>\$556,000</u> |

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

8. Other Noncurrent Liabilities

The changes in other long-term liabilities for the year ended September 30, 2023, is as follows:

| | <u>Balance</u> <u>October 1</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>September 30</u> | <u>Due Within</u> <u>One Year</u> |
|---------------------------------|------------------------------------|--------------------|----------------------|---------------------------------------|--------------------------------------|
| Compensated absences | \$ 957,666 | \$ --- | \$ --- | \$ 957,666 | \$88,469 |
| Net pension liability | 13,014,620 | 5,951,343 | --- | 18,965,963 | --- |
| Collective total OPEB liability | <u>19,074,796</u> | <u>---</u> | <u>(4,603,670)</u> | <u>14,471,126</u> | <u>---</u> |
| | <u>\$33,047,082</u> | <u>\$5,951,343</u> | <u>\$(4,603,670)</u> | <u>\$34,394,755</u> | <u>\$88,469</u> |

The changes in other long-term liabilities for the year ended September 30, 2022, is as follows:

| | <u>Balance</u> <u>October 1</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>September 30</u> | <u>Due Within</u> <u>One Year</u> |
|---------------------------------|------------------------------------|--------------------|----------------------|---------------------------------------|--------------------------------------|
| Compensated absences | \$ 989,256 | \$ --- | \$(31,590) | \$ 957,666 | \$107,705 |
| Net pension liability | 15,722,499 | --- | (2,707,879) | 13,014,620 | --- |
| Collective total OPEB liability | <u>16,920,540</u> | <u>2,154,256</u> | <u>---</u> | <u>19,074,796</u> | <u>---</u> |
| | <u>\$33,632,295</u> | <u>\$2,154,256</u> | <u>\$(2,739,469)</u> | <u>\$33,047,082</u> | <u>\$107,705</u> |

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

9. Commitments

Housing Assistance Payments:

As of September 30, 2023 and 2022, GHURA had 2,512 and 2,657 voucher contracts, respectively, with dwelling owners, all of which are funded for a period of twelve months. Of the 2,512 and 2,657 vouchers leased-up, 112 were project-based vouchers located at the Summer Town Estate in Lada, Dededo. These units were 99% and 98% occupied with elderly families as of September 30, 2023 and 2022, respectively. HUD will fund the entire amount of assistance payments committed under these contracts.

Construction Work-in-Progress

GHURA has entered into development stage contracts for certain programs. Ongoing and unliquidated contracts as of September 30, 2023 and 2022 are as follows:

| | 2023 | | |
|-----------------------------------|--------------------|----------------------|--------------------------|
| | Contract Amount | Liquidations | Unliquidated Contract |
| Community Development Block Grant | \$5,148,729 | \$(3,986,367) | \$1,162,362 |
| Capital Fund Program | <u>1,548,142</u> | <u>(528,156)</u> | <u>1,019,986</u> |
| | <u>\$6,696,871</u> | <u>\$(4,514,523)</u> | <u>\$2,182,348</u> |
| | 2022 | | |
| | Contract Amount | Liquidations | Unliquidated Contract |
| Community Development Block Grant | \$5,478,399 | \$(3,111,254) | \$2,367,145 |
| Capital Fund Program | 892,600 | (195,210) | 697,390 |
| HOME Investment Partnership | 650,000 | (100,890) | 549,110 |
| Housing Choice Vouchers | <u>225,000</u> | <u>(89,100)</u> | <u>135,900</u> |
| | <u>\$7,245,999</u> | <u>\$(3,496,454)</u> | <u>\$3,749,545</u> |

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

10. Pensions

GHURA is statutorily responsible for providing pension benefits for GHURA employees through the GovGuam Retirement Fund (GGRF).

A. General Information About the Pension Plans:

Plan Description: GGRF administers the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan, and the Defined Contribution Retirement System (DCRS). GovGuam also maintains a nonqualified deferred compensation plan that constitutes an “eligible governmental plan” in accordance with Section 457(b) of the Internal Revenue Code and comparable provisions under the Guam Territorial Income Tax Code. Participation in the 457 Deferred Compensation Plan is voluntary for all employees who are members of the DB Plan and the DCRS Plan.

The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes GHURA, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, and prior to January 1, 2018 are required to participate in the DCRS Plan. Hence, the DB Plan became a closed group.

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, retirees under the DB and DCRS Plans who retired prior to September 30, 2022 are eligible to receive an annual ad hoc cost of living allowance (COLA).

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. 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.

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Notes to the Financial Statements, continued

10. Pensions, continued

A. General Information About the Pension Plans, continued:

Benefits Provided: 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. Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age. Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age. Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

Supplemental annuity benefit payments are provided to DB retirees in the amount of \$4,238 per year, but not to exceed \$40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB and DCRS retirees in a lump sum amount of \$2,000, which was subsequently increased to \$2,300 by Public Law 37-42, effective October 1, 2023. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a “pay-as-you-go” basis so there is no plan trust. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

10. Pensions, continued

A. General Information About the Pension Plans, continued:

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans; the DB 1.75 Plan and the Guam Retirement Security Plan (GRSP). On February 4, 2020, the Guam Legislature terminated the GRSP. Commencing April 1, 2017, eligible employees elected, during the “election window”, to participate in the DB 1.75 Plan with an effective date of January 1, 2018.

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee’s base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam 457 Deferred Compensation Plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution. Benefits are fully vested upon attaining 5 years of credited service.

Members of the DB 1.75 Plan may retire at age 62 with 5 years of credited service, or at age 60 with 5 years of credited service without survivor benefits, or at age 55 with 25 years of credited service but the retirement annuity shall be reduced ½ of 1% for each month that the age of the member is less than 62 years (6% per year). Credited service is earned for each year of actual employment by the member as an employee. Upon retirement, a retired member is entitled to a basic retirement annuity equal to an annual payment of 1.75% of average annual salary multiplied by years of credited service. Average annual salary means the average of annual base salary for the three years of service that produce the highest average.

Contributions and Funding Policy: 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 GHURA are established and may be amended by the GGRF.

GHURA’s statutory contribution rate was 28.43% and 28.32%, respectively, for the years ended September 30, 2023 and 2022. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2023 and 2022.

GHURA’s contributions to the DB Plan for the years ended September 30, 2023 and 2022 were \$1,774,771 and \$1,532,814, respectively, which were equal to the required contributions for the respective years then ended.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

10. Pensions, continued

A. General Information About the Pension Plans, continued:

GHURA's contributions for supplemental annuity benefit and COLA payments for the years ended September 30, 2023 and 2022 were \$176,186 and \$162,224, respectively, which were equal to the statutorily required contributions for the respective years ended.

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

Contributions into the DCRS plan 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 for the DCRS plan for the years ended September 30, 2023 and 2022 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 pay is deposited into the DCRS. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

GHURA's contributions to the DCRS Plan for the years ended September 30, 2023 and 2022 were \$998,223 and \$687,301, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$653,145 and \$536,328 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2023 and 2022, respectively.

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Pension Liability: As of September 30, 2023 and 2022, GHURA reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2022 and 2021, which is comprised of the following:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Defined Benefit Plan | \$16,805,140 | \$10,326,747 |
| Ad Hoc COLA/supplemental annuity Plan for DB retirees | 1,507,678 | 1,863,441 |
| Ad Hoc COLA Plan for DCRS retirees | <u>653,145</u> | <u>824,432</u> |
| | <u>\$18,965,963</u> | <u>\$13,014,620</u> |

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

10. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued:

GHURA's proportion of the GovGuam net pension liabilities was based on GHURA's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. As of September 30, 2023 and 2022, GHURA's proportionate shares of the GovGuam net pension liabilities were as follows:

| | <u>2023</u> | <u>2022</u> |
|---|-------------|-------------|
| Defined Benefit Plan | 1.13% | 1.07% |
| Ad Hoc COLA/supplemental annuity Plan for DB retirees | 0.59% | 0.60% |
| Ad Hoc COLA Plan for DCRS retirees | 1.09% | 1.17% |

Pension Expense (Benefit): For the years ended September 30, 2023 and 2022, GHURA recognized pension expense (benefit) for its proportionate share of plan pension expense from the above pension plans as follows:

| | <u>2023</u> | <u>2022</u> |
|---|--------------------|--------------------|
| Defined Benefit Plan | \$2,595,905 | \$1,174,713 |
| Ad Hoc COLA/supplemental annuity Plan for DB retirees | (83,990) | 64,283 |
| Ad Hoc COLA Plan for DCRS retirees | <u>74,945</u> | <u>94,385</u> |
| | <u>\$2,586,860</u> | <u>\$1,333,381</u> |

Deferred Outflows and Inflows of Resources: As of September 30, 2023 and 2022, GHURA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2023 | | | | | |
|---|--------------------------------------|-------------------------------------|--|-------------------------------------|---------------------------------------|-------------------------------------|
| | Defined Benefit Plan | | Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees | | Ad Hoc COLA Plan for DCRS Retirees | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | \$ 325,803 | \$44,938 | \$ --- | \$ 12,885 | \$ 80,777 | \$ 12,936 |
| Net difference between projected and actual earnings on pension plan investments | 3,787,301 | --- | --- | --- | --- | --- |
| Changes of assumptions | --- | --- | 2,461 | 163,594 | 135,808 | 174,955 |
| Contributions subsequent to the measurement date | 1,774,771 | --- | 143,186 | --- | 33,000 | --- |
| Changes in proportion and difference between GHURA contributions and proportionate share of contributions | <u>613,416</u> | <u>---</u> | <u>---</u> | <u>83,324</u> | <u>142,038</u> | <u>103,047</u> |
| | <u>\$6,501,291</u> | <u>\$44,938</u> | <u>\$145,647</u> | <u>\$259,803</u> | <u>\$391,623</u> | <u>\$290,938</u> |

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

10. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued:

| | 2022 | | | | | |
|---|--------------------------------------|-------------------------------------|--|-------------------------------------|---------------------------------------|-------------------------------------|
| | Defined Benefit Plan | | Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees | | Ad Hoc COLA Plan for DCRS Retirees | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | \$ 16,575 | \$ 105,001 | \$ --- | \$ 25,887 | \$ 90,665 | \$ 16,055 |
| Net difference between projected and actual earnings on pension plan investments | --- | 1,247,465 | --- | --- | --- | --- |
| Changes of assumptions | --- | --- | 50,776 | 5,526 | 167,455 | 54,379 |
| Contributions subsequent to the measurement date | 1,532,814 | --- | 134,224 | --- | 28,000 | --- |
| Changes in proportion and difference between GHURA contributions and proportionate share of contributions | <u>595,092</u> | <u>---</u> | <u>---</u> | <u>132,798</u> | <u>171,191</u> | <u>72,962</u> |
| | <u>\$2,144,481</u> | <u>\$1,352,466</u> | <u>\$185,000</u> | <u>\$164,211</u> | <u>\$457,311</u> | <u>\$143,396</u> |

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2023 will be recognized in pension expense as follows:

| <u>Year Ending September 30</u> | |
|-------------------------------------|--------------------|
| 2024 | \$1,241,745 |
| 2025 | 1,104,835 |
| 2026 | 900,278 |
| 2027 | 1,243,202 |
| 2028 | 8,008 |
| Thereafter | (6,143) |
| | <u>\$4,491,925</u> |

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

10. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued:

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

| | |
|------------------------|--|
| Actuarial cost method: | Entry age normal |
| Total payroll growth: | 2.75% |
| Salary increases: | Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years. |
| Disability: | 1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females. |
| Retirement age: | 50% per year from age 55 to 64, 20% per year from age 65 to 74, 100% at age 75. |
| Mortality: | Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females. |
| Amortization method: | Level percentage of payroll, closed. |

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>Nominal Return</u> | <u>Component Return</u> |
|--------------------------------------|--------------------------------|-----------------------|-------------------------|
| U.S. Equities (large cap) | 26.0% | 8.14% | 2.12% |
| U.S. Equities (small cap) | 4.0% | 9.75% | 0.39% |
| Non-U.S. Equities | 17.0% | 10.15% | 1.73% |
| Non-U.S. Equities (emerging markets) | 3.0% | 12.08% | 0.36% |
| U.S. Fixed Income (aggregate) | 22.0% | 4.77% | 1.05% |
| Risk Parity | 8.0% | 6.65% | 0.53% |
| High Yield Bonds | 8.0% | 6.90% | 0.55% |
| Global Real Estate (REITs) | 2.5% | 9.62% | 0.24% |
| Global Equity | 7.0% | 8.93% | 0.67% |
| Global Infrastructure | 2.5% | 8.08% | 0.16% |
| Expected arithmetic mean (1 year) | | | 7.80% |
| Expected geometric mean (30 years) | | | 7.09% |

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

10. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued:

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan was 7.0%, which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments was 4.02% (2.26% at September 30, 2022), which is equal to the rate of return of a high quality bond index.

Discount Rate Sensitivity Analysis: The following presents the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to GHURA's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Defined Benefit Plan:

| | 1% Decrease in Discount Rate <u>6.0%</u> | Current Discount Rate <u>7.0%</u> | 1% Increase in Discount Rate <u>8.0%</u> |
|-----------------------|--|---|--|
| Net Pension Liability | \$ <u>19,755,995</u> | \$ <u>16,805,140</u> | \$ <u>13,137,625</u> |

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

| | 1% Decrease in Discount Rate <u>3.02%</u> | Current Discount Rate <u>4.02%</u> | 1% Increase in Discount Rate <u>5.02%</u> |
|-----------------------|---|--|---|
| Net Pension Liability | \$ <u>1,644,686</u> | \$ <u>1,507,678</u> | \$ <u>1,397,351</u> |

Ad Hoc COLA Plan for DCRS Retirees:

| | 1% Decrease in Discount Rate <u>3.02%</u> | Current Discount Rate <u>4.02%</u> | 1% Increase in Discount Rate <u>5.02%</u> |
|-----------------------|---|--|---|
| Net Pension Liability | \$ <u>746,120</u> | \$ <u>653,145</u> | \$ <u>587,210</u> |

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

11. Other Post-Employment Benefits (OPEB)

GHURA participates in the retiree health care benefits program. GovGuam’s Department of Administration is responsible for administering the GovGuam Group Health Insurance Program, which provides 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. The program covers retirees and is considered an OPEB plan.

A. General Information About the OPEB Plan:

Plan Description: The OPEB plan is a single-employer defined benefit plan that provides healthcare benefits to eligible employees and retirees who are members of the GovGuam Retirement Fund. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Governor’s recommended budget and the annual General Appropriations Act enacted by the Guam Legislature provide for a premium level necessary for funding the program each year on a “pay-as-you-go” basis.

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

Contributions: No employer contributions are assumed to be made since an OPEB trust has not been established. Instead, the OPEB Plan is financed on a substantially “pay-as-you-go” basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

B. Collective total OPEB Liability:

Collective 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, 2023 | September 30, 2022 |
| Measurement date: | September 30, 2022 | September 30, 2021 |
| Valuation date: | September 30, 2022 | September 30, 2020 |

Collective total OPEB liability as of September 30, 2023 and 2022 is \$14,471,126 and \$19,074,796, respectively.

Proportionate share of collective total OPEB liability at September 30, 2023 and 2022 is 0.63% and 0.69%, respectively.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

11. Other Post-Employment Benefits (OPEB), continued

B. Collective total OPEB Liability, continued:

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

| | |
|----------------------------------|---|
| Inflation: | 2.75% |
| Healthcare cost trend rate: | 19 percent and 31 percent for 2021 Non-Medicare and Medicare plans, respectively. 6 percent for 2022 through 2023, decreasing 0.25 percent per year to an ultimate rate of 4.25 percent for 2030 and later 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. |
| Healthy retiree mortality rates: | Head-count weighted PUB-2010 Table, set forward 4 years for males and 2 years for females, respectively, projected generationally using 50% of MP-2020 |

Discount rate: The discount rate used to measure the collective total OPEB liability was 4.02% and 2.26% for the years ended September 30, 2023 and 2022, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from GovGuam 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 benefit payments of current plan members. Therefore, the 4.02% tax-exempt, high quality municipal bond rate was applied to all periods to determine the collective total OPEB liability.

Sensitivity of the collective total OPEB liability to changes in the discount rate: The following presents the sensitivity of the collective total OPEB liability to changes in the discount rate. The sensitivity analysis shows the impact to GHURA's proportionate share of the collective total OPEB liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

| | 1% Decrease in Discount Rate | Current Discount Rate | 1% Increase in Discount Rate |
|---------------------------------|---------------------------------|--------------------------|---------------------------------|
| | <u>3.02%</u> | <u>4.02%</u> | <u>5.02%</u> |
| Collective total OPEB Liability | \$ <u>16,808,608</u> | \$ <u>14,471,126</u> | \$ <u>12,576,243</u> |

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

11. Other Post-Employment Benefits (OPEB), continued

B. Collective total OPEB Liability, continued:

Sensitivity of the collective total OPEB liability to changes in the healthcare cost trend rates:
The following presents the sensitivity of the collective total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact to GHURA's proportionate share of the collective total OPEB liability if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

| | <u>1% Decrease</u> | <u>Healthcare Cost Trend Rates</u> | <u>1% Increase</u> |
|---------------------------------|----------------------|--|----------------------|
| Collective total OPEB Liability | \$ <u>12,404,544</u> | \$ <u>14,471,126</u> | \$ <u>17,107,061</u> |

C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the years ended September 30, 2023 and 2022, GHURA reported total OPEB expense of \$646,668 and \$1,258,120, respectively, for its proportionate share of the GovGuam total OPEB expense. As of September 30, 2023 and 2022, GHURA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>2023</u> | | <u>2022</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> |
| Changes of assumptions | \$1,336,914 | \$4,753,177 | \$2,227,089 | \$2,681,999 |
| Difference between expected and actual experience | 1,128,539 | 665,452 | 1,662,185 | 1,013,218 |
| Contributions subsequent to the measurement date | 279,160 | --- | 199,760 | --- |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | <u>885,336</u> | <u>1,363,290</u> | <u>1,248,330</u> | <u>---</u> |
| | <u>\$3,629,949</u> | <u>\$6,781,919</u> | <u>\$5,337,364</u> | <u>\$3,695,217</u> |

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the collective total OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2023 will be recognized in OPEB expense as follows:

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

11. Other Post-Employment Benefits (OPEB), continued

C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, continued:

| Year Ending <u>September 30</u> | |
|------------------------------------|----------------------|
| 2024 | \$(423,962) |
| 2025 | (276,726) |
| 2026 | (620,916) |
| 2027 | (675,398) |
| 2028 | (752,469) |
| Thereafter | <u>(681,659)</u> |
| | <u>\$(3,431,130)</u> |

12. Risk Management

GHURA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; operation liability, errors and omissions, employee injuries and illnesses; employee health, dental and accident benefits and natural disasters. GHURA maintains commercial insurance to provide for claims arising from most of these risks except for typhoon insurance.

Beginning in fiscal year 2005, GHURA decided to stop carrying commercial insurance for typhoon coverage because it was cost-prohibitive. A typhoon insurance coverage waiver was granted by HUD provided that GHURA establish and maintain a separate typhoon coverage escrow account in which it will deposit \$200,000 annually until the account balance reaches a minimum of balance of \$1 million. HUD must approve each draw against the typhoon coverage escrow account. When funds are used to pay typhoon claims, GHURA must replenish the escrow account on an annual basis to maintain the \$1 million minimum balance. As of September 30, 2023 and 2022, GHURA had deposited \$1,129,296 and \$1,025,147, respectively, into the typhoon coverage escrow restricted cash account.

There were no material losses sustained because of GHURA's risk management practices.

13. Contingencies

Federal Award Programs and HUD

GHURA participates in a number of federal award programs for specific purposes that are subject to review and audit by grantor agencies, namely the U.S. Department of Housing and Urban Development (HUD). Certain amount of questioned costs exist as of September 30, 2023. The questioned costs will be resolved by the applicable grantor agency and due to GHURA's inability to predict the ultimate outcome of this matter, no provision for any liability, if any that may result from this matter has been made in the accompanying financial statements.

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Notes to the Financial Statements, continued

13. Contingencies, continued

Federal Award Programs and HUD, continued

Such questioned costs could lead to requests for reimbursements from the grantor agency for expenditures disallowed under the terms of the applicable grant.

Litigation

GHURA is subject to various claims, unlawful detainer complaints and other legal actions in the normal course of business. GHURA consults their legal counsel whenever there is a potential or asserted claim and relies on the advice of counsel for direction and for establishing reserves for potential unfavorable outcomes.

Required Supplementary Information

Guam Housing and Urban Renewal Authority
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Schedule 1
Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

Defined Benefit Plan

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|
| GHURA's proportionate share of the net pension liability | \$ 16,805,140 | \$ 10,326,747 | 12,797,806 | \$ 11,913,613 | \$ 10,897,784 | \$ 9,526,027 | \$ 11,293,296 | \$ 11,754,627 | \$ 9,785,625 |
| GHURA's proportion of the net pension liability | 1.13% | 1.07% | 1.03% | 0.98% | 0.92% | 0.83% | 0.83% | 0.82% | 0.79% |
| GHURA's covered payroll** | \$ 6,276,939 | \$ 5,706,641 | \$ 5,366,685 | \$ 4,998,061 | \$ 4,749,017 | \$ 4,239,078 | \$ 4,177,889 | \$ 4,183,506 | \$ 4,404,881 |
| GHURA's proportionate share of the net pension liability as percentage of its covered payroll | 267.73% | 180.96% | 238.47% | 238.36% | 229.47% | 224.72% | 270.31% | 280.98% | 222.15% |
| Plan fiduciary net position as a percentage of the total pension liability | 54.45% | 70.14% | 61.48% | 62.25% | 63.28% | 60.63% | 54.62% | 52.32% | 56.60% |

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

** Covered payroll data from the actuarial valuation date with one-year lag.

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Schedule 2
Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| GHURA's proportionate share of the net pension liability | \$ 1,507,678 | \$ 1,863,441 | 2,106,536.00 | \$ 2,212,240 | \$ 2,021,716 | \$ 1,952,207 | \$ 1,522,308 | \$ 1,485,317 |
| GHURA's proportion of the net pension liability | 0.59% | 0.60% | 0.65% | 0.68% | 0.70% | 0.68% | 0.66% | 0.63% |

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

Guam Housing and Urban Renewal Authority
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Schedule 3
Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| GHURA's proportionate share of the net pension liability | \$ 653,145 | \$ 824,432 | \$ 818,157 | \$ 779,407 | \$ 631,920 | \$ 834,630 | \$ 520,758 | \$ 434,878 |
| GHURA's proportion of the net pension liability | 1.09% | 1.23% | 1.23% | 1.30% | 1.28% | 1.34% | 0.84% | 0.83% |

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

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Schedule 4
Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|
| Statutorily determined contribution | \$ 1,773,114 | \$ 1,544,126 | \$ 1,335,864 | \$ 1,244,540 | \$ 1,181,730 | \$ 1,040,659 | \$ 1,168,865 | \$ 1,134,630 | \$ 1,134,630 | \$1,134,630 |
| Contribution in relation to the statutorily determined contribution | <u>1,774,771</u> | <u>1,532,814</u> | <u>1,366,041</u> | <u>1,192,443</u> | <u>1,255,496</u> | <u>1,044,757</u> | <u>1,026,636</u> | <u>1,100,398</u> | <u>1,052,968</u> | <u>1,116,118</u> |
| Contribution deficiency (excess) | <u>\$ (1,657)</u> | <u>\$ 11,312</u> | <u>\$ (30,177)</u> | <u>\$ 52,097</u> | <u>\$ (73,766)</u> | <u>\$ (4,098)</u> | <u>\$ 142,229</u> | <u>\$ 34,232</u> | <u>\$ 81,662</u> | <u>\$ 18,512</u> |
| GHURA's covered payroll ** | <u>\$ 6,236,990</u> | <u>\$ 6,276,939</u> | <u>\$ 5,706,641</u> | <u>\$ 5,366,685</u> | <u>\$ 4,998,061</u> | <u>\$ 4,749,017</u> | <u>\$ 4,239,078</u> | <u>\$ 4,177,889</u> | <u>\$ 4,183,506</u> | <u>\$4,404,881</u> |
| Contribution as a percentage of covered payroll | 28.46% | 24.42% | 23.94% | 22.22% | 25.12% | 22.00% | 24.22% | 26.34% | 25.17% | 25.34% |

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

** Covered payroll data from the actuarial valuation date with one-year lag.

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Schedule 5
Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Collective Total OPEB Liability
Last 10 Fiscal Years*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| GHURA's proportion of the total OPEB Liability | \$ 14,471,126 | \$ 19,074,796 | \$ 16,920,540 | \$ 15,873,373 | \$ 11,630,596 | \$ 14,924,532 | \$ 15,314,916 |
| GHURA's proportion of the total OPEB Liability | 0.63% | 0.69% | 0.67% | 0.62% | 0.62% | 0.61% | 0.60% |

*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.

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Schedule 6
Required Supplemental Information (Unaudited)
Schedule of OPEB Employer Contributions
Last 10 Fiscal Years*

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ 1,853,980 | \$ 1,724,998 | \$ 1,736,353 | \$ 1,325,418 | \$ 1,625,198 | \$ 1,679,498 | \$ 1,437,562 |
| Contributions in relation to the actuarially determined contribution | <u>351,608</u> | <u>288,658</u> | <u>257,710</u> | <u>278,128</u> | <u>258,531</u> | <u>245,526</u> | <u>245,526</u> |
| Contribution deficiency | <u>\$ 1,502,372</u> | <u>\$ 1,436,340</u> | <u>\$ 1,478,643</u> | <u>\$ 1,047,290</u> | <u>\$ 1,366,667</u> | <u>\$ 1,433,972</u> | <u>\$ 1,192,036</u> |

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

Guam Housing and Urban Renewal Authority
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Note to Required Supplementary Information
(Unaudited)

Changes of Assumptions – Pension Plans

Amounts reported in the 2022 actuarial valuation reflected an assumption related to administrative expenses to increase to \$6,565,000 per year.

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

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

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

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

Amounts reported in the 2015 actuarial valuation reflect a change of assumption for 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 expectations for 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 of assumption for 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.