Financial Statements, Required Supplementary Information and Supplementary Information

Guam Housing Corporation

(A Component Unit of the Government of Guam)

Year ended September 30, 2023
with Report of Independent Auditors

Building a better
working world

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

Financial Statements, Required Supplementary Information, and Supplementary Information

Year ended September 30, 2023

Contents

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Report of Independent Auditors

The Board of Directors
Guam Housing Corporation

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States require that the Management's Discussion and Analysis on pages 4 through 18, the Schedules of the Corporation's Proportionate Share of the Net Pension Liability on pages 56, 58 and 60, the Schedule of the Corporation's Contributions on pages 57, 59, 61 and 63, and the Schedule of the Corporation's Proportionate Share of Collective Total Other Postemployment Benefit Liability on page 62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The supplementary combining Statement of Net Position included in pages 65 and 66, combining Statement of Revenues, Expenses and Changes in Net Position included in page 67, the schedule of salaries, wages and benefit included in page 68, and the First-time Homeowner Assistance Program included in page 69 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated May 21, 2024 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Ernst + Young LLP

May 21, 2024

Management's Discussion and Analysis

September 30, 2023

As Management of the Guam Housing Corporation (GHC, the Corporation), we offer the readers of the Corporation's financial statements this narrative overview on the background, history and analysis of the financial activities for the fiscal year (FY) ended September 30, 2023. We encourage readers to consider the information presented as you review the financial statistics presented on the following pages.

A. About the Corporation

GHC was established by virtue of Title 12 Chapter 4 of the Guam Code Annotated in 1965. GHC's mandate is to (a) To encourage and promote the investment of private capital in low and moderate income residential housing in Guam. (b) To engage in land-use planning for residential housing purposes to the end that the most economic and socially beneficial use may be made of land, and to encourage and assist private persons and organizations to act in accordance with the results of such planning. (c) To encourage and engage in low and moderate income housing activities, including development of residential subdivisions, construction of housing for rental or resale, and to make loans to qualified persons who cannot otherwise qualify as borrowers through conventional means for the purchase, construction, improvement, or repair of a home.

The management of the GHC is vested in a Board of Directors consisting of seven (7) members. The Board is responsible for overall policymaking and general supervision of the Corporation.

Loan & Supplemental Funding Programs

Current market conditions relative to rising construction costs and selling prices for turn-key home purchases have eroded the purchasing power of borrowers trying to build or purchase their first homes. These conditions combined with rising interest rates have made it extremely difficult for borrowers to qualify for mortgages. In an effort to increase borrower's abilities to qualify for mortgages and to afford the increased costs to build or purchase homes, the GHC Board of Directors elected to increase the maximum maturity of mortgage loans to 38 years for the Regular and Six Percent Loan Programs and to cap the interest charged on the Regular Loan Program at a maximum of 6%. The intent of these two actions is to lower monthly mortgage payments and to increase the qualifying loan amount for potential borrowers allowing more residents to afford the purchase of their first homes.

First Time homeowners may apply for any of GHC's loan programs. However, for the Regular Loan Program and the Six Percent Loan Program, the applicant(s) must be denied by a financial institution before the applicant can apply with Guam Housing Corporation. Prospective applicants are encouraged to meet with GHC for a prequalification interview to determine how GHC might assist the applicant with his/her financing needs. While both the Regular and the Six Percent Loan Programs are similar in their eligibility and qualifying criteria, there are differences in the interest rate. The interest rate for the Regular program is two percent (2%) above the prevailing rate charged by loan lenders with a ceiling of six percent (6%), while the interest rate for the Six Percent

Loan program is the prevailing rate with the lowest rate at four percent (4%) and the highest at six percent (6%).

Both loan programs may be used for the purchase or construction of a house. If the purpose is for construction, GHC's loan is structured to have only one closing fee charged at loan closing. Interest payments will be required during the construction period and then converted to PITI (principal, interest, taxes, and insurance) payments upon completion of the house. The loan will then mature up to thirty-eight years after the first full payment of PITI.

Another loan program is the Community Affordable Housing Action Trust known as the CAHAT loan program. This is an interest free second mortgage program designed to assist first time homeowners who lack the necessary resources to purchase or construct a typhoon-resistant home. The first mortgagee, from a participating lender, will provide financing of up to 80%, the CAHAT loan program will provide 15% financing and the borrower will provide the required 5% down payment. Eligible recipients of the program are provided up to $40,000 with a loan term of up to thirty years.

GHC has also partnered with Rural Development (RD), United States Department of Agriculture, to provide a joint financing between the two agencies. The program is the Leverage Loan Program, whereby GHC will provide 20% financing from its Six Percent Loan Program as the first lienholder and RD will provide 80% financing as the second lienholder for 100% financing. This program was effectuated via a Memorandum of Understanding between GHC and RD on September 5, 2005. Unfortunately, the program is currently inactive due to lack of funding from RD.

GHC is also mandated to administer the First Time Homeowners Assistance Program (FTHAP) established by P.L. 31-166 in January 2012. Eligible recipients of the program are provided up to $10,000 or four percent (4%) of the total purchase and/or construction cost to assist with closing costs. The maximum cost should not exceed $420,000, excluding closing costs, as amended by P.L. 36-29, Board Resolution 03-2022 dated May 27, 2022. There are eleven (11) participating financial institutions to include GHC.

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

We refer our readers to GHC's website at www.guamhousing.org for detailed information relative to its programs' eligibility and qualifying criteria.

Rental Division

In 1969, GHC acquired 115 homes in Lada Gardens, Dededo which are managed by the Corporation's Rental Division. These rental units are comprised of two, three, and four bedroom homes rented to eligible individuals and families. GHC also has two (2) single-family homes in Sagan Linahyan, Dededo consisting of two bedrooms, and two 12-unit apartment buildings in Yigo named Guma As-Atdas, consisting of two and three bedrooms.

P.L. 31-215 enabled GHC to continue to increase its affordable rental housing inventory. This law provided for the transfer of an additional ten (10) single family units in Sagan Linahyan, consisting of one, two, three and four bedrooms, from the Department of Land Management (DLM) to GHC. The U.S. Department of Housing and Urban Development, through the Guam Housing & Urban Renewal Authority (GHURA), funded the renovation of these ten abandoned units at a cost of approximately $650,000. The Renovation Project was completed in October 2012. Due to the source of funding for the rehabilitation of these units, the proposed tenants must meet the established income limits.

In FY 2022, major renovations of 23 rental units in Lada Gardens began. The initial contract in the amount of $1,358,775 was awarded with the Department of Public Works (DPW) serving as Construction Manager. The Notice to Proceed (NTP) for the design phase of the project began on September 10, 2021 with the NTP for the construction phase beginning on January 26, 2022. Two (2) Change Orders (CO) were requested and approved during the construction phase of the project. CO1 entailed additional electrical and plumbing work that had not been included in the original Scope of Work for the project. The result was an increase to the contract in the amount of $85,860 bringing the total contract amount to $1,444,635. CO2 was a request for an additional sixty (60) days to complete the project. Upon signature authorizing CO2 by Governor Lou Leon Guerrero and registration with the Guam Department of Administration, the new contract date was extended to January 16, 2023. The occupancy permit for the units was issued on March 7, 2023 signaling completion of the project.

B. Overview of the Financial Statements

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

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

The *Statement of Net Positions* presents information on all the Corporation's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net positions. Over time, increases or decreases in net positions may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Positions* present information showing how the Corporation's net positions changed during the most recent fiscal year. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation, and earned but unused vacation leave).

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

The Corporation's financial statements report on the function of the Corporation that is principally supported by intergovernmental revenues. The Corporation's function is to help first-time homeowner individuals and families secure mortgage financing who cannot otherwise qualify as borrowers through other conventional financing means and provide and administer low-cost housing rental projects. The Corporation's financial statements can be found on pages 19 through 71 of this report.

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

	2023	As restated, 2022
Current Assets - Unrestricted:		
Cash & cash equivalents	$ 7,118,449	$ 6,831,563
Loans receivable, other receivables, prepaid exp., & inventory	1,105,264	1,017,953
Foreclosed assets held for resale	102,082	102,082
Total current assets - unrestricted	8,325,795	7,951,598
Current Assets - Restricted Assets		
Cash & cash equivalents	5,322,448	6,715,725
Investments	220,543	619,141
Loans receivable, current	85,999	89,118
Total current assets - restricted	5,628,990	7,423,984
Total current assets	13,954,785	15,375,582
Noncurrent assets:		
Unrestricted loans receivable	21,050,301	21,048,941
Restricted loans receivable	1,707,024	1,663,494
Capital Assets	6,887,222	6,529,613
Total Assets	43,599,332	44,617,630
Deferred outflows of resources–pension & OPEB	2,672,391	2,402,364
Total assets & deferred outflows of resources	$ 46,271,723	$ 47,019,994

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

Management's Discussion and Analysis, continued

	2023	**As restated, 2022**
Current liabilities:		
Payable from unrestricted assets		
Accounts payable & accrued expenses	$ 552,433	$ 276,672
Total payable from unrestricted assets	552,433	276,672
Payable from restricted assets:		
Deferred Revenue	1,547,000	1,547,000
Bonds payable, current	260,000	245,000
Accrued interest payable	12,219	13,393
Deposits by borrowers & security deposit	149,216	714,685
Rebate liability	----	87,314
Total payable from restricted assets	1,968,435	2,607,392
Total current liabilities	2,520,868	2,884,064
Non-current liabilities:		
Non-current portion of accrued compensated absences	144,461	127,781
Lease liabilities, non-current	17,806	2,404
Bonds payable	2,290,000	2,550,000
Net Pension & OPEB Liability	10,445,642	11,005,089
Total non-current liabilities	12,897,909	13,685,274
Total Liabilities	15,418,777	16,569,338
Deferred inflows of resources – pension & OPEB	3,442,120	3,383,855
Invested in capital assets, net of related debt	6,887,222	6,529,613
Restricted	5,419,255	6,206,652
Unrestricted	15,104,349	14,330,536
Total net position	$ 27,410,826	$ 27,066,801

	2023	As restated, 2022
Operating Revenues:		
Interest income on loans receivable	$ 1,128,894	$ 1,190,789
Rental Income	973,044	821,831
Interest income on deposit	145,960	16,694
Interest income on investments held by bond trustee	105,356	---
Miscellaneous revenue	86,110	219,348
Total operating revenues	2,439,364	2,248,662
Operating Expenses:		
Salaries	1,296,143	1,235,379
Other	493,261	760,092
Retirement & Medicare contributions	361,384	195,972
Depreciation & amortization	190,057	150,733
Interest expense on borrowings	156,089	169,793
Employee benefits, other than retirement	117,276	120,337
Rent	115,028	69,312
Professional services	78,826	102,518
Contractual services	64,994	66,618
Maintenance	50,018	48,049
Bond trustee fees	16,170	16,000
Amortization of right-of use assets	5,027	42,988
Director fees	2,450	2,300
Interest expense on lease liability	1,451	775
Loss on investments held by bond trustees	---	25,034
Retiree supplemental & health benefits	(574,895)	(480,425)
Total operating expenses	2,373,279	2,525,475
Non-Operating Revenues	277,939	813,096
Increase in net position	344,024	536,283
Total net position at beginning of year, restated	27,066,802	26,530,519
Total net position at end of year	$ 27,410,826	$ 27,066,802

C. Financials at a Glance

The Corporation ended FY 2023 with an increase in net income of $344 thousand (K). The increase is due to: 1) a decrease of the Other Postemployment Benefits (OPEB) liability. The overall adjustments due to the OPEB Liability increased the net position by $771K in FY 2023; and 2) a decrease in the Rebate Liability. The decrease in the Rebate Liability resulted in a 521% increase in interest on investments held by bond trustees or $130K from a loss of $25K in FY 2022 to a gain of $105K in FY 2023.

GHC monitors compliance with the requirements of the activities as established by the Government of Guam for the CAHAT, Down Payment Collection Assistance, FTHAP and Foreclosure Protection Fund programs. After review of the fiduciary programs, these programs were moved from the fiduciary statements to the primary statements. These adjustments increased the net position by $173K in FY 2022 and decreased the net position by $106K in FY 2023. Because of these adjustments, no prior year comparison will be presented in the FY 2023 Basic Financial Statements and the summary of the Corporation's financial statements for FY 2022 has been restated in the MD&A.

On March 14, 2020, the Governor of Guam, through Executive Order 2020-03, declared a state of emergency for Guam in response to COVID-19. The state of emergency was extended monthly throughout FY 2021 and into FY 2023. Despite various Federal assistance programs being made available to the community, the financial impact from COVID-19 continues to be felt with residents struggling to meet their basic financial obligations such as mortgages, rental payments, utilities, groceries, health care, etc.

Super Typhoon Mawar struck the island on May 24, 2023. Widespread damages to homes, businesses, vegetation and infrastructure were sustained across the entirety of Guam. Families who sustained damages from Typhoon Mawar were able to avail themselves of assistance by the Federal Emergency Management Agency (FEMA), the Small Business Administration (SBA), or GHC if they were without typhoon coverage. While recovery from the devastation has commenced and damages are being assessed, it will take some time to determine the full extent of the financial impact to the agency.

Operating revenues increased by 8% or $191K from $2.2 million (M) in FY 2022 to $2.4M in FY 2023. The increase is due to: 1) an 18% increase in rental income or $151K, from $822K in FY 2022 to $973K in FY 2023 due to the completion of the Phase I renovations for 23 units in March 2023.; 2) a 521% increase in interest on investments held by bond trustees or $130K from a loss of $25K in FY 2022 to a gain of $105K in FY 2023. An adjustment was completed to reduce the rebate liability by $94K based on the Interim Arbitrage Rebate Analysis dated March 6, 2023 completed by Orrick, Herrington & Sutcliffe LLP.; and 3) a 774% increase in interest income on bank deposits or $129K, from $17K in FY 2022 to $146K in FY 2023 due to the increase on interest rates for time certificates of deposit.

Operating expenses decreased by 6% or $152K from $2.5M in FY 2022 to $2.4M in FY 2023. The decrease is due to: 1) 35% decrease in other expenses or $267K, from $760K in FY 2022 to

$493K in FY 2023. This is due to a decrease in the number of FTHAP grants disbursed. In FY 2022, 69 grants were disbursed totaling $637K compared to FY 2023 where 38 grants were disbursed totaling $366K; and 2) a 20% decrease in retiree supplemental, COLA and health benefits or $94K. The overall adjustments due to the OPEB Liability decreased expenses by $771K & $668K in FY 2023 & FY 2022 respectively.

Non-operating revenues decreased by 66% or $535K from $813K in FY 2022 to $278K in FY 2023. These are escheated funds transferred from the Department of Administration to Guam Housing Corporation for the FTHAP. Escheated funds have been decreasing over the years.

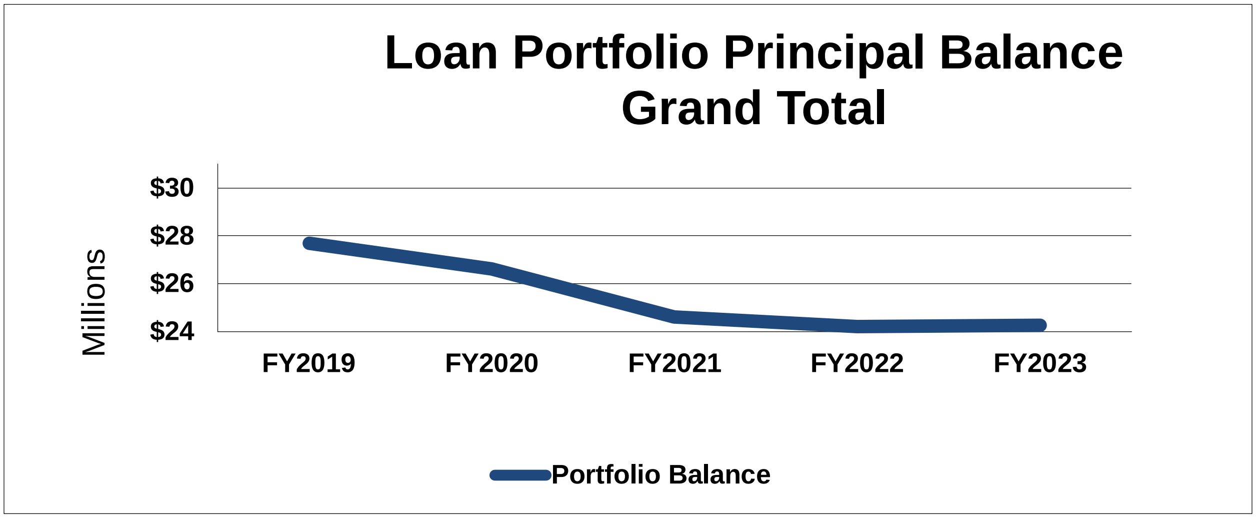
The loan portfolio has increased by $51K to $24.26M, an increase of 0.2% from the prior year. Although principal disbursements decreased from $2.4M in FY 2022 to $1.6M in FY 2023, pay offs decreased from 30 loans totaling $1.6M in FY 2022 to 20 loans totaling $530K in FY 2023. The decrease in payoffs are due to the increase in interest rates for mortgage loans at the banks. Delays in principal disbursement for loan funds committed have continued. Borrowers seeking to build homes are finding it difficult to secure contractors who are able to offer affordable home construction. In large part, this issue is due to the limited availability of local and skilled construction labor. Furthermore, borrowers purchasing homes face similar difficulty due to the lack of inventory available in the low to moderate price range. GHC continues its efforts with its industry partners in addressing the housing needs of our island residents.

Despite the challenges facing GHC and the low to moderate income borrowers we serve, GHC continues to market all its available programs and entertain inquiries with the ultimate goal of loan closing and home ownership. In FY 2023, one hundred twenty-nine (129) applicants were interviewed. Of those interviewed, only thirteen (13) pursued the application process of which nine (9) were approved and closed. GHC closed one (1) loan totaling $75K under the Direct Loan Program for a home renovation, four (4) loans totaling $1.3M under the Six Percent Loan Program, and four (4) loans totaling $160K under the CAHAT loan program in FY 2023.

D. Financial Highlights

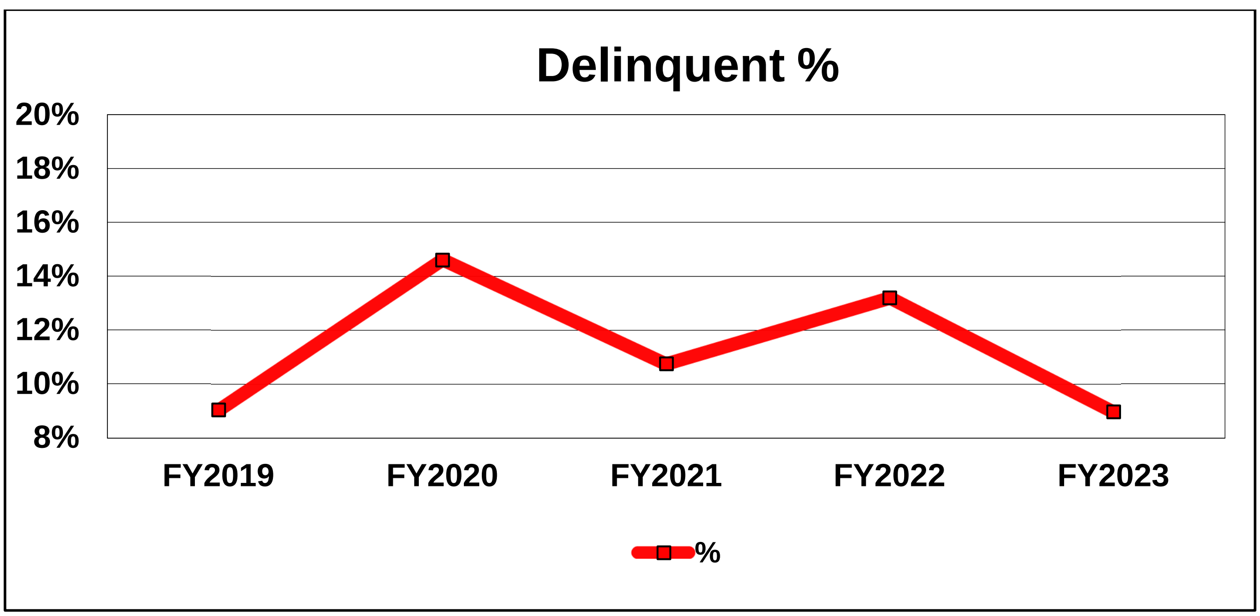
Loan Portfolio Principal Balance

FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
$27,686,804	$26,617,079	$24,610,846	$24,205,232	$24,256,591
Total Number of Loans				
362	341	318	300	289



Delinquency

FY2019	FY2020	FY2021	FY2022	FY2023
Delinquent %				
9.03%	14.61%	10.75%	13.21%	8.96%
Principal Balance				
$2,488,045	$3,872,337	$2,632,551	$3,181,388	$2,164,166
Total Number of Loans				
32	43	31	34	23



GHC provides mortgage loans to qualified applicants who have been denied financing from conventional financial institutions for the construction or purchase of their new homes. Thus, the Corporation assumes a higher lending risk with mortgage loans from the outset. Delinquent loans 30 days and over decreased by $1M from $3.2M in FY 2022 to $2.2M in FY 2023. Overall, loans delinquent 30 days and over decreased from 13% in FY 2022 to 9% in FY 2023.

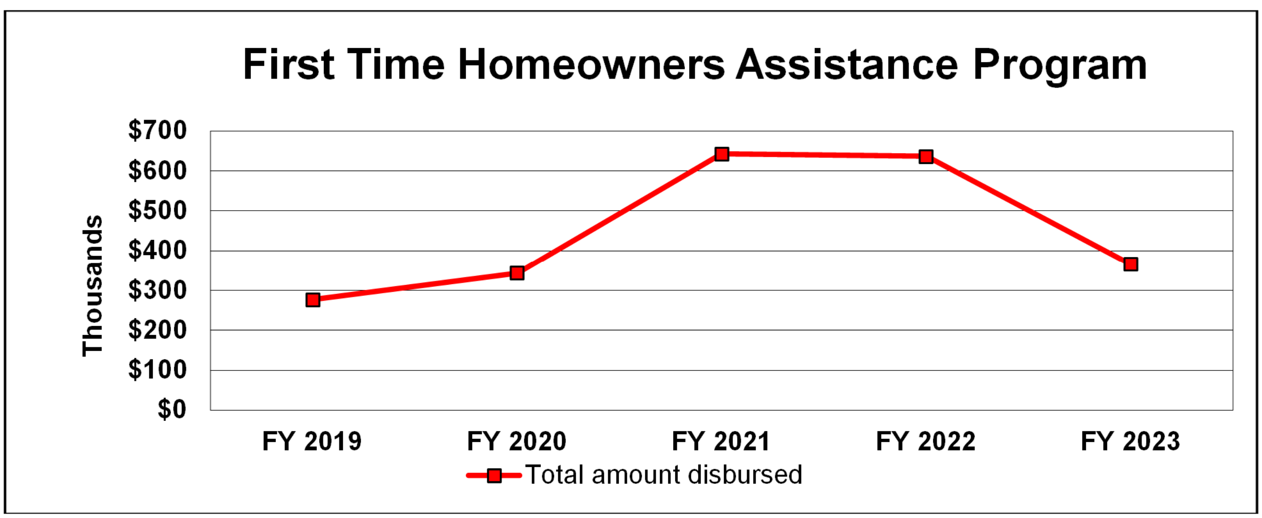
GHC's policy requires that all accounts past 90 days be reviewed and referred to legal counsel for further proceeding. However, each account is reviewed by the Credit and Collection Committee to determine if a workout agreement to reduce the Corporation's loss would be in the best interest of the Corporation rather than pursuing foreclosure. There may be some cases in which the current market value of the secured property could be lower than the payoff amount. If the borrower is committed and has demonstrated the ability to service the workout amount, the Corporation will authorize the workout. This, however, will not eliminate foreclosure should the borrower neglect to follow the approved payment arrangement.

First-Time Homeowners Assistance Program

	FY2019	FY2020	FY2021	FY2022	FY2023
Total amount disbursed	$276,991	$343,431	$642,952	$636,618	$365,899
Total number of grants	34	39	71	69	38

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

Escheated funds	$276,991	$343,431	$642,952	$636,618	$364,389
Number of grants (Escheated funds)	34	39	71	69	38



The total number of FTHAP grants disbursed have decreased from 69 in FY 2022 to 38 in FY 2023. GHC received $813K and $278K of escheated funds from the Department of Adminstration (DOA) during fiscal years 2022 and 2023, respectively. The program continues to be well received by the general public.

Foreclosed Assets Held for Resale

GHC foreclosed on one property located in Santa Rita in FY 2022 with a book value of $102K. This property was not sold in FY 2023. There were no foreclosures in FY 2023.

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

The combined total of restricted cash, cash equivalents and time certificates of deposit decreased by 21% or $1.4M from $6.7M in FY 2022 to $5.3M in FY 2023. The decrease is due to: 1) A decrease in cash for the Six Percent Loan Program. In FY 2023, under the Six Percent Loan program, principal disbursements totaled $1.3M and principal receipts totaled $568K this resulted in a decrease in cash and an increase in loan receivable of $740K for this program.; 2) A decrease in the tax and insurance cash balances. The tax and insurance cash and TCD balances, which had a total balance of $445K at the end of FY 2022, were moved from the primary fund to the fiduciary fund in FY 2023.; and 3) A decrease in the borrower's deposit cash balance. Disbursements totaling $103K were made for a Veteran's loan from the borrower's deposit in FY 2023.

Investment with trustee

Investment with trustee decreased by 64% or $399K from $619K in FY 2022 to $221K in FY 2023. This account is used to pay the principal and interest of the mortgage revenue bond and the trustee fees.

Deposit by borrowers-insurance premiums and real estate tax

Deposit by borrowers-insurance premiums and real estate tax decreased by 87% or $580K from $665K in FY 2022 to $85K in FY 2023. Funds collected from borrowers to pay their tax and insurance, which totaled $474K at the end of FY 2022, was moved from the primary fund to the fiduciary fund in FY 2023 and disbursements totaling $103K were made for a Veteran's loan from the borrower's deposit in FY 2023.

Interest on Loans Receivable, Net

Interest on loans receivable decreased by $62K from $1.2M in FY 2022 to $1.1M in FY 2023. The decrease is due to less payoffs in FY 2023 and interest credited for one foreclosure in FY 2022.

Rental Income

Rental Income increased by 18% or $151K from $822K in FY 2022 to $973K in FY 2023. The increase is due to the completion of the Phase I renovations for 23 units in March 2023.

Miscellaneous Revenue

Miscellaneous Revenue decreased by 61% or $133K from $219K in FY 2022 to $86K in FY 2023. The decrease is mainly due to the decrease in administrative fees for the First Time Homeowners Program, Mortgage Relief Program, Emergency Rental Assistance Program, and the Housing Assistance Fund Program in FY 2023.

Interest on Deposits

Interest income on deposits increased by 774% or $129K from $17K in FY 2022 to $146K in FY 2023. The increase is due to the increase on interest rates for time certificate of deposits.

Interest Income and Loss on Investment Held by Bond Trustee

Interest income and loss on investment held by bond trustee increased by 521% or $130K from a loss of $25K in FY 2022 to a gain of $105K in FY 2023. An adjustment was completed to reduce the rebate liability by $94K based on the Interim Arbitrage Rebate Analysis dated March 6, 2023 completed by Orrick, Herrington & Sutcliffe LLP.

Salaries

Salaries increased 5% or $61K from $1.2M in FY 2022 to $1.3M in FY 2023. The increase is mainly due to the 22% increase in employee's salaries on the general pay plan effective April 1, 2023.

Retirement and Medicare Contributions

Retirement and Medicare contributions increased 84% or $165K from $196K in FY 2022 to $361K in FY 2023. The increase is due to the overall pension adjustments, which includes the pension liability, deferred inflows and deferred outflows. The overall adjustment decreased pension expense by $167K in FY2022, whereas in FY 2023 the overall pension adjustments had no effect on the Statement of Revenues & Expenditures.

Amortization of Right-of-Use Asset

Amortization of Right-of-Use Asset decreased 88% or $38K from $43K to $5K. The decrease is due to the difference in the term for the office lease between FY 2022 and FY 2023. Due to GASB Statement No. 87, leases over one year should be recorded as a right-of-use asset and a lease liability and amortized over the term of the lease. Because FY 2022 office lease was part of a two-year lease term, the first five months of the office lease was amortized in FY 2022 whereas in FY

2023 the office lease term was only under a one-year lease term and therefore no amortization was recorded.

Rent Expense

Rent expense increased by 66% or $46K from $69K in FY 2022 to $115K in FY 2023 mainly due to the GASB Statement No. 87. The first five months of FY 2022 were part of a two-year lease agreement. Therefore, the expenses for those first five months were included in the amortization of right-of-use asset and interest expense for lease liability. In FY 2023, the lease term agreement was for one year so rent expense was recorded.

Depreciation

Depreciation increased by 26% or $39K from $151K in FY 2022 to $190K in FY 2023. The increase is due to the completion of the renovation of 23 units at Lada Gardens in FY 2023.

Other Expense

Other expense decreased by 35%, or $267K, from $760K in FY 2022 to $493K in FY 2023. This is due to a decrease in the number of FTHAP grants disbursed. In FY 2022, 69 grants were disbursed, totaling $637K compared to FY 2023, where 38 grants were disbursed, totaling $366K.

Retiree Supplemental, COLA and Health Benefits

Retiree supplemental, COLA and health benefits decreased 20% or $94K from a credit balance of $480K in FY 2022 to a credit balance of $575K in FY 2023. The decrease is due to the OPEB adjustments. The overall OPEB adjustments decreased expenses by $668K and $771K for FY 2022 & 2023 respectively.

E. Future Events

GHC continues to pursue its mission despite numerous challenges. GHC's ability to secure lending capital at affordable rates would be its immediate concern to achieve many of its goals.

Guam Housing Corporation has established the following goals to complete in FY 2024:

1. Begin major renovations of units identified under Phase II of the Lada Gardens Renovation Project utilizing $1,547,000 in American Rescue Plan funds received for the project. GHC will work to announce the Invitation for Bid (IFB) and award the contract.

2. Continue the work as a member of the Governor's Interagency Council on Homelessness. Together with the council, GHC will examine challenges associated with homelessness and develop and implement strategies and programs for a

coordinated, effective response to homelessness in Guam.

3. Upon completion of renovations of identified units, apply for a FEMA Hazard Mitigation Program grant to support the installation of typhoon shutters for housing units at Lada Gardens.

4. Announce a Request for Interest (RFI) for the development of nine (9) Chamorro Land Trust Commission (CLTC) lots utilizing affordable housing systems. Units will serve as model homes for an established period of time prior to being sold to qualified CLTC lessees.

F. Contacting the Corporation's Financial Management

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

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

Statement of Net Position

September 30, 2023

Assets	
Current assets:	
Unrestricted assets:	
Cash and cash equivalents *(Note 2)*	$ 4,196,353
Time certificate of deposits *(Note 2)*	1,936,000
Self-insurance fund *(Notes 2 and 8)*	986,096
Loans receivable, net *(Note 3)*	928,135
Tenants receivable, net	26,219
Accrued interest receivable	99,071
Prepaid expenses and other	51,839
Foreclosed assets held for resale *(Note 5)*	102,082
Total unrestricted assets	8,325,795
Restricted assets:	
Cash and cash equivalents *(Note 2)*	5,027,448
Time certificate of deposits *(Note 2)*	295,000
Investments *(Note 2)*	220,543
Loans receivable, net *(Note 3)*	85,999
Total restricted assets	5,628,990
Total current assets	13,954,785
Loans receivable, net *(Note 3)*	21,050,301
Restricted other receivables	1,707,024
Depreciable capital assets *(Note 4)*	3,952,995
Non-depreciable capital assets *(Note 4)*	2,934,227
Total assets	43,599,332
Deferred outflows of resources	
Pension *(Note 7)*	1,449,698
Other postemployment benefits (*Note 7*)	1,222,693
Total deferred outflows of resources	2,672,391
Total assets and deferred outflows of resources	$ 46,271,723

See accompanying notes.

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

Statement of Net Position, continued

September 30, 2023

Liabilities	
Current liabilities:	
Payable from unrestricted assets:	
Accounts payable and accrued expenses	$ 302,837
Current portion of accrued compensated absences *(Notes 7 and 9)*	128,171
Unearned revenue	95,458
Lease liabilities	5,113
Due to fiduciary fund	20,854
Total payable from unrestricted assets	552,433
Payable from restricted assets:	
Deferred revenue	1,547,000
Bonds payable *(Notes 6 and 9)*	260,000
Accrued interest payable	12,219
Security deposits	64,662
Deposits by borrowers	84,554
Total payable from restricted assets	1,968,435
Total current liabilities	2,520,868
Non-current liabilities:	
Payable from unrestricted assets:	
Non-current portion of accrued compensated absences *(Notes 7 and 9)*	144,461
Net pension liability *(Notes 7 and 9)*	4,291,805
Lease liabilities *(Note 9)*	17,806
Total collective other postemployment benefit liability *(Notes 7 and 9)*	6,153,837
Payable from restricted assets - Bonds payable *(Notes 6 and 9)*	2,290,000
Total non-current liabilities	12,897,909
Total liabilities	15,418,777
Deferred inflows of resources	
Pension *(Note 7)*	312,034
Other postemployment benefits (Note 7)	3,130,086
Total deferred inflows of resources	3,442,120
Commitments and contingencies *(Note 8)*	
Net position:	
Net investment in capital assets	6,887,222
Restricted for lending activities	5,329,736
Unrestricted	15,193,868
Total net position	$ 27,410,826

See accompanying notes.

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

Statement of Revenues, Expenses and Changes in Net Position

Year Ended September 30, 2023

Operating revenues:	
Interest income on loans receivable	$ 1,128,894
Rental income	973,044
Interest income on deposits	145,960
Interest income on investments held by bond trustee	105,356
Miscellaneous revenues	86,110
Total operating revenues	2,439,364
Operating expenses:	
Salaries	1,296,143
Other	493,261
Retirement and Medicare contributions	361,384
Depreciation and amortization (*Note 4*)	190,057
Interest expense on borrowings	156,089
Employee benefits, other than retirement	117,276
Rent (*Note 8*)	115,028
Professional services	78,826
Contractual services	64,994
Maintenance	50,018
Bond trustee fees	16,170
Amortization of right-of use asset	5,027
Director fees	2,450
Interest expense on lease liability	1,451
Loss on investments held by bond trustees	
Retiree supplemental and health benefits	(574,895)
Total operating expenses	2,373,279
Operating income	66,085
Nonoperating revenue - transfers from Department of Administration	277,939
Increase in net position	344,024
Net position at beginning of year, restated	27,066,802
Net position at end of year	$ 27,410,826

See accompanying notes.

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

Statement of Fiduciary Net Position

September 30, 2023

Assets:	
Cash	$ 157,374
Investments	292,000
Other receivables	20,854
Total asset	470,228
Net position:	
Restricted for lending activities	$ 470,228

Statement of Changes in Fiduciary Net Position

September 30, 2023

Additions	
Deposits by borrowers	$ 64,645
Deductions	
Insurance premiums paid	68,317
Net change in fiduciary assets	(3,672)
Beginning balance of fiduciary net position, restated	473,900
Ending balance of fiduciary net position	$ 470,228

See accompanying notes.

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

Statement of Cash Flows

Year Ended September 30, 2023

Cash flows from operating activities:	
Cash received from customers	$ 1,419,642
Others	246,912
Benefits paid to participants	(367,558)
Cash paid to suppliers for goods and services	(385,725)
Cash paid to employees	(1,931,964)
Net cash used in operating activities	(1,018,693)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(380,013)
Cash flows from investing activities:	
Decrease in time certificate of deposits	15,000
Increase in self-insurance fund	(29,727)
Decrease in investments	503,954
Net cash provided by activities	489,227
Cash flows from noncapital financing activities:	
Cash receiveed from DOA	277,939
Repayment of bonds payable	(245,000)
Increase of rebate liability	(87,314)
Interest paid on bonds payable	(157,263)
Net cash used in noncapital financing activities	(211,638)
Net decrease in cash and cash equivalents	(1,121,117)
Cash and cash equivalents at beginning of year, restated	10,344,918
Cash and cash equivalents at end of year	$ 9,223,801
Consisting of:	
Unrestricted	$ 4,196,353
Restricted	5,027,448
	$ 9,223,801

See accompanying notes.

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

Statement of Cash Flows, continued

Year Ended September 30, 2023

Reconciliation of change in net position to net cash provided by operating activities:	
Increase in net position	$ 66,085
Adjustments to reconcile increase in net position to net cash used in operating activities:	
Non-cash pension costs	383,548
Non-cash other postemployment benefit cost	586,209
Interest expense on borrowings reported as operating expenses	156,089
Depreciation and amortization	195,084
Provision for doubtful rental receivables	13,577
Provision for loan losses	1,027
Interest income on investments held by bond trustees	(105,356)
Decrease (increase) in assets:	
Loans receivable, net	(10,948)
Tenants receivable, net	(14,962)
Accrued interest receivable	(77,358)
Prepaid expenses and other assets	7,771
Other receivables	(40,411)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	33,297
Accrued compensated absences	41,603
Unearned revenue	30,182
Lease liabilities	1,451
Due to fiduciary fund	20,854
Security deposits	14,842
Deposits by borrowers - insurance premiums and real estate taxes	(580,311)
Net pension liability	(383,549)
Total collective other postemployment benefit liability	(1,357,417)
Net cash used in operating activities	$ (1,018,693)
Supplemental disclosure of cash flow information:	
Cash paid for interest expense during the year	$ 157,263

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

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

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

Government-wide Financial Statements

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

Fiduciary Fund Financial Statements

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

Basis of Accounting

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

1. Organization and Summary of Significant Accounting Policies, continued

Net Position

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

Net investment in capital assets

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

Restricted for lending activities

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

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

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

Unrestricted

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

1. Organization and Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

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

Loans Receivable

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

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

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

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

1. Organization and Summary of Significant Accounting Policies, continued

Capital Assets

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

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

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

Impairment of Capital Assets

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

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

Investments

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

1. Organization and Summary of Significant Accounting Policies, continued

Compensated Absences

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

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

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

Pensions

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

1. Organization and Summary of Significant Accounting Policies, continued

Other Post-employment Benefits

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

Deferred Outflows/Inflows of Resources

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

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

Operating and Non-operating Revenue and Expenses

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

1. Organization and Summary of Significant Accounting Policies, continued

Risk Management

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

Recently Adopted Accounting Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit debt obligations*. The primary objectives of this statement are to provide a single method 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 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.

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.

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.

1. Organization and Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. GASB Statement No. 99 will be effective for fiscal year ending September 30, 2023.

The implementation of these statements 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 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.

1. Organization and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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

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

2. Deposits and Investments

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

Primary Government	
FDIC Insured	$ 3,570,496
Uncollateralized	8,870,401
Total deposits	$ 12,440,897
Fiduciary Fund	
FDIC Insured	$ 292,000
Uncollateralized	157,374
Total deposits	$ 449,374

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

2. Deposits and Investments, continued

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

Restricted cash and cash equivalents:	
Revolving Loan Fund	$2,051,067
American Reserve Plan funds for renovation	1,547,000
Tenant security deposits	434,765
Community Affordable Housing Action Trust (CAHAT)	313,371
Foreclosure Protection Fund (FPF)	251,262
First-time Homeowner Assistance Program (FTHAP)	182,496
Hazard Mitigation Program	163,229
Borrower's deposits	84,258
Total restricted cash and cash equivalents	5,027,448
Restricted investments - Held by Bond Trustees	220,543
Restricted time certificate of deposits - FPF	295,000
Total restricted cash, cash equivalents, time certificate of deposits, and investments	$5,542,991

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

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

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

2. Deposits and Investments, continued

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

	Moody's Credit Rating	
Federal Home Loan Mortgage Corporation	Aaa	$183,175
Blackrock Liquidity T-Fund	Aaa	37,368
		$220,543

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

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

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

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

2. Deposits and Investments, continued

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

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

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

Investments Measured at Fair Value

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

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

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

3. Receivables

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

Unrestricted	$22,463,568
Less: Allowance for loan and lease losses	485,132
	21,978,436
Less: Current portion	928,135
	$21,050,301

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

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

CAHAT	$1,680,876
DPCCA	112,147
	$1,793,023

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

4. Capital Assets

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

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

5. Foreclosed Assets Held for Resale

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

Foreclosed assets held for resale at beginning of year	$102,082
Acquisition during the year	---
Foreclosed assets sold during the year	---
	$102,082

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

6. Mortgage Revenue Bonds Payable

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

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

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

6. Mortgage Revenue Bonds Payable, continued

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

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

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

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

Year ending September 30,	Principal	Interest	Total
2024	$ 260,000	$ 142,888	$ 402,888
2025	275,000	127,794	402,794
2026	295,000	111,694	406,694
2027	305,000	94,588	399,588
2028	325,000	76,763	401,763
2029 to 2031	1,090,000	111,838	1,201,838
	$ 2,550,000	$ 665,565	$ 3,215,565

7. Employee Benefits

General Pension Plan Descriptions

Defined Benefit Plan (DB Plan)

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

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

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

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

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

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

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

The Corporation's contributions to the DB Plans for the year ended September 30, 2023 were $180,028, which is was equal to the statutory required contributions for the year then ended.

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

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

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

Actual cost method:	Entry age normal
Valuation of assets:	3-year phase in gain/losses relative to interest rate assumption.
Investment income:	7.0% per year
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% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Return of contributions:	100% withdrawing before retirement with less than 20 years of service assumed to elect a return of contributions. Contributions earn 4.5% interest.
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.

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

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

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

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

Asset Class	Target Asset Allocation	Nominal Return	Component Return
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%

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

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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

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

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

The COLA payment is $2,200 per DB retiree.

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

The Corporation's contribution to the COLA payment of the Plan is $2,200 per DB retiree.

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% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 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.

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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

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

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

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

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

Contributions: The Corporation's contribution to the COLA payment of the Plan is $2,200 per DCRS retiree.

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:	5% per year from age 55 to 64, 10% 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.

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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

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

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

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

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

DB Plan	$3,329,795
Ad hoc COLA/SA Plan for DB Participants	635,438
Ad hoc COLA Plan for DCRS Participants	326,572
	$4,291,805

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

DB Plan	0.22%
Ad hoc COLA/SA Plan for DB Participants	0.25%
Ad hoc COLA Plan for DCRS Participants	0.54%

Pension expense for the year ended September 30, 2023 for the aforementioned plans are as follows:

DB Plan	$332,881
Ad hoc COLA/SA Plan for DB Participants	13,080
Ad hoc COLA Plan for DCRS Participants	37,587
	$383,548

7. Employee Benefits, continued

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

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

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

7. Employee Benefits, continued

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

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

DB Plan	$309,539
Ad hoc COLA/SA Plan for DB Participants	60,952
Ad hoc COLA Plan for DCRS Participants	15,400
	$385,891

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

Year ending September 30,	
2024	$189,384
2025	163,641
2026	141,765
2027	256,872
2028	3,988
Thereafter	(3,877)
	$751,773

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

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

DB Plan

	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Net pension liability	$3,915,527	$3,329,795	$2,603,803

7. Employee Benefits, continued

Ad Hoc COLA/SA for DB Participants

	1% Decrease 3.02%	Current Discount 4.02%	1% Increase 5.02%
Total collective pension liability	$ 690,581	$ 635,438	$ 586,728

Ad Hoc COLA for DCRS Participants

	1% Decrease 3.02%	Current Discount 4.02%	1% Increase 5.02%
Total collective pension liability	$ 371,729	$ 326,572	$ 292,558

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

DCRS

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

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

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

During the year ended September 30, 2023, contributions made and amounts accrued under the DCRS amounted to $163,338. Of these amount, $127,511 were contributed towards the unfunded liability of the DB Plan for the year ended September 30, 2023.

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

7. Employee Benefits, continued

Other Post-employment Benefit (OPEB) Plan

OPEB Plan Description

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

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

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

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

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

Inflation:	2.50%
Healthcare cost trend rate:	8% for FY2023, decreasing 0.5% per year to 4.5% in FY2030 and an ultimate rate of 4.1% for FY2031 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:	PUB-2010 General Healthy Retiree Headcount-Weighted Mortality Table, set forward 4 years and 2 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.

7. Employee Benefits, continued

Other Post-employment Benefit (OPEB) Plan, continued

OPEB Plan Description, continued

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

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

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

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

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

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

Collective total OPEB liability as of September 30, 2023 is $6,153,837.

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

7. Employee Benefits, continued

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

For the year ended September 30, 2023, the Corporation recognized OPEB expense reductions of $586,209.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 479,911	$(282,983)
Corporation's contributions subsequent to the measurement date	119,961	---
Changes in assumption	561,374	(2,023,412)
Changes in proportion and difference between the Corporation's contributions and proportionate share of contributions	61,447	(823,691)
	$ 1,222,693	$(3,130,086)

Deferred outflows of resources at September 30, 2023, resulting from the Corporation's employer contributions totaled $119,961.

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

Year ending September 30,	
2024	$(714,078)
2025	(236,362)
2026	(318,223)
2027	(233,920)
2028	(261,081)
Thereafter	(263,690)
	$(2,027,354)

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

7. Employee Benefits, continued

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

Sensitivity analysis: The following presents the total 2023 OPEB liability calculated using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

	1% Decrease 3.02%	Current Discount 4.02%	1% Increase 5.02%
Total OPEB liability	$ 7,147,850	$6,153,837	$5,348,039

The following presents the total 2023 OPEB liability calculated using a healthcare cost trend rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

	1% Decrease	Current Discount	1% Increase
Total OPEB liability	$ 5,275,025	$6,153,837	$7,274,767

Accrued Sick Leave

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

8. Commitments and Contingencies

Commitments

As of September 30, 2023, the Corporation has loan commitments totaling $2,026,616.

The Corporation leases office space from the Guam Economic Development Authority (GEDA) which calls for a monthly rental payment of $9,143. Beginning October 1, 2023, rental rate of $10,057 will take effect. Lease is a year to year contract.

8. Commitments and Contingencies, continued

Litigation

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

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

Self-Insurance

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

9. Long-Term Liabilities

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

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

10. Adjustments to and Restatements of Beginning Net Position

During fiscal year 2023, an error correction resulted in adjustments to and restatements of beginning net position, as follows:

	Primary Government	Fiduciary Funds
September 30, 2022, as previously reported	$ 24,118,698	$ 2,948,104
Error correction	2,948,104	(2,474,204)
September 30, 2022, as restated	$ 27,066,802	$ 473,900

Required Supplementary Information

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

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

Defined Benefit Plan

Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Corporation's proportion of the net pension liability	0.22%	0.23%	0.23%	0.24%	0.24%	0.23%	0.24%	0.24%	0.24%	0.26%
Corporation's proportionate share of the net pension liability	$ 3,329,795	$ 2,231,269	$ 2,916,016	$ 2,902,759	$ 2,823,658	$ 2,616,172	$ 3,256,011	$ 3,472,473	$ 2,948,762	$ 3,330,515
Corporation's covered-employee payroll	1,209,245	1,198,782	1,218,275	1,224,691	805,614	1,197,094	1,266,692	1,354,686	1,284,400	1,260,920
Corporation's proportionate share of the net pension liability as a percentage of its covered-employee payroll	275.36%	186.13%	239.36%	237.02%	350.50%	218.54%	257.00%	256.00%	230.00%	264.00%
Plan fiduciary net position as a percentage of total pension liability	54.45%	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%	53.94%

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

Required Supplementary Information
Schedule of the Corporation's Contributions
(Unaudited)

Defined Benefit Plan

Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 310,162	$ 309,592	$ 293,040	$ 289,541	$ 291,780	$ 187,900	$ 278,104	$ 297,444	$ 347,068	$ 325,802
Contribution in relation to the contractually required contribution	309,539	308,345	291,849	297,486	293,201	194,684	276,288	296,576	359,159	319,153
Contribution excess (deficiency)	$(623)	$(1,247)	$(1,191)	$ 7,945	$ 1,421	$ 6,784	$(1,816)	$(868)	$ 12,091	$(6,649)
Corporation's covered-employee payroll	642,353	627,837	704,033	718,892	684,407	230,135	310,135	304,556	296,475	297,198
Contribution as a percentage of the covered-employee payroll	48.19%	49.11%	41.45%	41.38%	42.84%	84.60%	89.09%	97.38%	121.14%	107.39%

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

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Corporation's proportionate share of the collective total pension liability	$ 635,438	$ 723,904	$ 837,705	$ 799,484	$ 644,322	$ 600,954	$ 518,756	$ 522,556	*	*
Corporation's proportion of the collective total pension liability	0.25%	0.23%	0.26%	0.25%	0.22%	0.21%	0.23%	0.22%	*	*

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

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

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

Required Supplementary Information
Schedule of the Corporation's Contributions
(Unaudited)

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants

Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 60,952	$ 54,952	$ 54,952	$ 59,280	$ 54,981	$ 57,400	$ 53,879	$ 54,078	$ 54,198	$ 51,198
Contribution in relation to the contractually required contribution	60,952	54,952	54,952	59,280	55,191	57,190	53,879	54,078	54,198	51,198
Contribution excess (deficiency)	$ ---	$ ---	$ ---	$ ---	$ 210	$(210)	$ ---	$ ---	$ ---	$ ---

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

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

Ad Hoc COLA Plan for DCRS Participants

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Corporation's proportionate share of the collective total pension liability	$ 326,572	$ 353,328	$ 350,369	$ 194,852	$ 157,980	$ 227,627	$ 260,379	$ 173,951	*	*
Corporation's proportion of the collective total pension liability	0.54%	0.50%	0.53%	0.33%	0.32%	0.36%	0.42%	0.33%	*	*

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

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

Required Supplementary Information
Schedule of the Corporation's Contributions
(Unaudited)

Ad Hoc COLA Plan for DCRS Participants

Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 15,400	$ 12,000	$ 12,000	$ 12,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 4,000	$ 3,600
Contribution in relation to the contractually required contribution	15,400	12,000	12,000	12,000	6,000	6,000	6,000	6,000	4,000	3,600
Contribution excess (deficiency)	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---

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

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

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Corporation's proportion of the collective total other postemployment benefit liability	0.27%	0.28%	0.27%	0.29%	0.30%	0.46%	0.47%	0.49%	*	*
Corporation's proportionate share of the collective total other postemployment benefit liability	$ 6,153,837	$ 7,696,588	$ 6,918,351	$ 7,429,975	$ 5,676,959	$ 11,223,930	$ 11,881,411	$ 10,443,665	*	*

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

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

Required Supplementary Information
Schedule of the Corporation's Contributions
(Unaudited)

Other Postemployment Benefit Plan

Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 119,961	$ 120,263	$ 85,460	$ 117,770	$ 157,591	$ 164,294	$ 172,595	$ 172,046	$ 166,763	$ 114,056
Contribution in relation to the contractually required contribution	119,961	120,263	85,460	117,770	157,591	164,294	172,595	172,046	166,763	114,056
Contribution excess (deficiency)	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---

Note to Required Supplementary Information
(Unaudited)

Changes in Assumptions – Pension Plans

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

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

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

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

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

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

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

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

Supplementary Information

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

Combining Statement of Net Position

September 30, 2023

	Housing	Rental	Combined Total
Assets			
Current assets:			
Unrestricted assets:			
Cash and cash equivalents	$ 3,713,876	$ 482,477	$ 4,196,353
Time certificate of deposits	1,936,000	---	1,936,000
Self-insurance fund	---	986,096	986,096
Loans receivable, net	928,135	---	928,135
Tenants receivable, net	7,100	19,119	26,219
Accrued interest receivable	92,537	6,534	99,071
Prepaid expenses and other	1,951	49,888	51,839
Foreclosed assets held for resale	102,082	---	102,082
Interdivision	1,174,992	(1,174,992)	---
Total unrestricted assets	7,956,673	369,122	8,325,795
Restricted assets:			
Cash and cash equivalents	3,045,683	1,981,765	5,027,448
Time certificate of deposits	295,000	---	295,000
Investments	220,543	---	220,543
Loans receivable, net	85,999	---	85,999
Total restricted assets	3,647,225	1,981,765	5,628,990
Total current assets	11,603,898	2,350,887	13,954,785
Loans receivable, net	21,050,301	---	21,050,301
Restricted other receivables	1,707,024	---	1,707,024
Depreciable capital assets	24,123	3,928,872	3,952,995
Non-depreciable capital assets	---	2,934,227	2,934,227
Total assets	34,385,346	9,213,986	43,599,332
Deferred outflows of resources			
Pension	837,944	611,754	1,449,698
Other postemployment benefits	608,775	613,918	1,222,693
Total deferred outflow of resources	1,446,719	1,225,672	2,672,391
Total assets and deferred outflows of resources	35,832,065	10,439,658	46,271,723

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

Combining Statement of Net Position, continued

September 30, 2023

	Housing	Rental	Combined Total
Liabilities			
Current liabilities:			
Payable from unrestricted assets:			
Accounts payable and accrued expenses	$ 71,284	$ 231,553	$ 302,837
Current portion of accrued compensated absences	73,793	54,378	128,171
Unearned revenue	67,806	27,652	95,458
Lease liabilities	4,534	579	5,113
Due to fiduciary fund	20,854	---	20,854
Total payable from unrestricted assets	238,271	314,162	552,433
Payable from restricted assets:			
Deferred revenue	---	1,547,000	1,547,000
Bonds payable	260,000	---	260,000
Accrued interest payable	12,219	---	12,219
Security deposits	---	64,662	64,662
Deposits by borrowers	84,554	---	84,554
Total payable from restricted assets	356,773	1,611,662	1,968,435
Total current liabilities	595,044	1,925,824	2,520,868
Non-current liabilities:			
Payable from unrestricted assets:			
Non-current portion of accrued compensated absences	61,527	82,934	144,461
Net pension liability	2,418,861	1,872,944	4,291,805
Lease liabilities	15,934	1,872	17,806
Total collective other postemployment benefit liability	3,084,328	3,069,509	6,153,837
Payable from restricted assets - Bonds payable	2,290,000	---	2,290,000
Total non-current liabilities	7,870,650	5,027,259	12,897,909
Total liabilities	8,465,694	6,953,083	15,418,777
Deferred inflows of resources			
Pension	175,862	136,172	312,034
Other postemployment benefits	1,568,812	1,561,274	3,130,086
Total deferred inflow of resources	1,744,674	1,697,446	3,442,120
Net position			
Net investment in capital assets	24,123	6,863,099	6,887,222
Restricted for lending activities	5,049,152	370,103	5,419,255
Unrestricted	20,548,422	(5,444,073)	15,104,349
Total net position	$ 25,621,697	$ 1,789,129	$ 27,410,826

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

Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2023

	Housing	Rental	Combined Total
Operating revenues:			
Interest income on loans receivable	$ 1,128,894	$ ---	$ 1,128,894
Rental income	---	973,044	973,044
Interest income on deposits	108,966	36,994	145,960
Interest income on investments held by bond trustee	105,356	---	105,356
Miscellaneous revenues	71,445	14,665	86,110
Total operating revenues	1,414,661	1,024,703	2,439,364
Operating expenses:			
Salaries	717,467	578,676	1,296,143
Other	429,236	64,025	493,261
Retirement and Medicare contributions	359,538	1,846	361,384
Depreciation and amortization	1,532	188,525	190,057
Interest expense on borrowings	156,089	---	156,089
Employee benefits, other than retirement	61,290	55,986	117,276
Rent	115,028	---	115,028
Professional services	53,734	25,092	78,826
Contractual services	31,888	33,106	64,994
Maintenance	---	50,018	50,018
Bond trustee fees	16,170	---	16,170
Amortization of right-of use asset	4,469	558	5,027
Director fees	2,450	---	2,450
Interest expense - lease liability	1,319	132	1,451
Retiree supplemental and health benefits	(419,847)	(155,048)	(574,895)
Total operating expenses	1,530,363	842,916	2,373,279
Operating (loss) income	(115,702)	181,787	66,085
Nonoperating revenue - transfers from Department of Administration	277,939	---	277,939
Increase in net position	162,237	181,787	344,024
Net position at beginning of year, restated	25,459,460	1,607,342	27,066,802
Net position at end of year	$ 25,621,697	$ 1,789,129	$ 27,410,826

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

Salaries, Wages and Benefits

		2023
Salaries, wages and benefits:		
Salaries	$	1,296,143
Retirement and Medicare contributions		361,384
Employee benefits other than retirement		117,276
Retiree supplemental and health benefits		(574,895)
Total salaries, wages and benefits	$	1,199,908
Employees at end of year		22

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

First-time Homeowner Assistance Program

Year ended September 30, 2023

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

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

Management and the Board of Directors
Guam Housing Corporation

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guam Housing Corporation (the Corporation), which comprise the statement of net position as of September 30, 2023, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 21, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Ernst + Young LLP

May 21, 2024