

*Financial Statements, Required Supplementary Information
and Supplementary Information*

Guam Housing Corporation

(A Component Unit of the Government of Guam)

*Years ended September 30, 2021 and 2020
with Report of Independent Auditors*



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

Financial Statements, Required Supplementary Information, and
Supplementary Information

Years ended September 30, 2021 and 2020

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Report of Independent Auditors

The Board of Directors
Guam Housing Corporation

Report on the Financial Statements

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 years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Corporation as of September 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Adoption of Governmental Accounting Standards Board (GASB) Statement No. 84, “Fiduciary Activities”

As discussed in Note 1, the Corporation implemented GASB Statement No. 84, *Fiduciary Activities*, during the year ended September 30, 2021. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management’s Discussion and Analysis on pages 4 through 14, the Schedules of the Corporation’s Proportionate Share of the Net Pension Liability on pages 53, 55 and 57, the Schedule of the Corporation’s Contributions on pages 54, 56, 58 and 60 and the Schedule of the Corporation’s Proportionate Share of Collective Total Other Postemployment Benefit Liability on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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, 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 an opinion on the financial statements that collectively comprise the Corporation’s basic financial statements. The supplementary information included in pages 62 through 66 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The information included in pages 62 through 66 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. Such 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. 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 March 16, 2022 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

March 16, 2022

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

Management's Discussion and Analysis
September 30, 2021

As Management of the Guam Housing Corporation (GHC, the Corporation), we offer the readers of the Corporation's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2021. 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

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 (2%) above the prevailing rate charged by loan lenders, while the interest rate for the Six Percent Loan program is the prevailing rate with the lowest rate at four (4%) and the highest at six (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 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.

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Management's Discussion and Analysis, continued

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 (4%) of the total purchase and/or construction cost to assist with closing costs. The maximum cost should not exceed \$375,000, excluding closing costs, as amended by P.L. 36-29. 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.

In FY 2021, GHC launched the Mortgage Relief Program (MRP) in conjunction with the Guam Housing and Urban Renewal Authority (GHURA). The purpose of the program was to provide relief to mortgagors on Guam who were behind in their mortgage, were financially impacted by the COVID-19 Pandemic, and were at or below 80% of the median area income established by Housing and Urban Development (HUD). As part of the Memorandum of Agreement (MOA) signed by GHC and GHURA, it was agreed that GHC would administer the MRP with GHURA maintaining control and distribution of MRP funds. Approved mortgage assistance payments to applicants were made by GHC and then submitted to GHURA for reimbursement. The program expired on July 31, 2021.

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 Linahan, Dededo consisting of two bedrooms, and two 12-unit apartment buildings in Yigo named Guma As-Atdas, consisting of two and three bedrooms.

PL 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 Linahan, 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.

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Management's Discussion and Analysis, continued

B. Overview of the Financial Statements

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

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

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

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

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

The Corporation's financial statements report on the function of the Corporation that is principally supported by intergovernmental revenues. The Corporation's function is to help first-time homeowner individuals and families secure mortgage financing who cannot otherwise qualify as borrowers through other conventional financing means and provide and administer low-cost housing rental projects. The Corporation financial statements can be found on pages 15 through 66 of this report.

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Management's Discussion and Analysis, continued

A condensed summary of the Corporation's statements of net position at September 30, 2021, 2020 and 2019 is shown below.

	2021	Restated 2020	Restated 2019
Cash & Investments	\$ 12,600,962	\$ 10,553,639	\$ 9,811,664
Loans receivable, other receivables, prepaid exp. & inventory	22,319,278	24,165,535	25,185,762
Foreclosed assets held for resale	---	374,940	535,541
Capital Assets	5,732,827	5,874,748	6,030,003
Total Assets	<u>40,653,067</u>	<u>40,968,862</u>	<u>41,562,970</u>
Deferred outflows of resources – pension & OPEB	<u>2,783,448</u>	<u>2,501,551</u>	<u>1,130,250</u>
Total assets & deferred outflows of resources	<u>\$ 43,436,515</u>	<u>\$ 43,470,413</u>	<u>\$ 42,693,220</u>
Accounts payable & accrued expenses	\$ 513,691	\$ 479,018	\$ 477,342
Deposits by borrowers & security deposit	533,010	518,953	535,868
Bonds payable	3,030,000	3,265,000	3,495,000
Net Pension & OPEB Liability	11,022,711	11,327,070	9,302,919
Total Liabilities	<u>15,099,412</u>	<u>15,590,041</u>	<u>13,811,129</u>
Deferred inflows of resources – pension & OPEB	<u>4,581,941</u>	<u>4,558,736</u>	<u>5,730,577</u>
Invested in capital assets, net of related debt	5,732,827	5,874,748	6,030,003
Restricted	3,210,936	2,320,308	2,067,205
Unrestricted	14,811,399	15,126,580	15,054,306
Total net position	<u>\$ 23,755,162</u>	<u>\$ 23,321,636</u>	<u>\$ 23,151,514</u>
	2021	Restated 2020	Restated 2019
Revenues	\$ 2,476,878	\$ 2,327,755	\$ 2,662,199
Expenses	2,043,352	2,157,633	1,906,162
Increase in net position	<u>433,526</u>	<u>170,122</u>	<u>756,037</u>
Total net position at beginning of year	<u>23,321,636</u>	<u>23,151,514</u>	<u>22,395,477</u>
Total net position at end of year	<u>\$ 23,755,162</u>	<u>\$ 23,321,636</u>	<u>\$ 23,151,514</u>

Due to the implementation of GASB No. 84, Fiduciary Activities, fiscal years 2020 and 2019 were restated

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Management's Discussion and Analysis, continued

C. Financials at a Glance

The Corporation ended fiscal year 2021 with an increase in net income of \$434 thousand (K). The increase is due to the decrease of the Other Postemployment Benefits (OPEB) liability. The overall adjustments due to the OPEB increased the net position by \$626K in fiscal year 2021. Before the OPEB and pension liability adjustment the Corporation had a decrease in net position of \$130K.

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 2022. 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, groceries, health care, etc.

Revenues increased by 6% or \$149K from \$2.3M in fiscal year 2020 to \$2.5M in fiscal year 2021. The increase is due to the increase in rental income, administrative fee, the implementation of GASB 84 and gain on sale of assets which was offset by the decrease in interest on loans, loan origination fees, interest on investments and interest on bank deposit. Explanations of the variances of the revenue categories are provided below.

Expenses decreased compared to last fiscal year by 5% or \$114K due to the decrease in retiree supplemental & health benefits, salaries and loss on impaired assets. Explanations of the variances of the expense categories are provided below.

The loan portfolio (including fiduciary accounts) has decreased by \$2 million (M) to approximately \$24.6M, a decrease of 7.5% from the prior year. In fiscal year 2021 there were 25 payoffs totaling \$1.2M and \$1.1M in monthly payments compared to new loan's principal disbursements and deferment totaling \$360K. GHC closed one (1) loan totaling \$187K under the Direct Loan Program and two (2) loans totaling \$78K under the CAHAT loan program in fiscal year 2021.

Although there were loan funds committed, delays in principal disbursement 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 is due to issues related to the limited availability of local, skilled construction labor. Furthermore, borrowers wishing to utilize their loans to purchase homes are facing similar difficulty in locating homes for purchase due to the lack of inventory available in the low to moderate price range. The current inventory of affordable housing units is insufficient to meet the number of individuals seeking homes to purchase. It is imperative that GHC continues its efforts with its industry partners in addressing the housing needs of our island residents. GHC under its mandate is committed to accomplish its mission.

Despite the challenges facing GHC and the low to moderate income borrowers we serve, GHC's Loan Division continues to market all its available programs and entertain pre-qualification inquiries via telephone and email with the ultimate goal of loan closing and home ownership. In fiscal year 2021, one hundred sixty-four (164) applicants were interviewed. Of those interviewed only twenty-one (21) pursued the application process. Total funding required for those interviewed is \$3M.

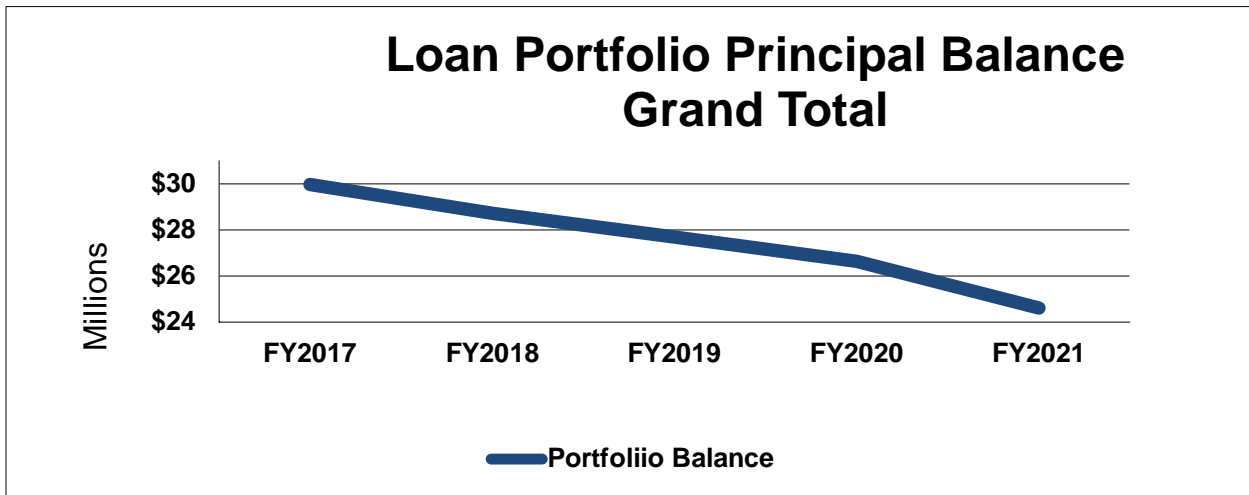
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Management’s Discussion and Analysis, continued

D. Financial Highlights

Loan Portfolio Principal Balance

FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
\$29,976,181	\$28,708,835	\$27,686,804	\$26,617,079	\$24,610,846
Total Number of Loans				
392	373	362	341	318

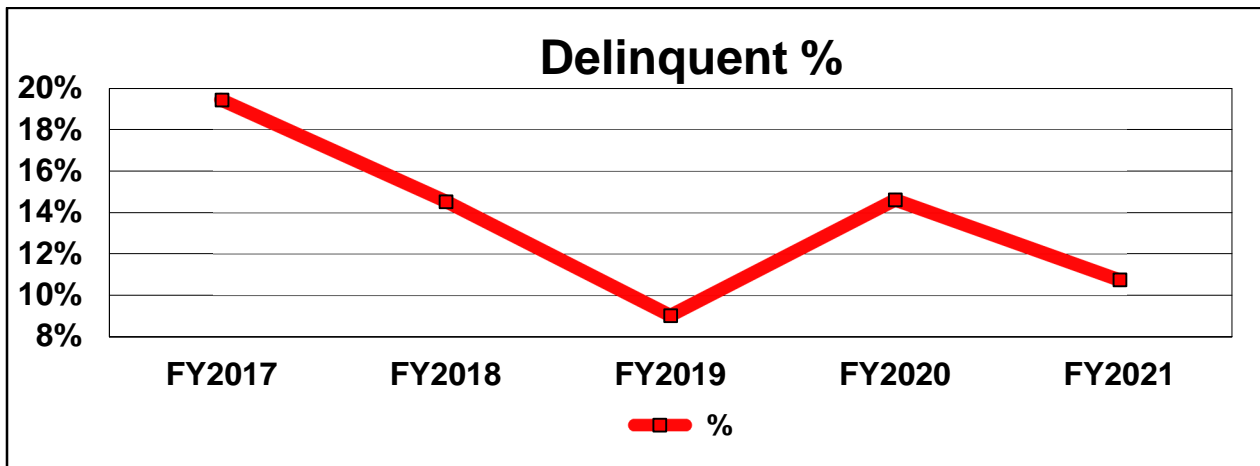


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Management’s Discussion and Analysis, continued

Delinquency

FY2017	FY2018	FY2019	FY2020	FY2021
Delinquent %				
19.43%	14.54%	9.03%	14.61%	10.75%
Principal Balance				
\$5,789,624	\$4,150,819	\$2,488,045	\$3,872,337	\$2,632,551
Total Number of Loans				
60	50	32	43	31



GHC provides mortgage loans to qualified applicants who have been denied financing for the construction or purchase of their new homes from conventional financial institutions. Thus, the Corporation assumes a higher lending risk with mortgage loans from the outset. The COVID-19 Pandemic has added to that risk as it has had a direct financial impact on many GHC mortgagors and their ability to meet their financial obligations. Delinquent loans 30 days and over decreased by \$1.2M to \$2.6M in fiscal year 2021. Overall, loans delinquent 30 days and over decreased from 15% in fiscal year 2020 to 11% in fiscal year 2021.

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.

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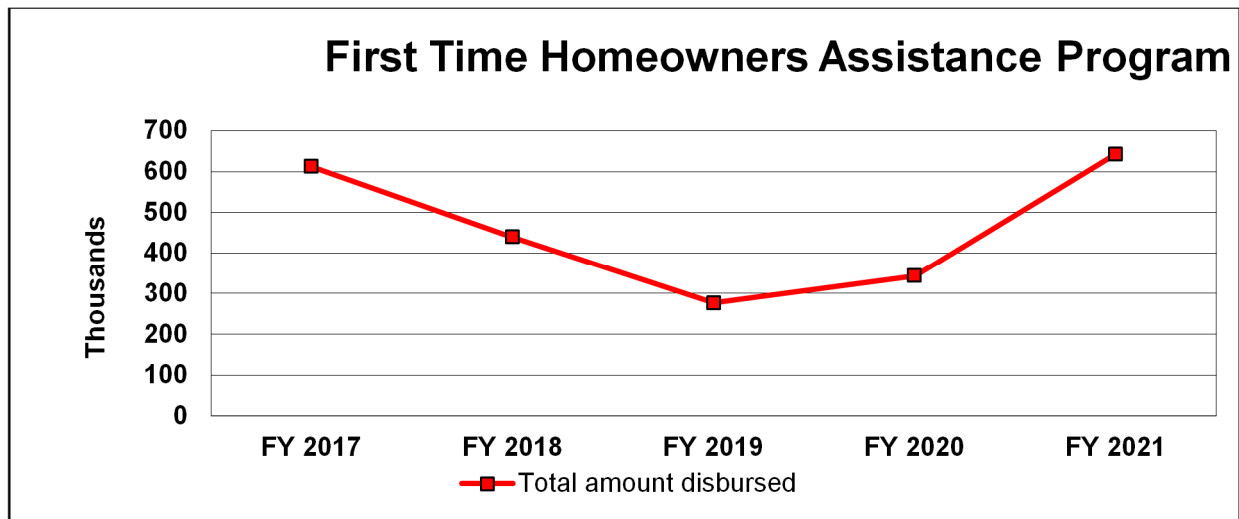
Management’s Discussion and Analysis, continued

First-Time Homeowners Assistance Program

	FY 2017	FY2018	FY2019	FY2020	FY2021
Total amount disbursed	\$612,575	\$438,982	\$276,991	\$343,431	\$642,952
Total number of grants	83	54	34	39	71

GHC funds	\$0	\$7,532	\$0	\$0	\$0
Number of grants (GHC)	0	1	0	0	0

Escheated funds	\$612,575	\$431,450	\$276,991	\$343,431	\$642,952
Number of grants (Escheated funds)	83	53	34	39	71



The total number of FTHAP grants disbursed have increased from 39 in fiscal year 2020 to 71 in fiscal year 2021. GHC received \$285K & \$531K of escheated funds from the Department of Administration (DOA) during fiscal years 2020 & 2021 respectively. Some of the funds received in fiscal year 2020 were received in the latter part of the fiscal year so disbursements for these funds were disbursed in fiscal year 2021. As with the previous fiscal years, the funds were not enough for all the applications GHC received so the waiting list that was established is ongoing.

Foreclosed assets held for resale

At the end of fiscal year 2020 GHC had two (2) foreclosed properties valued at \$375K. Both properties were sold in fiscal year 2021 with a total gain of \$80K. There were no foreclosures in fiscal year 2021.

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Management's Discussion and Analysis, continued

Interest on loans receivable, net

Interest on loans receivable decreased by \$85K from \$1.34M in fiscal year 2020 to \$1.25M in fiscal year 2021. The decrease is due to the decrease in the loan portfolio in interest bearing loans from \$24.6M in fiscal year 2020 to \$22.7M in fiscal year 2021, decrease in weighted average interest rate from 5.08% in fiscal year 2020 to 5.04% in fiscal year 2021 and decrease in loan fee from \$27K in fiscal year 2020 to \$8K in fiscal year 2021.

Rental Income, net

Rental Income increased by 14% from \$857K in fiscal year 2020 to \$975K in fiscal year 2021. The increase is due to the decrease in bad debts. An adjustment was made to decrease the allowance for tenant uncollectible by \$36K in fiscal year 2021 compared to an adjustment to increase the allowance by \$65K in fiscal year 2020.

Miscellaneous Revenues

Miscellaneous revenues increased by \$144K from \$20K in fiscal year 2020 to \$164K in fiscal year 2021. Administrative fees for the FTHAP increased from \$34K in fiscal year 2020 to \$64K in fiscal year 2021 due to the increase in disbursements. As part of the Government of Guam's efforts to assist residents affected by COVID-19, GHC assisted with the development and implementation of the Mortgage Relief Program (MRP) & the Emergency Rental Assistance program (ERA) both of which launched in fiscal year 2021. GHC received \$53K and \$9K for administrative fees for the MRP and ERA programs respectively. Additionally, the implementation of GASB 84 resulted in an adjustment to reduce revenues by \$46K in fiscal year 2020 and increase revenues by \$3K in fiscal year 2021.

Gain/(Loss) on Sale of Assets

Gain on Sale of Assets increased by \$52K from \$28K in fiscal year 2020 to \$80K in fiscal year 2021. In fiscal year 2020, one (1) foreclosed property was sold at a gain of \$28K compared to fiscal year 2021 where two (2) properties were sold with a combined gain of \$80K.

Interest Income on Investment held by bond trustees

Interest income on investment held by bond trustee decreased by 94% from \$55K in fiscal year 2020 to \$3K in fiscal year 2021 due to the decrease in the principal balance of the investments and the decrease in interest rates. The investment account is used to pay the principal, interest & trustee fees for the mortgage revenue bond.

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Management's Discussion and Analysis, continued

Interest Income on Bank Deposits

Interest income on bank deposits decreased by 91% from \$31K in fiscal year 2020 to \$3K in fiscal year 2021 due to the decrease in the weighted average interest rate on bank accounts. The interest rates on Certificate Deposits and checking accounts decreased due to COVID-19.

Salaries

Salaries decreased by \$43K from \$1.28M in fiscal year 2020 to \$1.24M in fiscal year 2021 due to the increase in leave taken in fiscal year 2021.

Employee Benefits, Other Than Retirement

Employee benefits, other than retirement increased by \$36K or 41% from \$86K in fiscal year 2020 to \$121K in fiscal year 2021 due to the increase in medical insurance. Medical insurance increased an average of 50% in fiscal year 2021.

Other Expense

Other Expense increased by 44%, or \$21K, from \$49K in fiscal year 2020 to \$70K in fiscal year 2021 due to the disbursements of 6 grants for the MRP totaling \$18K in fiscal year 2021.

Retiree Supplemental and Health Benefits

Retiree Supplemental and Health Benefits decreased by \$108K or 29% from a credit balance of \$366K in fiscal year 2020 to a credit balance of \$473K in fiscal year 2021. The decrease is due to a decrease in the OPEB liability in fiscal year 2021 and an increase in the OPEB deferred outflows.

Impairment Loss on Foreclosed Assets

Impairment loss on foreclosed assets totaling \$39K was recorded in fiscal years 2020 to reduce the book value of two (2) foreclosed properties in fiscal year 2020 to the appraisal value. Both foreclosed properties were sold prior to the end of fiscal year 2021 therefore there was no impairment loss recorded in fiscal year 2021.

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Management's Discussion and Analysis, continued

E. Future Events

GHC continues to pursue its mission with 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 2022:

1. Complete the renovation of 23 identified rental units at Lada Gardens. A contract of \$1,358,775 was awarded to complete major renovations to 23 rental units located at the Lada Gardens property with the Department of Public Works (DPW) acting as the project manager.
2. With the assistance of Governor Lourdes Leon Guerrero, identify an estimated \$3,828,000 in funding to conduct major renovations to an additional 14 units at Lada Gardens and 24 units (2 buildings) at Guma As-Atdas. Upon identification of funding, GHC will work with DPW to package the bid, award the contract and oversee the completion of the construction project.
3. Continue the work as a member of the Governor's Interagency Council on Homelessness. Along with the council, GHC will examine problems associated with homelessness and develop and implement strategies and programs for a coordinated, effective response to homelessness in Guam.
4. Create a plan to build affordable homes. GHC will work with other government agencies and private businesses to create a plan to develop and promote affordable homes for low to moderate income families.
5. Apply for a FEMA mitigation grant to support the installation of typhoon shutters for 33 housing units at Lada Gardens.

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)

Statements of Net Position

	September 30,	
	<u>2021</u>	<u>2020</u>
		<i>(Restated)</i>
Assets		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents <i>(Note 2)</i>	\$ 6,625,127	\$ 5,056,903
Self-insurance fund <i>(Notes 2 and 8)</i>	1,170,446	1,170,241
Loans receivable, net <i>(Note 3)</i>	961,831	962,978
Tenants receivable, net	10,396	13,181
Accrued interest receivable	23,281	34,798
Prepaid expenses and other	75,580	66,010
Foreclosed assets held for resale <i>(Note 5)</i>	---	374,940
	<hr/>	<hr/>
Total unrestricted assets	8,866,661	7,679,051
	<hr/>	<hr/>
Restricted assets:		
Cash and cash equivalents <i>(Note 2)</i>	3,743,946	2,839,261
Investments <i>(Note 2)</i>	1,061,443	1,487,234
	<hr/>	<hr/>
Total restricted assets	4,805,389	4,326,495
	<hr/>	<hr/>
Total current assets	13,672,050	12,005,546
	<hr/>	<hr/>
Loans receivable, net <i>(Note 3)</i>	21,248,190	23,088,568
Depreciable capital assets <i>(Note 4)</i>	2,798,600	2,940,521
Non-depreciable capital assets <i>(Note 4)</i>	2,934,227	2,934,227
	<hr/>	<hr/>
Total assets	40,653,067	40,968,862
	<hr/>	<hr/>
Deferred outflows of resources		
Pension <i>(Note 7)</i>	939,083	764,194
Other postemployment benefits <i>(Note 7)</i>	1,844,365	1,737,357
	<hr/>	<hr/>
Total deferred outflows of resources	2,783,448	2,501,551
	<hr/>	<hr/>
Total assets and deferred outflows of resources	43,436,515	43,470,413
	<hr/>	<hr/>

See accompanying notes.

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

Statements of Net Position, continued

	September 30,	
	<u>2021</u>	<u>2020</u> <i>(Restated)</i>
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued expenses	\$ 121,567	\$ 117,802
Current portion of accrued compensated absences <i>(Notes 7 and 9)</i>	106,374	103,183
Unearned revenue	67,124	55,222
Due to fiduciary fund	84	142
Total payable from unrestricted assets	295,149	276,349
Payable from restricted assets:		
Bonds payable <i>(Notes 6 and 9)</i>	235,000	235,000
Accrued interest payable	14,519	15,439
Security deposits	52,580	54,025
Deposits by borrowers - insurance premiums and real estate taxes	480,430	464,928
Rebate liability <i>(Note 6)</i>	84,672	82,116
Total payable from restricted assets	867,201	851,508
Total current liabilities	1,162,350	1,127,857
Non-current liabilities:		
Payable from unrestricted assets:		
Non-current portion of accrued compensated absences <i>(Notes 7 and 9)</i>	119,351	105,114
Net pension liability <i>(Notes 7 and 9)</i>	4,104,360	3,897,095
Total collective other postemployment benefit liability <i>(Notes 7 and 9)</i>	6,918,351	7,429,975
Payable from restricted assets - Bonds payable <i>(Notes 6 and 9)</i>	2,795,000	3,030,000
Total non-current liabilities	13,937,062	14,462,184
Total liabilities	15,099,412	15,590,041
Deferred inflows of resources		
Pension <i>(Note 7)</i>	155,849	125,459
Other postemployment benefits <i>(Note 7)</i>	4,426,092	4,433,277
Total deferred inflows of resources	4,581,941	4,558,736
Commitments and contingencies <i>(Note 8)</i>		
Net position:		
Net investment in capital assets	5,732,827	5,874,748
Restricted for lending activities	3,210,936	2,320,308
Unrestricted	14,811,399	15,126,580
Total net position	\$ 23,755,162	\$ 23,321,636

See accompanying notes.

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

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2021</u>	<u>2020</u>
		<i>(Restated)</i>
Operating revenues:		
Interest income on loans receivable	\$ 1,251,958	\$ 1,337,222
Rental income	974,814	857,041
Miscellaneous revenues	164,050	20,097
Gain on sale of foreclosed asset	80,297	28,100
Interest income on investments held by bond trustees	3,070	54,719
Interest income on deposits	2,689	30,576
Total operating revenues	<u>2,476,878</u>	<u>2,327,755</u>
Operating expenses:		
Salaries	1,241,710	1,284,896
Retirement and Medicare contributions	404,324	372,624
Interest expense on borrowings	181,530	192,477
Depreciation and amortization <i>(Note 4)</i>	149,584	155,255
Employee benefits, other than retirement	121,361	85,810
Professional services	110,850	108,250
Rent <i>(Note 8)</i>	105,054	105,054
Contractual services	77,036	81,378
Other	69,825	48,522
Maintenance	37,348	32,801
Bond trustee fees	16,135	16,135
Director fees	2,000	1,750
Retiree supplemental and health benefits	(473,405)	(365,880)
Impairment loss on foreclosed assets	---	38,561
Total operating expenses	<u>2,043,352</u>	<u>2,157,633</u>
Increase in net position	433,526	170,122
Net position at beginning of year, as restated	<u>23,321,636</u>	<u>23,151,514</u>
Net position at end of year	<u>\$ 23,755,162</u>	<u>\$ 23,321,636</u>

See accompanying notes.

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

Statements of Fiduciary Net Position

September 30, 2021 and 2020

	Custodial Funds	
	<u>2021</u>	<u>2020</u>
Assets:		
Cash	\$ 866,749	\$ 921,685
Loan receivable	<u>1,908,608</u>	<u>2,033,191</u>
Total asset	<u>\$ 2,775,357</u>	<u>\$ 2,954,876</u>
Net position:		
Restricted for lending activities	<u>\$ 2,775,357</u>	<u>\$ 2,954,876</u>

Statements of Changes in Fiduciary Net Position

	Year ended September 30,	
	<u>2021</u>	<u>2020</u>
Additions		
Transfers from Department of Administration	\$ 530,931	\$ 285,000
Interest income	1,122	408
Miscellaneous	---	46,460
	<u>532,053</u>	<u>331,868</u>
Deductions		
Benefits paid to participants	643,953	373,066
Administrative expense	64,295	34,343
Miscellaneous	3,324	---
	<u>711,572</u>	<u>407,409</u>
Net change in fiduciary assets	(179,519)	(75,541)
Beginning balance of fiduciary net position	<u>2,954,876</u>	<u>3,030,417</u>
Ending balance of fiduciary net position	<u>\$ 2,775,357</u>	<u>\$ 2,954,876</u>

See accompanying notes.

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

Statements of Cash Flows

	Year ended September 30,	
	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		<i>(Restated)</i>
Cash received from customers	\$ 4,093,810	\$ 3,147,789
Others	165,295	54,754
Cash paid to suppliers for goods and services	(405,918)	(399,459)
Cash paid to employees	(1,841,613)	(1,844,299)
Net cash provided by operating activities	<u>2,011,574</u>	<u>958,785</u>
Cash flows from investing activities - Acquisition of capital assets	(<u>7,663</u>)	<u>---</u>
Cash flows from investing activities:		
Decrease in investments	425,791	381,027
Proceeds from sale of foreclosed assets	455,236	150,140
Interest received on cash and investments with trustees	3,070	54,719
Increase in self-insurance fund	(<u>205</u>)	(<u>13,538</u>)
Net cash provided by investing activities	<u>883,892</u>	<u>572,348</u>
Cash flows from noncapital financing activities:		
Repayment of bonds payable	(235,000)	(230,000)
Increase of rebate liability	2,556	1,708
Interest paid on bonds payable	(<u>182,450</u>)	(<u>193,378</u>)
Net cash used in noncapital financing activities	(<u>414,894</u>)	(<u>421,670</u>)
Net increase in cash and cash equivalents	2,472,909	1,109,463
Cash and cash equivalents at beginning of year	<u>7,896,164</u>	<u>6,786,701</u>
Cash and cash equivalents at end of year	<u>\$ 10,369,073</u>	<u>\$ 7,896,164</u>
Consisting of:		
Unrestricted	\$ 6,625,127	\$ 5,055,393
Restricted	<u>3,743,946</u>	<u>2,840,771</u>
	<u>\$ 10,369,073</u>	<u>\$ 7,896,164</u>

See accompanying notes.

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

Statements of Cash Flows, continued

	Year ended September 30,	
	<u>2021</u>	<u>2020</u> <i>(Restated)</i>
Reconciliation of change in net position to net cash provided by operating activities:		
Increase in net position	\$ 433,526	\$ 170,122
Adjustments to reconcile increase in net position to net cash provided by operating activities:		
Non-cash pension costs	402,367	402,446
Non-cash other postemployment benefit cost	(488,265)	(400,708)
Interest expense on borrowings reported as operating expenses	181,530	192,477
Depreciation and amortization	149,585	155,255
Provision for doubtful rental receivables	36,369	12,449
Gain on sale of foreclosed asset	(80,297)	(28,100)
(Provision for) reversal of loan losses	(18,731)	21,394
Interest income on investments held by bond trustees reported as non-operating expenses	(3,070)	(54,719)
Impairment loss on foreclosed assets	---	38,561
Decrease (increase) in assets:		
Loans receivable, net	1,860,256	1,012,398
Tenants receivable, net	(33,584)	(10,246)
Accrued interest receivable	11,517	6,108
Prepaid expenses and other assets	(9,570)	(21,876)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	3,765	(1,577)
Accrued compensated absences	17,428	53,892
Due to fiduciary fund	(58)	(977)
Unearned revenue	11,902	(50,470)
Security deposits	(1,445)	4,080
Deposits by borrowers - insurance premiums and real estate taxes	15,502	(20,995)
Net pension liability	(339,601)	(366,507)
Total collective other postemployment benefit liability	(137,552)	(154,222)
Net cash provided by operating activities	<u>\$ 2,011,574</u>	<u>\$ 958,785</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest expense during the year	<u>\$ 182,450</u>	<u>\$ 193,378</u>

See accompanying notes.

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

Notes to Financial Statements

Years ended September 30, 2021 and 2020

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 Housing Trust Fund and the related First-time Homeowner's Assistance Program (FTHAP).
- The Community Affordable Housing Action Trust (CAHAT) and Foreclosure Protection Fund and the related Interest-Free Loan Program - The CAHAT and Foreclosure Protection Fund programs were funded by appropriations received from the Government of Guam (GovGuam) through Public Law 21-99.
- The Down Payment and Closing Cost Assistance Program (DPCCA) - 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 DPCCA program, which was administered by the Corporation under a sub-recipient agreement with GHURA, was terminated on October 23, 2003. The repayments received by the Corporation from its borrowers are program income of GHURA and are remitted monthly.

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

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

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.

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, 2021 and 2020 is expendable.

Unrestricted

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

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

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

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

Loans Receivable

The Corporation is permitted to make loans for the purchase, construction, or purchase of land and construction of homes not to exceed the loan limit established by the U.S. Department of Housing and Urban Development. The loan limit for FY2021 is \$420,680 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.

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.

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.

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

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Capital Assets, continued

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.

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.

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

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Compensated Absences, continued

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.

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.

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

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Deferred Outflows/Inflows of Resources, continued

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.

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.

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

The Corporation adopted GASB Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities.

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

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

The Corporation restated its previously issued financial statements to account for the effect for implementing GASB Statement No. 84. The Corporation's net position as of October 1, 2019 and the Corporation's statement of revenues, expenses and changes in net position for the year ended September 30, 2020 have been restated to reflect the following:

	As Previously Reported	Adjustment	As Restated
As of October 1, 2019			
Net Position	\$ <u>25,624,529</u>	\$(<u>2,473,015</u>)	\$ <u>23,151,514</u>
As of September 30, 2020			
Unrestricted assets:			
Cash and cash equivalents	\$ <u>5,055,393</u>	\$ <u>1,510</u>	\$ <u>5,056,903</u>
Total unrestricted assets	\$ <u>7,677,541</u>	\$ <u>1,510</u>	\$ <u>7,679,051</u>
Restricted assets:			
Cash and cash equivalents	\$ <u>3,762,456</u>	\$(<u>923,195</u>)	\$ <u>2,839,261</u>
Total restricted assets	\$ <u>5,249,690</u>	\$(<u>923,195</u>)	\$ <u>4,326,495</u>
Noncurrent assets:			
Restricted other receivables	\$ <u>2,033,191</u>	\$(<u>2,033,191</u>)	\$ <u>---</u>
Total assets	\$ <u>43,923,738</u>	\$(<u>2,954,876</u>)	\$ <u>40,968,862</u>
Current liabilities:			
Payable from unrestricted assets:			
Total payable from unrestricted assets	\$ <u>276,207</u>	<u>142</u>	\$ <u>276,349</u>
Payable from restricted assets:			
Accounts payable	\$ <u>318,733</u>	\$(<u>318,733</u>)	\$ <u>---</u>
Total payable from restricted assets	\$ <u>1,170,241</u>	\$(<u>318,733</u>)	\$ <u>851,508</u>
Payable from restricted assets:			
Loans held in trust	\$ <u>116,809</u>	\$(<u>116,809</u>)	\$ <u>---</u>
Total noncurrent liabilities	\$ <u>14,578,993</u>	\$(<u>116,809</u>)	\$ <u>14,462,184</u>
Total liabilities	\$ <u>16,025,441</u>	\$(<u>435,400</u>)	\$ <u>15,590,041</u>
Total Net Position - September 30, 2020	\$ <u>25,841,112</u>	\$(<u>2,519,476</u>)	\$ <u>23,321,636</u>
Miscellaneous Revenues	\$ 66,558	\$(46,461)	\$ 20,097
Increase in net position	\$ <u>216,583</u>	\$(<u>46,461</u>)	\$ <u>170,122</u>

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

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 will be effective for fiscal year ending September 30, 2023.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

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. GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; clarifying the definition of reference rate, as it is used in Statement 53, as amended. GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

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

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In 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. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

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. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

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

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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

Subsequent Events

The Corporation has evaluated subsequent events through March 16, 2022, which is the date the financial statements were available to be issued.

2. Cash and Cash Equivalents, Self-Insurance Fund and Investments

At September 30, 2021 and 2020, deposits were comprised of the following:

	<u>2021</u>	<u>2020</u>
<i>Primary Government</i>		
FDIC Insured	\$ 2,411,162	\$ 2,183,103
Uncollateralized	<u>9,128,357</u>	<u>6,883,302</u>
Total deposits	<u>\$ 11,539,519</u>	<u>\$ 9,066,405</u>
 <i>Fiduciary Fund</i>		
FDIC Insured	\$ 672,539	\$ 778,885
Uncollateralized	<u>194,210</u>	<u>142,800</u>
Total deposits	<u>\$ 866,749</u>	<u>\$ 921,685</u>

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

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

Notes to Financial Statements, continued

2. Cash and Cash Equivalents, Self-Insurance Fund and Investments, continued

Cash and cash equivalents, and investments at September 30, 2021 and 2020 are restricted as follows:

	<u>2021</u>	<u>2020</u>
Restricted cash and cash equivalents:		
Revolving Loan Fund	\$2,823,587	\$2,023,229
Trust fund and borrower's deposits	450,649	434,847
Hazard Mitigation Program	163,229	163,229
Tenant security deposits	<u>306,481</u>	<u>217,956</u>
Total restricted cash and cash equivalents	3,743,946	2,839,261
Restricted investments - cash with Bond Trustees	<u>1,061,443</u>	<u>1,487,234</u>
Total restricted cash, cash equivalents and investments	<u>\$4,805,389</u>	<u>\$4,326,495</u>

The restricted cash, cash equivalents and investments are restricted for specific uses as required in 12 GCA Chapter 4 §4108 for Revolving Loan Fund and related trust fund. The Corporation places self-imposed restrictions on tenant security deposits and borrower's deposits.

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

At September 30, 2021 and 2020, the Corporation's restricted investments held by trustee are as follows:

	<u>Moody's Credit Rating</u>	<u>2021</u>	<u>2020</u>
Federal Home Loan Mortgage Corporation	Aaa	\$ 407,314	\$ 597,488
Blackrock Liquidity T-Fund	Aaa	<u>654,129</u>	<u>889,746</u>
		<u>\$1,061,443</u>	<u>\$1,487,234</u>

Guam Housing Corporation
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Notes to Financial Statements, continued

2. Cash and Cash Equivalents, Self-Insurance Fund and Investments, continued

The maturities of the Corporation's restricted investments at September 30, 2021 were:

	Investment Maturities (In Years)				Total
	Less than 1	1 to 5	6 to 10	Greater than 10	
Federal Home Loan Mortgage Corporation	\$ ---	\$ ---	\$ ---	\$407,314	\$ 407,314
Blackrock Liquidity T-Fund	<u>654,129</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>654,129</u>
	<u>\$654,129</u>	<u>\$---</u>	<u>\$---</u>	<u>\$407,314</u>	<u>\$1,061,443</u>

The maturities of the Corporation's restricted investments at September 30, 2020 were:

	Investment Maturities (In Years)				Total
	Less than 1	1 to 5	6 to 10	Greater than 10	
Federal Home Loan Mortgage Corporation	\$ ---	\$ ---	\$ ---	\$597,488	\$ 597,488
Blackrock Liquidity T-Fund	<u>889,746</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>889,746</u>
	<u>\$889,746</u>	<u>\$---</u>	<u>\$---</u>	<u>\$597,488</u>	<u>\$1,487,234</u>

Custodial credit risk is the risk that the Corporation will not be able to recover the value of investments or collateral securities held by a third-party custodian, in the event that the custodian defaults. Based on negotiated trust and custody contracts, all of these investments were held in the Corporation's name by the Corporation's custodial financial institutions at September 30, 2021 and 2020.

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. With the exception of investments in U.S. government securities, where explicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

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

Guam Housing Corporation
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Notes to Financial Statements, continued

2. Cash and Cash Equivalents, Self-Insurance Fund and Investments, continued

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, 2021			
	Level 1	Level 2	Level 3	Level 3
Investments by fair value level:				
Debt security - Federal Home Loan Mortgage Corporation (FHLMC)	\$ 407,314	\$ ---	\$ 407,314	\$ ---
Equity security - Blackrock Liquidity T-Fund	654,129	654,129	---	---
Total investments by fair value level	\$ 1,061,443	\$ 654,129	\$ 407,314	\$ ---

	At September 30, 2020			
	Level 1	Level 2	Level 3	Level 3
Investments by fair value level:				
Debt security - Federal Home Loan Mortgage Corporation (FHLMC)	\$ 597,488	\$ ---	\$ 597,488	\$ ---
Equity security - Blackrock Liquidity T-Fund	889,746	889,746	---	---
Total investments by fair value level	\$ 1,487,234	\$ 889,746	\$ 597,488	\$ ---

Guam Housing Corporation
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Notes to Financial Statements, continued

3. Loans Receivable

At September 30, 2021 and 2020, loans receivable of the Corporation are as follows:

	<u>2021</u>	<u>2020</u>
Unrestricted	\$22,702,238	\$24,583,888
Less: Allowance for loan and lease losses	<u>492,217</u>	<u>532,342</u>
	22,210,021	24,051,546
Less: Current portion	<u>961,831</u>	<u>962,978</u>
	<u>\$21,248,190</u>	<u>\$23,088,568</u>

Loans to employees totaled \$378,641 and \$446,706 at September 30, 2021 and 2020, respectively. These loans meet the same criteria as all real estate loans made to non-related individuals by the Corporation. At September 30, 2021 and 2020, loans and other receivables in arrears three months or more or referred to an attorney for collection totaled \$1,593,782 and \$2,401,793, respectively.

4. Capital Assets

A summary of changes in net capital assets for the year ended September 30, 2021 is as follows:

	Beginning Balance October 1, <u>2020</u>	Transfers-in and <u>Additions</u>	Transfers-out and <u>Disposals</u>	Ending Balance September 30, <u>2021</u>
Capital assets depreciated and amortized:				
Buildings and improvements	\$6,993,559	\$ ---	\$ ---	\$6,993,559
Office furniture and equipment	312,803	7,663	(2,635)	317,831
Vehicles	157,615	---	---	157,615
Land improvements	64,749	---	---	64,749
Leasehold improvements	<u>29,445</u>	<u>---</u>	<u>---</u>	<u>29,445</u>
Total capital assets depreciated and amortized	7,558,171	7,663	(2,635)	7,563,199
Less accumulated depreciation and amortization	<u>(4,617,650)</u>	<u>(149,584)</u>	<u>2,635</u>	<u>(4,764,599)</u>
Net capital assets depreciated and amortized	2,940,521	(141,921)	---	2,798,600
Capital asset not depreciated and amortized - land	<u>2,934,227</u>	<u>---</u>	<u>---</u>	<u>2,934,227</u>
	<u>\$5,874,748</u>	<u>\$(141,921)</u>	<u>\$ ---</u>	<u>\$5,732,827</u>

Guam Housing Corporation
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Notes to Financial Statements, continued

4. Capital Assets, continued

A summary of changes in net capital assets for the year ended September 30, 2020 is as follows:

	Beginning Balance October 1, <u>2019</u>	Transfers-in and <u>Additions</u>	Transfers-out and <u>Disposals</u>	Ending Balance September 30, <u>2020</u>
Capital assets depreciated and amortized:				
Buildings and improvements	\$6,993,559	\$ ---	\$ ---	\$6,993,559
Office furniture and equipment	315,890	---	(3,087)	312,803
Vehicles	157,615	---	---	157,615
Land improvements	64,749	---	---	64,749
Leasehold improvements	<u>29,445</u>	<u>---</u>	<u>---</u>	<u>29,445</u>
Total capital assets depreciated and amortized	7,561,258	---	(3,087)	7,558,171
Less accumulated depreciation and amortization	<u>(4,465,482)</u>	<u>(155,255)</u>	<u>3,087</u>	<u>(4,617,650)</u>
Net capital assets depreciated and amortized	3,095,776	(155,255)	---	2,940,521
Capital asset not depreciated and amortized - land	<u>2,934,227</u>	<u>---</u>	<u>---</u>	<u>2,934,227</u>
	<u>\$6,030,003</u>	<u>\$(155,255)</u>	<u>\$---</u>	<u>\$5,874,748</u>

5. Foreclosed Assets Held for Resale

A summary of the activities in the foreclosed assets held for resale as of September 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Foreclosed assets held for resale at beginning of year	\$374,940	\$535,541
Impairment loss	---	(38,561)
Foreclosed assets sold during the year	<u>(374,940)</u>	<u>(122,040)</u>
	<u>\$---</u>	<u>\$374,940</u>

At September 30, 2020, foreclosed assets held for resale represent two residential units acquired by the Corporation due to the borrowers' default on their mortgages, respectively.

Guam Housing Corporation
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Notes to Financial Statements, continued

6. Mortgage Revenue Bonds Payable

	<u>October 1,</u> <u>2020</u>	<u>Payments</u>	<u>September 30,</u> <u>2021</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 4.70% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2021. Semi-annual principal installments totaling from \$110,000 to \$120,000	\$ 235,000	\$ 235,000	\$ ---	\$ ---
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 5.75% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2031. Semi-annual principal installments totaling from \$115,000 to \$190,000	<u>3,030,000</u>	<u>---</u>	<u>3,030,000</u>	<u>235,000</u>
	<u>\$ 3,265,000</u>	<u>\$ 235,000</u>	<u>\$ 3,030,000</u>	<u>\$ 235,000</u>
	<u>October 1,</u> <u>2019</u>	<u>Payments</u>	<u>September 30,</u> <u>2020</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 4.70% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2021. Semi-annual principal installments totaling from \$110,000 to \$120,000	\$ 465,000	\$ 230,000	\$ 235,000	\$ 235,000
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 5.75% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2031. Semi-annual principal installments totaling from \$115,000 to \$190,000	<u>3,030,000</u>	<u>---</u>	<u>3,030,000</u>	<u>---</u>
	<u>\$ 3,495,000</u>	<u>\$ 230,000</u>	<u>\$ 3,265,000</u>	<u>\$ 235,000</u>

Guam Housing Corporation
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Notes to Financial Statements, continued

6. Mortgage Revenue Bonds Payable, continued

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, 2021 and 2020, the rebate liability totaled \$84,672 and \$82,116, respectively, as reported in the accompanying statements of net position. The bonds are limited obligations of the Corporation payable from the revenues and other assets pledged for the payment thereof and are not a lien or charge upon the funds of the Corporation, except to the extent of the pledge and assignment set forth in the Indenture and in the bonds. The bonds do not constitute indebtedness or a loan of credit of the GovGuam or the United States of America, within the meaning of the Organic Act of Guam or statutory provisions. Neither the faith and credit nor the taxing power of the GovGuam is pledged to the payment of the principal of, or interest on the bonds. The Corporation has no taxing authority.

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

The bonds maturing on September 1, 2031 are not subject to optional redemption prior to maturity. The bonds maturing after September 1, 2008 but on or before September 1, 2021 are subject to redemption on any date on or after September 1, 2008, at the option of the Corporation, in whole, or in part from such maturities as are determined by the Corporation, from any source of available monies, at the redemption prices of 100%.

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, 2021 and 2020.

Guam Housing Corporation
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Notes to Financial Statements, continued

6. Mortgage Revenue Bonds Payable, continued

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 235,000	\$ 170,919	\$ 405,919
2023	245,000	157,263	402,263
2024	260,000	142,888	402,888
2025	275,000	127,794	402,794
2026	295,000	111,694	406,694
2027 to 2031	<u>1,720,000</u>	<u>283,188</u>	<u>2,003,188</u>
	<u>\$ 3,030,000</u>	<u>993,746</u>	<u>\$ 4,023,746</u>

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 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.

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

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 26.97% and 26.28%, respectively, for the years ended September 30, 2021 and 2020. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2021 and 2020.

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.
Remaining amortization period:	At September 30, 2019, the remaining period is 13.58 years.

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

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

Expected Remaining Service Lives: Under GASB Statement No. 68, gains and losses that are deferred and amortized over future periods are presented as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining services lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period was calculated at 1.5 years in the 2014 valuation, at 1.4 in the 2015 actuarial valuation, at 1.3 years in the 2016 actuarial valuation, at 1.0 in the 2017 actuarial valuation, at 3.1 years in the 2018 actuarial valuation, at 3.3 years in the 2019 valuation and at 3.1 years in the 2020 valuation. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26%	7.01%	1.82%
U.S. Equities (small cap)	4%	8.61%	0.34%
Non-U.S. Equities	17%	8.66%	1.47%
Non-U.S. Equities (emerging markets)	3%	10.59%	0.32%
U.S. Fixed Income (aggregate)	24%	3.33%	0.80%
Risk Parity	8%	5.66%	0.45%
High Yield Bonds	8%	6.11%	0.49%
Global Real Estate (REITs)	2.5%	8.55%	0.21%
Global Equity	7.5%	7.74%	0.58%
Expected average return for one year			6.49%
Expected geometric mean (50 years)			5.89%

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

Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

The assumption used in the actuarial valuation (7.0%) is slightly higher than the expected geometric average return over the next 50 years. If the investments do not return the expected results, future pension expense will increase.

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 \$2,000 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 \$2,000 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.

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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.
Remaining Amortization period:	At September 30, 2019, the remaining period is 13.58 years.

Discount Rate: The discount rate used to measure the Ad Hoc COLA/SA was a municipal bond rate of 2.21% and 2.66% for the years ended September 30, 2021 and 2020, respectively. This rate was used as the benefits are not funded with the accumulated assets; they are funded historically through appropriations from the Government of Guam.

Expected Remaining Service Lives: The expected remaining service life is the same as that used in the DB Plan.

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 \$2,000 per DCRS retiree.

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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.
Remaining Amortization period:	At September 30, 2019, the remaining period is 13.58 years.

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

Expected Remaining Service Lives: The expected remaining service life is the same as that used in the DB Plan.

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

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

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, 2021	September 30, 2020
Measurement date:	September 30, 2020	September 30, 2019
Valuation date:	September 30, 2019	September 30, 2018

Net pension liability as of September 30, 2021 and 2020 for the aforementioned plans are as follows:

	<u>2021</u>	<u>2020</u>
DB Plan	\$2,916,016	\$2,902,759
Ad hoc COLA/SA Plan for DB Participants	837,705	799,484
Ad hoc COLA Plan for DCRS Participants	<u>350,639</u>	<u>194,852</u>
	<u>\$4,104,360</u>	<u>\$3,897,095</u>

Proportionate share of net pension liabilities at September 30, 2021 and 2020 for the aforementioned plans are as follows:

	<u>2021</u>	<u>2020</u>
DB Plan	0.23%	0.24%
Ad hoc COLA/SA Plan for DB Participants	0.26%	0.25%
Ad hoc COLA Plan for DCRS Participants	0.53%	0.33%

Pension expense for the years ended September 30, 2021 and 2020 for the aforementioned Plans are as follows:

	<u>2021</u>	<u>2020</u>
DB Plan	\$249,321	\$290,534
Ad hoc COLA/SA Plan for DB Participants	115,099	99,161
Ad hoc COLA Plan for DCRS Participants	<u>37,947</u>	<u>12,751</u>
	<u>\$402,367</u>	<u>\$402,446</u>

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

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

As of September 30, 2021 and 2020, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources at September 30, 2021 and 2020, resulting from the Corporation's employer contributions for the following plans are as follows:

	September 30, 2021					
	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	\$ 7,279	\$(14,237)	\$ 531	\$(13,377)	\$ 33,817	\$(8,221)
Net difference between projected and actual earnings on pension plan investments	208,929	---	---	---	---	---
Corporation's contributions subsequent to the measurement date	291,849	---	54,952	---	12,000	---
Changes in assumption	---	---	65,695	(1,192)	85,317	(26,584)
Changes in proportion and difference between the Corporation's contributions and proportionate share of contributions	4,037	(42,474)	57,185	---	117,492	(49,764)
	<u>\$ 512,094</u>	<u>\$(56,711)</u>	<u>\$ 178,363</u>	<u>\$(14,569)</u>	<u>\$ 248,626</u>	<u>\$(84,569)</u>
	September 30, 2020					
	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	\$ 4,166	\$(25,732)	\$ 5,540	\$(2,458)	\$ 20,521	\$(5,660)
Net difference between projected and actual earnings on pension plan investments	102,070	---	---	---	---	---
Corporation's contributions subsequent to the measurement date	297,486	---	59,280	---	12,000	---
Changes in assumption	---	---	71,779	(12,428)	---	---
Changes in proportion and difference between the Corporation's contributions and proportionate share of contributions	44,408	(3,683)	64,090	---	46,911	(18,903)
	<u>\$ 448,130</u>	<u>\$(29,415)</u>	<u>\$ 200,689</u>	<u>\$(14,886)</u>	<u>\$ 115,375</u>	<u>\$(81,158)</u>

Deferred outflows of resources at September 30, 2021 and 2020, resulting from the Corporation's employer contributions for the following plans are as follows:

	<u>2021</u>	<u>2020</u>
DB Plan	\$291,849	\$297,486
Ad hoc COLA/SA Plan for DB Participants	54,952	59,280
Ad hoc COLA Plan for DCRS Participants	<u>12,000</u>	<u>12,000</u>
	<u>\$358,801</u>	<u>\$368,766</u>

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

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

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

2022	\$106,397
2023	129,637
2024	102,874
2025	38,295
2026	9,274
Thereafter	<u>37,956</u>
	<u>\$424,433</u>

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

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

DB Plan

	1% Decrease <u>6.00%</u>	Current Discount <u>7.00%</u>	1% Increase <u>8.00%</u>
Net pension liability	<u>\$3,655,025</u>	<u>\$2,916,016</u>	<u>\$2,279,956</u>

Ad Hoc COLA/SA for DB Participants

	1% Decrease <u>1.21%</u>	Current Discount <u>2.21%</u>	1% Increase <u>3.21%</u>
Total collective pension liability	<u>\$ 920,913</u>	<u>\$ 837,705</u>	<u>\$ 765,422</u>

Ad Hoc COLA for DCRS Participants

	1% Decrease <u>1.21%</u>	Current Discount <u>2.21%</u>	1% Increase <u>3.21%</u>
Total collective pension liability	<u>\$ 397,689</u>	<u>\$ 350,639</u>	<u>\$ 310,604</u>

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

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

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 before October 1, 1995. Contributions into the DCRS, by members are based on an automatic deduction of 6.2% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions into the DCRS for the years ended September 30, 2021 and 2020 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 6.2% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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

During the years ended September 30, 2021 and 2020, contributions made and amounts accrued under the DCRS amounted to \$134,985 and \$131,286, respectively.

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

Other Post-employment Benefit (OPEB) Plan

OPEB Plan Description

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains an agent multiple 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 Guam Housing Corporation website – <https://guamhousing.org>

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.

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

OPEB Plan, continued

OPEB Plan Description, continued

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:	2.75%
Healthcare cost trend rate:	6 percent for 2021 through 2023, decreasing 0.25 percent per year to an ultimate rate of 4.25 percent for 2030 and later years.
Dental trend rates:	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Healthy retiree mortality rates:	RP-2000 Combined Health Mortality Table, set forward 3 years and 2 years for males and females, respectively, projected generationally using 30% of Scale BB.

Discount Rate: The discount rate used to measure the total OPEB liability was 2.21% and 2.66% for the years ended September 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefits of current plan members. Therefore, the municipal bond rate at each year end was applied to all periods to determine the total OPEB liability.

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 5.66 years. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

OPEB Plan, continued

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

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

Reporting date:	September 30, 2021	September 30, 2020
Measurement date:	September 30, 2020	September 30, 2019
Valuation date:	September 30, 2020	September 30, 2018

Total OPEB liability as of September 30, 2021 and 2020 is \$6,918,351 and \$7,429,975, respectively.

Proportionate share of total OPEB liability at September 30, 2021 and 2020 is 0.27% and 0.29%, respectively.

OPEB benefit for the years ended September 30, 2021 and 2020 is \$488,265 and \$400,708, respectively.

As of September 30, 2021 and 2020, the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2021</u>		<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 633,369	\$(662,077)	\$ ---	\$(974,156)
Corporation's contributions subsequent to the measurement date	85,460	---	117,770	---
Changes in assumption	1,125,536	(1,494,902)	1,619,587	(692,776)
Changes in proportion and difference between the Corporation's contributions and proportionate share of contributions	<u>---</u>	<u>(2,269,113)</u>	<u>---</u>	<u>(2,766,345)</u>
	<u>\$ 1,844,365</u>	<u>\$(4,426,092)</u>	<u>\$ 1,737,357</u>	<u>\$(4,433,277)</u>

Deferred outflows of resources at September 30, 2021 and 2020, resulting from the Corporation's employer contributions totaled \$85,460 and \$117,770, respectively.

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

OPEB Plan, continued

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

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

2022	\$(998,952)
2023	(1,059,556)
2024	(494,301)
2025	(14,668)
2026	(<u>99,711</u>)
	<u>\$(2,667,188)</u>

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

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

	1% Decrease	2021 Current Discount	1% Increase
	<u>1.21%</u>	<u>2.21%</u>	<u>3.21%</u>
Total OPEB liability	\$ <u>8,213,751</u>	\$ <u>6,918,351</u>	\$ <u>5,885,723</u>

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

	1% Decrease	2021 Current Discount	1% Increase
	<u>1.21%</u>	<u>2.21%</u>	<u>3.21%</u>
Total OPEB liability	\$ <u>5,762,589</u>	\$ <u>6,918,351</u>	\$ <u>8,421,225</u>

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Employee Benefits, continued

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, 2021 and 2020, The Corporation has accrued an estimated liability of \$56,722 and \$47,079, respectively, which is reported as a component of accrued compensated absences in the accompanying statements 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, 2021 and 2020, the Corporation has loan commitments totaling \$957,973 and \$537,973 respectively.

The Corporation leases office space from the Guam Economic Development Authority (GEDA) under an operating lease which expires on February 28, 2022. The Corporation is currently renegotiating to renew its lease agreement. The lease agreement calls for a monthly rental payment of \$8,312. For each of the years ended September 30, 2021 and 2020, rental expense totaling \$99,744 was paid to GEDA, which is reported as a component of rent expense in the accompanying statements of revenues, expenses and changes in net position.

The future minimum lease payments for the aforementioned operating lease are as follows:

Year ending September 30,

2022	\$ <u>41,560</u>
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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 \$393,039 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.

Guam Housing Corporation
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Notes to Financial Statements, continued

8. Commitments and Contingencies, continued

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, 2021 and 2020, the self-insurance fund totaled \$1,170,446 and \$1,170,241, respectively, as reported in the accompanying statements of net position.

9. Long-Term Liabilities

A summary of changes in long-term liabilities during fiscal years 2021 and 2020 is as follows:

	October 1, 2020	Increases	Decreases	September 30, 2021	Current	Noncurrent
Accrued compensated absences	\$ 208,297	\$ 134,264	\$ 116,836	\$ 225,725	\$ 106,374	\$ 119,351
Net pension liability	3,897,095	207,265	---	4,104,360	---	4,104,360
Total collective other postemployment benefit liability	7,429,975	---	511,624	6,918,351	---	6,918,351
Bonds payable	3,265,000	---	235,000	3,030,000	235,000	2,795,000
	<u>\$ 14,800,367</u>	<u>\$ 341,529</u>	<u>\$ 863,460</u>	<u>\$ 14,278,436</u>	<u>\$ 341,374</u>	<u>\$ 13,937,062</u>
	October 1, 2019	Increases	Decreases	September 30, 2020	Current	Noncurrent
Accrued compensated absences	\$ 154,405	\$ 133,874	\$ 79,982	\$ 208,297	\$ 103,183	\$ 105,114
Net pension liability	3,625,960	271,135	---	3,897,095	---	3,897,095
Total collective other postemployment benefit liability	5,676,959	1,753,016	---	7,429,975	---	7,429,975
Bonds payable	3,495,000	---	230,000	3,265,000	235,000	3,030,000
	<u>\$ 12,952,324</u>	<u>\$ 2,158,025</u>	<u>\$ 309,982</u>	<u>\$ 14,800,367</u>	<u>\$ 338,183</u>	<u>\$ 14,462,184</u>

Required Supplementary Information

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

Defined Benefit Plan

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Corporation's proportion of the net pension liability	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	\$ 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	1,218,275	1,224,469	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	239.36%	237.02%	350.50%	218.54%	257.00%	256.00%	230.00%	264.00%
Plan fiduciary net position as percentage of total pension liability	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%	53.94%

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

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

Defined Benefit Plan

Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 293,040	\$ 289,541	\$ 291,780	\$ 187,900	\$ 278,104	\$ 297,444	\$ 347,068	\$ 325,802	\$ 319,322	\$ 289,323
Contribution in relation to the contractually required contribution	<u>291,849</u>	<u>297,486</u>	<u>293,201</u>	<u>194,684</u>	<u>276,288</u>	<u>296,576</u>	<u>359,159</u>	<u>319,153</u>	<u>315,348</u>	<u>297,876</u>
Contribution excess (deficiency)	\$(<u>1,191</u>)	\$ <u>7,945</u>	\$ <u>1,421</u>	\$ <u>6,784</u>	\$(<u>1,816</u>)	\$(<u>868</u>)	\$ <u>12,091</u>	\$(<u>6,649</u>)	\$(<u>3,974</u>)	\$ <u>8,553</u>
Corporation's covered-employee payroll	704,033	718,892	684,407	230,135	310,135	304,556	296,475	297,198	300,392	274,066
Contribution as a percentage of the covered-employee payroll	41.45%	41.38%	42.84%	84.60%	89.09%	97.38%	121.14%	107.39%	104.98%	108.69%

Guam Housing Corporation
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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*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Corporation's proportionate share of the collective total pension liability	\$ 837,705	\$ 799,484	\$ 644,322	\$ 600,954	\$ 518,756	\$ 522,556
Corporation's proportion of the collective total pension liability	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 is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants

Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 54,952	\$ 59,280	\$ 54,981	\$ 57,400	\$ 53,879	\$ 54,078	\$ 54,198	\$ 51,198	\$ 40,278	\$ 40,478
Contribution in relation to the contractually required contribution	<u>54,952</u>	<u>59,280</u>	<u>55,191</u>	<u>57,190</u>	<u>53,879</u>	<u>54,078</u>	<u>54,198</u>	<u>51,198</u>	<u>40,278</u>	<u>40,478</u>
Contribution excess (deficiency)	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 210</u>	<u>\$ (210)</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

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*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Corporation's proportionate share of the collective total pension liability	\$ 350,369	\$ 194,852	\$ 157,980	\$ 227,627	\$ 260,379	\$ 173,951
Corporation's proportion of the collective total pension liability	0.53%	0.33%	0.32%	0.36%	0.42%	0.33%

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

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

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

Ad Hoc COLA Plan for DCRS Participants

Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 12,000	\$ 12,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 4,000	\$ 3,600	\$ 2,200	\$ 1,100
Contribution in relation to the contractually required contribution	<u>12,000</u>	<u>12,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>4,000</u>	<u>3,600</u>	<u>2,200</u>	<u>1,100</u>
Contribution excess (deficiency)	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>

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*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Corporation's proportion of the collective total other postemployment benefit liability	0.27%	0.29%	0.30%	0.46%	0.47%	0.49%
Corporation's proportionate share of the collective total other postemployment benefit liability	\$ 6,918,351	\$ 7,429,975	\$ 5,676,959	\$ 11,223,930	\$ 11,881,411	\$ 10,443,665

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

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

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

Other Postemployment Benefit Plan

Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 85,460	\$ 117,770	\$ 157,591	\$ 164,294	\$ 172,595	\$ 172,046	\$ 166,763	\$ 114,056	\$ 121,439	\$ 126,018
Contribution in relation to the contractually required contribution	<u>85,460</u>	<u>117,770</u>	<u>157,591</u>	<u>164,294</u>	<u>172,595</u>	<u>172,046</u>	<u>166,763</u>	<u>114,056</u>	<u>121,439</u>	<u>126,018</u>
Contribution excess (deficiency)	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

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

Note to Required Supplementary Information
(Unaudited)

Changes in Assumptions – Pension Plans

Amounts reported in 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, 2021

	<u>Housing</u>	<u>Rental</u>	<u>Combined Total</u>
Assets			
Current assets:			
Unrestricted assets:			
Cash and cash equivalents	\$ 5,053,923	\$ 1,571,204	\$ 6,625,127
Self-insurance fund	---	1,170,446	1,170,446
Loans receivable, net	961,831	---	961,831
Tenants receivable, net	539	9,857	10,396
Accrued interest receivable	23,235	46	23,281
Prepaid expenses and other	1,775	73,805	75,580
Interdivision	926,920	(926,920)	---
Total unrestricted assets	<u>6,968,223</u>	<u>1,898,438</u>	<u>8,866,661</u>
Restricted assets:			
Cash and cash equivalents	3,437,465	306,481	3,743,946
Investments	1,061,443	---	1,061,443
Total restricted assets	<u>4,498,908</u>	<u>306,481</u>	<u>4,805,389</u>
Total current assets	11,467,131	2,204,919	13,672,050
Loans receivable, net	21,248,190	---	21,248,190
Depreciable capital assets	7,279	2,791,321	2,798,600
Non-depreciable capital assets	---	2,934,227	2,934,227
Total assets	<u>32,722,600</u>	<u>7,930,467</u>	<u>40,653,067</u>
Deferred outflows of resources			
Pension	513,681	425,402	939,083
Other postemployment benefits	996,014	848,351	1,844,365
Total deferred outflow of resources	<u>1,509,695</u>	<u>1,273,753</u>	<u>2,783,448</u>
Total assets and deferred outflows of resources	<u>34,232,295</u>	<u>9,204,220</u>	<u>43,436,515</u>

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

Combining Statement of Net Position, continued

September 30, 2021

	<u>Housing</u>	<u>Rental</u>	<u>Combined Total</u>
Liabilities			
Current liabilities:			
Payable from unrestricted assets:			
Accounts payable and accrued expenses	\$ 68,184	\$ 53,383	\$ 121,567
Current portion of accrued compensated absences	57,859	48,515	106,374
Unearned revenue	52,964	14,160	67,124
Due to fiduciary fund	84	---	84
Total payable from unrestricted assets	<u>179,091</u>	<u>116,058</u>	<u>295,149</u>
Payable from restricted assets:			
Bonds payable	235,000	---	235,000
Accrued interest payable	14,519	---	14,519
Security deposits	---	52,580	52,580
Deposits by borrowers - insurance premiums and real estate taxes	480,430	---	480,430
Rebate liability	84,672	---	84,672
Total payable from restricted assets	<u>814,621</u>	<u>52,580</u>	<u>867,201</u>
Total current liabilities	<u>993,712</u>	<u>168,638</u>	<u>1,162,350</u>
Non-current liabilities:			
Payable from unrestricted assets:			
Non-current portion of accrued compensated absences	47,268	72,083	119,351
Net pension liability	2,188,035	1,916,325	4,104,360
Total collective other postemployment benefit liability	3,688,379	3,229,972	6,918,351
Payable from restricted assets - Bonds payable	<u>2,795,000</u>	<u>---</u>	<u>2,795,000</u>
Total non-current liabilities	<u>8,718,682</u>	<u>5,218,380</u>	<u>13,937,062</u>
Total liabilities	<u>9,712,394</u>	<u>5,387,018</u>	<u>15,099,412</u>
Deferred inflows of resources			
Pension	83,084	72,765	155,849
Other postemployment benefits	2,359,681	2,066,411	4,426,092
Total deferred inflow of resources	<u>2,442,765</u>	<u>2,139,176</u>	<u>4,581,941</u>
Net position			
Net investment in capital assets	7,279	5,725,548	5,732,827
Restricted for lending activities	2,957,035	253,901	3,210,936
Unrestricted	19,112,822	(4,301,423)	14,811,399
Total net position	<u>\$ 22,077,136</u>	<u>\$ 1,678,026</u>	<u>\$ 23,755,162</u>

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

Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2021

	<u>Housing</u>	<u>Rental</u>	<u>Combined Total</u>
Operating revenues:			
Interest income on loans receivable	\$ 1,251,958	\$ ---	\$ 1,251,958
Rental income	---	974,814	974,814
Miscellaneous revenues	160,677	3,373	164,050
Gain on sale of foreclosed assets	80,297	---	80,297
Interest income on investments			
held by bond trustees	3,070	---	3,070
Interest income on deposits	<u>2,610</u>	<u>79</u>	<u>2,689</u>
Total operating revenues	<u>1,498,612</u>	<u>978,266</u>	<u>2,476,878</u>
Operating expenses:			
Salaries	667,390	574,320	1,241,710
Retirement and Medicare contributions	114,081	290,243	404,324
Interest expense on borrowings	181,530	---	181,530
Depreciation and amortization	383	149,201	149,584
Employee benefits, other than retirement	59,851	61,510	121,361
Professional services	83,725	27,125	110,850
Rent	105,054	---	105,054
Contractual services	38,377	38,659	77,036
Other	44,580	25,245	69,825
Maintenance	---	37,348	37,348
Bond trustee fees	16,135	---	16,135
Director fees	2,000	---	2,000
Retiree supplemental and health benefits	<u>(524,756)</u>	<u>51,351</u>	<u>(473,405)</u>
Total operating expenses	<u>788,350</u>	<u>1,255,002</u>	<u>2,043,352</u>
Increase (decrease) in net position	710,262	(276,736)	433,526
Net position at beginning of year, restated	<u>21,366,874</u>	<u>1,954,762</u>	<u>23,321,636</u>
Net position at end of year	<u>\$ 22,077,136</u>	<u>\$ 1,678,026</u>	<u>\$ 23,755,162</u>

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

Salaries, Wages and Benefits

	<u>2021</u>	<u>2020</u>
Salaries, wages and benefits:		
Salaries	\$ 1,241,710	\$ 1,284,896
Retirement and Medicare contributions	404,324	372,624
Employee benefits other than retirement	121,361	85,810
Retiree supplemental and health benefits	(<u>473,405</u>)	(<u>365,880</u>)
Total salaries, wages and benefits	\$ <u>1,293,990</u>	\$ <u>1,377,450</u>
Employees at end of year	24	23

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

First-time Homeowner Assistance Program

Year ended September 30, 2021

	Number of Grantees	Balance at September 30, 2020	Total Fund Allocated	Total Amount Disbursed	Interest Earned	Administration Fee	Balance at September 30, 2021
Guam Housing Corporation	---	\$ 1,510	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,510
Department of Administration	<u>71</u>	<u>318,733</u>	<u>530,931</u>	<u>(642,952)</u>	<u>1,122</u>	<u>(64,295)</u>	<u>143,539</u>
Total	<u>71</u>	<u>\$ 320,243</u>	<u>\$ 530,931</u>	<u>\$(642,952)</u>	<u>\$ 1,122</u>	<u>\$(64,295)</u>	<u>\$ 145,049</u>

Year ended September 30, 2020

	Number of Grantees	Balance at September 30, 2019	Total Fund Allocated	Total Amount Disbursed	Interest Earned	Administration Fee	Balance at September 30, 2020
Guam Housing Corporation	---	\$ 1,510	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,510
Department of Administration	<u>39</u>	<u>411,113</u>	<u>285,000</u>	<u>(343,431)</u>	<u>395</u>	<u>(34,344)</u>	<u>318,733</u>
Total	<u>39</u>	<u>\$ 412,623</u>	<u>\$ 285,000</u>	<u>\$(343,431)</u>	<u>\$ 395</u>	<u>\$(34,344)</u>	<u>\$ 320,243</u>

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

Management and the Board of Directors
Guam Housing Corporation

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guam Housing Corporation (the Corporation), which comprise the statement of net position as of September 30, 2021, 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 March 16, 2022.

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 may exist that have not been identified.

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

March 16, 2022