



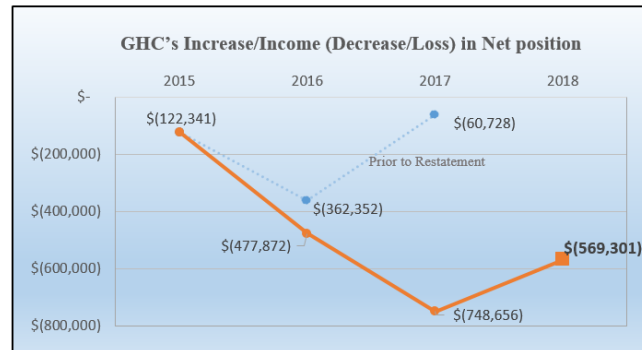
OFFICE OF PUBLIC ACCOUNTABILITY

Suite 401 DNA Building, 238 Archbishop Flores Street, Hagatna, Guam 96910
 Tel (671) 475-0390 · Fax (671) 472-7951 · Hotline: 47AUDIT (472-8348)
 www.opaguam.org

Guam Housing Corporation – FY 2018 Financial Highlights

March 29, 2019

Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Guam Housing Corporation’s (GHC) financial statements, report on compliance and internal control, and the auditor’s communication with those charged with governance for fiscal year (FY) 2018. GHC ended FY 2018 with a decrease in net position (net loss) of \$569 thousand (K), an increase of \$179K from the FY 2017 restated net loss of \$749K.



The Guam Housing Corporation (GHC) received an unmodified (clean) opinion on its FY 2018 audit from independent auditors, Ernst & Young, LLP (EY).

Revenues and Expenditures

GHC’s total operating revenues decreased by 7%, or \$183K, from \$2.6M in FY 2017 to \$2.4M in FY 2018. This decrease was mainly due to the difference between the loss in FY 2018 and the gain in FY 2017 on the sale of foreclosed assets totaling \$91K and \$84K decrease in rental income. The decrease in rental income was due to the increase in rental unit vacancies and bad debt for tenant receivable.

GHC’s total operating expenses decreased by 11%, or \$362K, from \$3.3M in FY 2017 to \$2.9M in FY 2018. This was mainly due to the \$400K decrease in retirement and Medicare contributions and \$128K in retiree supplemental and health benefits. The decreases were due to the reduction in pension and OPEB liabilities.

Loan Portfolio

GHC’s loan portfolio included 373 loans amounting to \$28.7 million (M) in FY 2018, a 4% decrease of \$1.3M and 19 loans from FY 2017. During the year, GHC originated eight loans totaling \$913K, a decrease in 14 loans from those originated in FY 2017. There were 27 loan payoffs in FY 2018, which was similar to FY 2017, however the principal balance of these payoffs increased from \$771K in FY 2017 to \$1.5M in FY 2018.



The number of delinquent loans decreased from 60 in FY 2017 to 50 in FY 2018, with a principal balance of \$4.2M in FY 2018. This was due to the GHC Legal Counsel’s aggressive actions. There was one foreclosure in FY 2018

with a principal balance of \$162K compared to three foreclosures in FY 2017 with a principal balance of \$368K.

Although GHC is limited in its lending capital, it continued to conduct pre-qualification interviews in order to determine the need for affordable housing. In FY 2018, 379 applicants were interviewed of which only 136 were considered prospective applicants requiring a total of \$17.2M for loans.

In August 2018, the Board of Directors approved the change in the interest rate for the regular loan program to 2% above the prevailing rate charged by local lenders.

First Time Homeowners Assistance Program (FTHAP) Disbursements Decreased

In FY 2018, FTHAP's total number of grants disbursed decreased from 83 in FY 2017 to 54 in FY 2018. GHC received \$473K and \$483K of escheated funds from the Department of Administration (DOA) during FY 2018 and FY 2017, respectively. As with the previous fiscal years, the funds were not enough for all the applications GHC received, so the waiting list that was established is ongoing.

FY 2017 Financial Statements Restatement and Other Post-Employment Benefits (OPEB)

Governmental Accounting Standards Board (GASB) No. 75 pertains to post-employment benefits other than pension. These benefits provided by the Government of Guam (GovGuam) include medical, dental, and life insurance to retirees, spouses, children, and survivors. For FY 2018, GHC's proportionate share of GovGuam's OPEB liability of approximately \$2.4 billion (B) amounted to \$11.2M or 0.46%.

GHC's implementation of GASB No. 75 had a material effect on its net position and changes in net position for the year ended September 30, 2017. The beginning net position was restated (reduced) by \$10.3M resulting in an \$11.0M decrease in the ending net position from \$36.4M to \$25.5M. GHC's OPEB expenses for FY 2017 and 2018 amounted to \$941K and \$808K, respectively.

Compliance Report and Management Letter

For FY 2018, no Management Letter was issued and no material weaknesses or significant deficiencies were identified related to internal control. However, one deficiency was reported related to compliance. For one Invitation for Bid (IFB), the duration between the announcement and the close of the bid was 14 days instead of a minimum of 15 days required per the Guam Administrative Rules and Regulations (GAR). The timing of announcement in the corporation's website was made later than required. GHC agrees with the finding.

For a more detailed discussion on GHC's operations, see the Management's Discussion and Analysis in the audit report at www.guamhousing.org or www.opaguam.org.