



*Financial Statements and
Other Financial Information*

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

*Years ended September 30, 2010 and 2009
with Report of Independent Auditors*

Ernst & Young

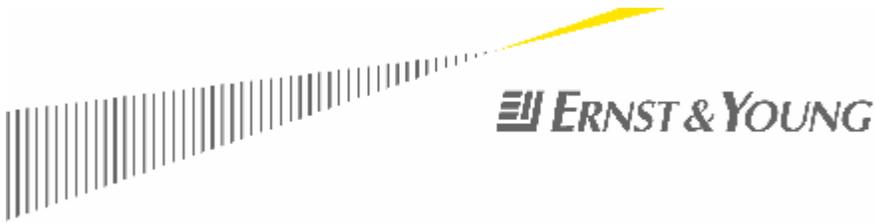
Guam Housing Corporation
(A Component Unit of the Government of Guam)

Financial Statements and
Other Financial Information

Years ended September 30, 2010 and 2009

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Report of Independent Auditors

The Board of Directors
Guam Housing Corporation

We have audited the accompanying statement of net assets of the Guam Housing Corporation (the Corporation), a component unit of the Government of Guam, as of September 30, 2010, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Guam Housing Corporation for the year ended September 30, 2009, were audited by other auditors whose report dated February 17, 2010, expressed an unqualified opinion on those statements prior to restatement.

We conducted our audit 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. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of the Guam Housing Corporation as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

We also audited the adjustments described in Note 14 that were applied to restate the 2009 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2011 on our consideration of the Guam Housing 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 20 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Corporation taken as a whole. The supplementary information contained in Schedules 1 and 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst + Young LLP

March 3, 2011

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

Management's Discussion and Analysis

September 30, 2010

The following Management's Discussion and Analysis of the Guam Housing Corporation's (the Corporation) activities and financial performance provides the reader with an introduction and overview to the financial statements for the fiscal year (FY) ended September 30, 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

A. About the Corporation

The Corporation was created by Public Law (P.L.) 8-80 as a component unit of the Government of Guam (GovGuam) 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 consists of two divisions: housing division and rental division. Housing division is engaged in lending activities of the Corporation while the rental division is engaged in the ownership and rental of housing complexes known as Lada Gardens and Guma As-Atadas.

Overview of Housing Division

The Corporation continues to make measured progress. With capital currently available for lending, the Corporation is moving forward with its own programs as well as programs in cooperation with the United States Department of Agriculture (USDA) Rural Development and the Land Trust Initiative. The Corporation continues to face its usual concerns of a turbulent economy, however, it should be noted that there has been a significant improvement in loan origination.

The Corporation's mandate is to help individuals and families secure mortgage financing, who cannot otherwise qualify as borrowers through other means. The current conditions in Guam's real estate market, coupled with more stringent lending practices of local conventional lending institutions, has created an environment that have allowed the Corporation to assist more working class families. The Corporation's clientele is diverse and includes teachers, firemen, police officers, office managers, office workers, and hotel and restaurant employees. They walk through our doors seeking financing for their first home in order to fill the basic need of housing for their families. It is for this very reason why the Corporation seeks additional lending capital for those families who have been pre-qualified.

In previous years, the prospect of lending more capital to the Corporation was not entertained by its current lender due to the poor financial health of the Corporation. Prudent management has brought the Corporation back to good financial footing. Although no commitments have been made, Federal Home Loan Bank of Seattle (FHLB) is now open to discuss the possibilities of once again lending to the Corporation.

Guam Housing Corporation
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Management's Discussion and Analysis, continued

September 30, 2010

A. About the Corporation, continued

Overview of Housing Division, continued

By virtue of Title 21, Chapter 75 of the Guam Code Annotated (GCA), the Corporation is the primary, and in most cases the only authorized lender for Chamorro Land Trust Property recipients seeking mortgage financing. Loan programs available to veterans who are also recipients of the Chamorro Land Trust were limited to the Corporation's loan program and U.S. Veteran's Administration direct loan under the Native American Loan Program. However, with the recent execution of the Memorandum of Understanding between the Chamorro Land Trust Commission, the Corporation and USDA Rural Development, direct loans from USDA Rural Development can now be extended to veterans with Chamorro Land Trust Leases.

Our island is on the eve of a build-up of military forces which will bring economic stimulus as well as inflationary pressures on the cost of living. With the anticipated growth in population, the demand for both temporary and permanent housing will increase thereby causing an increase in real estate prices. The current inventory of housing units is insufficient to meet the needs of our people. It is imperative that we as a government entity continue to work to address the housing needs of our island residents. The Corporation under its mandate is geared to accomplish this mission.

Overview of Rental Division

The Corporation created Guam Rental Corporation (GRC) in 1969 to develop the 115-unit Lada Gardens subdivision in Dededo. Effective November 26, 2003, the Corporation dissolved GRC as a separate entity and integrated the rental management functions into its financial activities as a rental division. The rental units are comprised of two, three, and four bedroom homes rented to eligible individuals and families. In 1992, the Corporation acquired two additional single-family homes and developed two 12-unit apartment buildings, Guma As-Atdas, bringing the total number of rental units to 141. In 2001, as the Corporation executed its recovery program, management considered the benefits of selling the Lada Gardens subdivision. However, there has been no action on the sale to date.

The rental division continually strives to improve in policy and performance. The rental division is currently utilizing established area guidelines to qualify tenants with respect to family size and income. This process ensures tenants have the ability to meet their monthly rental fees.

Guam Housing Corporation
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Management's Discussion and Analysis, continued

September 30, 2010

A. About the Corporation, continued

Overview of Rental Division, continued

Major repairs and renovations for the Guma As-Atdas buildings (A) and (B) were budgeted for FY 2008, 2009 & 2010. Building (B) consisting of 12 apartments was renovated first. The renovation of Building (B) was completed in April 2009 allowing tenants to occupy the units in May 2009. The renovation of Building (A) commenced in May 2009 and was completed in March 2010. In April 2010, tenants moved into the apartments. The Board of Directors approved an increase in rent for the newly renovated apartments to increase revenues that were lost during the renovation period. The new rates established were \$500 for a two bedroom unit and \$600 for a three bedroom unit.

Lada Estates Affordable Housing Project

In accordance with P.L. 20-225, 46 acres of land were transferred to the Corporation from GovGuam with the mandate to develop affordable housing units for sale to first-time home buyers. Lada Estates, as it became known, was intended as a two-phase turnkey project. Subsequent economic conditions prevented the completion of the project. In 2004, Maeda Pacific Corporation brought suit against the Corporation and GovGuam. As of September 30, 2010, the issue of Lada Estates remains unresolved. At the recommendation of our independent auditors and due to the current state of the property, an adjustment was made to decrease the carrying value of the property recorded in the financial statements. An impairment loss of \$5.2 million was recorded as a prior year adjustment.

B. Using the Financial Statements

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 Principle 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 Assets* presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

Guam Housing Corporation
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Management's Discussion and Analysis, continued

September 30, 2010

B. Using the Financial Statements, continued

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the Corporation's net assets changed during the most recent fiscal year. All changes in net assets 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., loan origination fees and costs, 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 operating, non-capital financing, capital and related financing, or investing activities.

The Corporation-wide 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-wide financial statements of the Corporation can be found on pages 21 through 25 of this report.

FYs 2009 & 2008 have been restated due to prior year adjustments made to the Land Held for Development (see page 5 of the MD&A for more details), Foreclosed assets held for resale (see page 17 of the MD&A for more details) and the Allowance for Loan Losses (see page 17 of the MD&A for more details).

Guam Housing Corporation
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Management's Discussion and Analysis, continued

September 30, 2010

B. Using the Financial Statements, continued

A condensed summary of the Corporation's statements of net assets at September 30, 2010, 2009 and 2008 is shown below.

	2010	(Restated) 2009	(Restated) 2008
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets			
Cash and Investments	\$13,814,723	\$21,255,967	\$21,743,641
Loans receivable, other receivable, prepaid expense and inventory	30,859,853	23,751,719	24,089,531
Land held for development	10,947,385	10,947,385	10,947,385
Foreclosed assets held for resale	116,359	545,719	196,852
Capital Assets	<u>5,870,251</u>	<u>5,835,274</u>	<u>5,729,086</u>
Total Assets	<u>\$61,608,571</u>	<u>\$62,336,064</u>	<u>\$62,706,495</u>
Liabilities			
Accounts payable and accrued expenses	\$11,209,050	\$11,102,446	\$11,136,728
Notes payable	4,351,620	5,296,866	6,182,868
Deposits by borrowers and security deposit	529,134	639,462	500,333
Bonds payable	4,980,000	5,105,000	5,215,000
Loans held in trust	<u>550,581</u>	<u>619,977</u>	<u>678,586</u>
Total Liabilities	<u>21,620,385</u>	<u>22,763,751</u>	<u>23,713,515</u>
Net Assets			
Invested in capital assets, net of related debt	5,870,251	5,835,274	5,729,086
Restricted	9,535,081	9,860,843	10,548,626
Unrestricted	<u>24,582,854</u>	<u>23,876,196</u>	<u>22,715,268</u>
Total Net Assets	<u>39,988,186</u>	<u>39,572,313</u>	<u>38,992,980</u>
Total Liabilities and Net Assets	<u>\$61,608,571</u>	<u>\$62,336,064</u>	<u>\$62,706,495</u>

A condensed summary of the Corporation's statements of revenues, expenditures and changes in net assets for the years ended September 30, 2010, 2009 and 2008 is shown below.

	2010	(Restated) 2009	(Restated) 2008
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues	\$ 3,071,404	\$ 3,150,766	\$ 3,473,246
Expenses	<u>2,655,531</u>	<u>2,571,433</u>	<u>2,672,394</u>
Increase in net assets	415,873	579,333	800,852
Total net assets at beginning of year	<u>39,572,313</u>	<u>38,992,980</u>	<u>38,192,128</u>
Total net assets at end of year	<u>\$39,988,186</u>	<u>\$39,572,313</u>	<u>\$38,992,980</u>

Guam Housing Corporation
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Management's Discussion and Analysis, continued

September 30, 2010

C. Financials at a Glance

As you read the financials, note that loans are characterized as either being of the "GHC Portfolio" or the "Other Portfolio". The distinction is made for the sake of understanding the source of the funding. The Corporation's portfolio consists of loans originated with the Corporation's funds from the Direct Loan Program and the Revolving Loan Program. The Other Portfolio comprises all other loans (i.e., Down Payment and Closing Cost Assistance, Hazard Mitigation, and Community Affordable Housing Action Trust (CAHAT)). Other Portfolio loans are not exclusively for first-time homeowners, but rather, they represent support programs that the agency has administered from time to time throughout the years.

The Corporation's loan portfolio has increased by \$7,228,273 to approximately \$31.9 million increasing 29.21% from the prior year. Total loans originated in FY 2010 amounted to \$8.6 million. This is an increase of \$4.15 million in comparison to the previous fiscal year. A number of loans were for construction purposes, thus not all of the loan proceeds were fully disbursed. In addition, the Corporation had fewer paid off loans and no foreclosures and zero write-offs for the same period.

The Corporation can attribute this increase in loan origination activities to the decrease in its interest rates on its regular loan program, thus resulting in closing the gap between the applicants' qualifying amount and price of homes.

The Corporation continues its marketing efforts to disseminate information relative to its loan programs. We have targeted our outreach activities to include financial institutions, realtors and other agencies working with the income we are mandated to serve. As a result, the Corporation continues to see more interest for homeownership. The applicants will continue facing challenges to find homes within their buying power and having the resources for the required closing costs.

D. Loan Programs

The Corporation makes available the following loan programs.

Regular Loan Program

The residential mortgage lending program is to assist families and individuals, who are first-time homeowners and who are unable to obtain financing for purchase or construction through conventional lending institutions. In FY 2008, the Board approved and adopted a provision allowing the Corporation's Management to adjust loan interest rates to reflect the current prevailing rate. This action emanates from P.L. 26-123 which states that the Board of Directors may set the rate of interest. However, it cannot assess a rate of interest greater than 2 points over its cost of funds. The term for repayments remains at 30 years.

Guam Housing Corporation
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Management's Discussion and Analysis, continued

September 30, 2010

D. Loan Programs, continued

Six Percent Loan Program

This is a low interest rate residential mortgage loan program to assist families and individuals who are first time homeowners and who are unable to obtain financing from conventional mortgage lending institutions. The interest rate is 6.00% for a term of 30 years.

CAHAT

This is an interest-free second mortgage loan program designed as a program for first time homeowners for families and individuals who lack the resources to purchase or construct a typhoon-resistant home. Enabling legislation is P.L. 21-99. Term of the loan is 30 years.

Leveraged Loan Program

This loan program was effectuated via a Memorandum of Understanding between the Corporation and USDA Rural Development on September 5, 2005. The program is a joint financing concept whereby an applicant receives two separate loans to obtain a 100% financing. The Corporation will provide 20%, holding the first mortgage; and the USDA Rural Development will provide 80% for the second mortgage.

The Corporation's loan will be at the interest rates established for its regular loan program for a term of 30 years. Rural Development loans will be available at the prevailing interest rate for a term of 33 years. However, since USDA Rural Development's loan is a subsidized loan, the interest rate may be reduced depending on the borrower's income. This subsidy increases the buying power of an individual.

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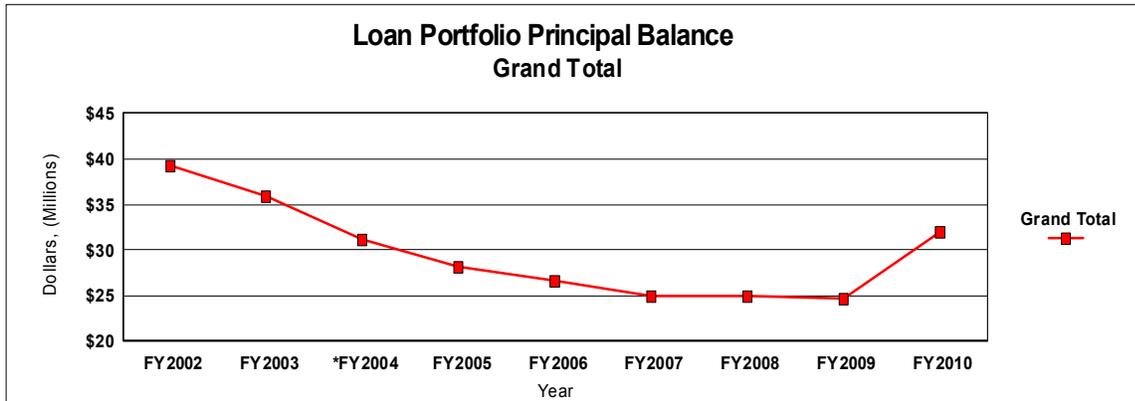
Management's Discussion and Analysis, continued

September 30, 2010

E. Financial Highlights

Loan Portfolio Principal Balance

Loan Portfolio Principal Balance	<u>FY2002</u>	<u>FY2003</u>	<u>*FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>
Grand Total	\$39,381,962	\$35,929,693	\$31,175,230	\$28,185,870	\$26,632,726	\$25,053,953	\$25,027,686	\$24,749,566	\$31,977,839
Total number of loans	769	702	580	533	505	470	450	439	477



*Note: A total of 54 Home Improvement loans/grants initiated for the FEMA Sagan Linayan Development in the amount of \$370,240 were returned to GHURA and removed from the Corporation's books.

Guam Housing Corporation
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Management's Discussion and Analysis, continued

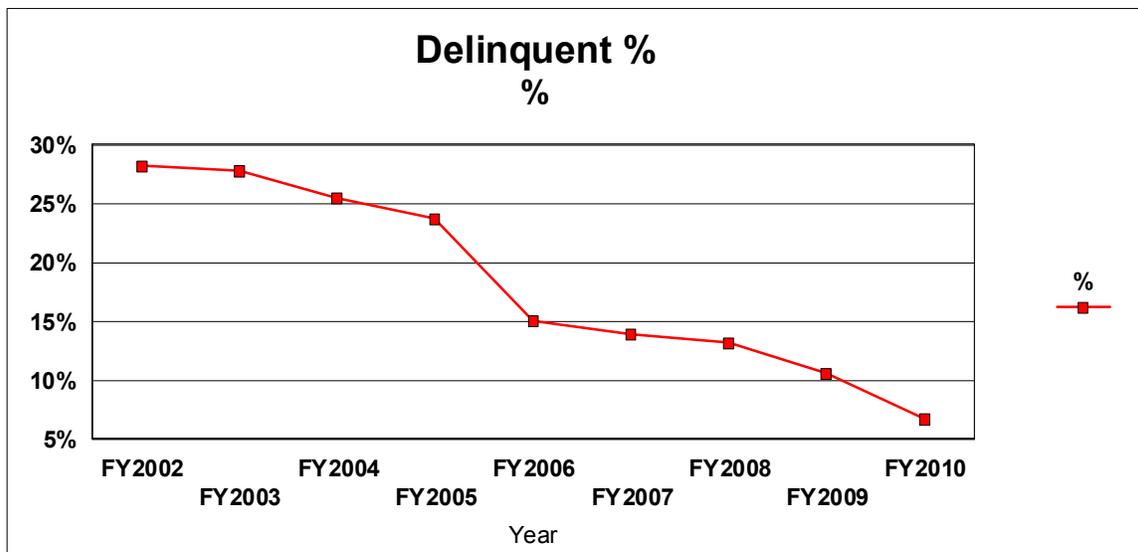
September 30, 2010

E. Financial Highlights, continued

Delinquency

Total delinquencies decreased by three loans during the year, an improvement of \$462,937 over the previous year. Overall, loans delinquent 30 days and over fell by 3.92% from the past year to 6.69%. The decrease in the Corporation's delinquent accounts is evident in the statistical data and chart below. The decreases are the result of a concerted effort in collections and servicing.

Delinquent %	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>
Percentage	28.17%	27.74%	25.51%	23.74%	15.09%	13.86%	13.15%	10.61%	6.69%
Principal Balance	\$11,094,528	\$9,967,364	\$7,953,395	\$6,521,715	\$3,919,197	\$3,387,036	\$3,217,545	\$2,572,805	\$2,109,867
Total number of delinquent loans	234	216	140	108	60	54	48	36	33



Guam Housing Corporation
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Management’s Discussion and Analysis, continued

September 30, 2010

E. Financial Highlights, continued

Loans Paid in Full

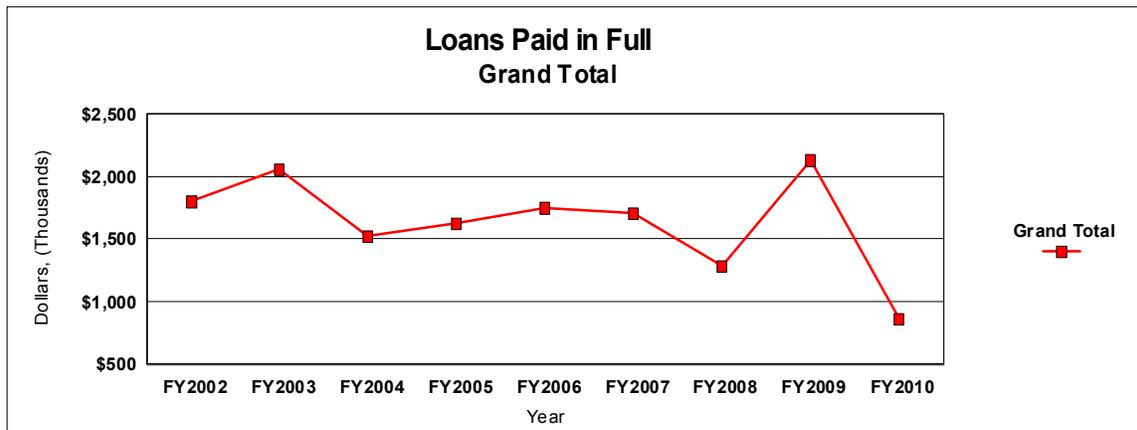
Twenty-Five (25) loans were paid in full in FY 2010 totaling \$869,455, a decrease of \$1.3 million in comparison to the prior year. The payoffs can be attributed in part to borrowers refinancing their mortgage at lower interest rates. Because these particular homeowners were no longer first time home buyers, the Corporation could not provide financing for this purpose. Others were delinquent accounts who sought financing through other lenders. The following data and chart depicts the trend in loan payoffs over the past nine years.

Loans Paid in Full

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>
Grand Total	\$1,802,486	\$2,061,421	\$1,525,515	\$1,624,036	\$1,747,437	\$1,712,039	\$1,290,394	\$2,135,099	\$869,455

Total number

of loans	58	68	52	44	49	56	41	39	25
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Guam Housing Corporation
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

September 30, 2010

E. Financial Highlights, continued

Foreclosed Loans

In FY 2010, the collections division of the Corporation continued its aggressive approach on loan collections and delinquencies. The result of this effort has been better response from our borrowers. This improved communication allowed the Corporation to place delinquent borrowers on short-term payment plans and payroll deductions.

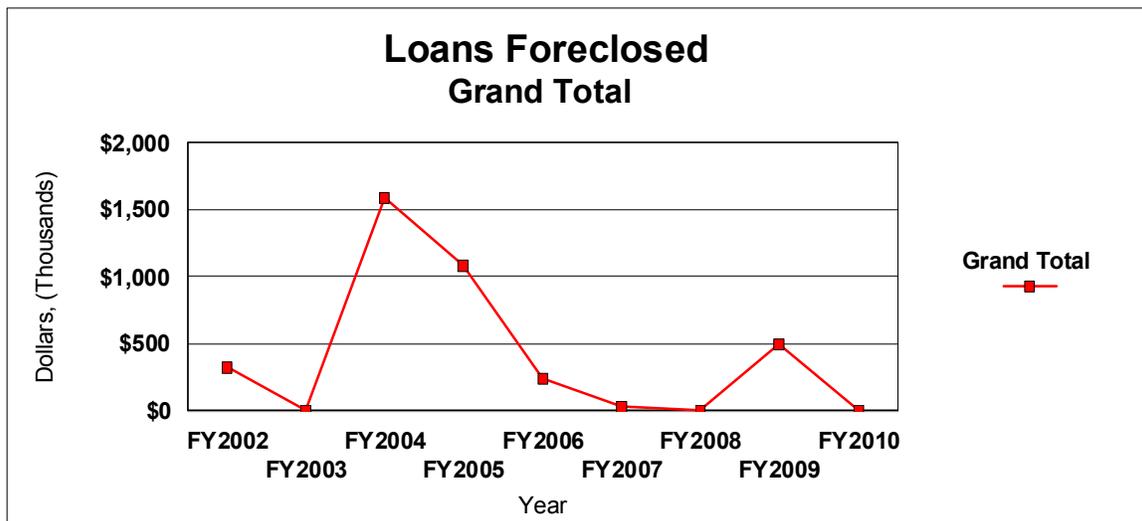
The Corporation has been working closely with legal counsel to more effectively address serious delinquencies and work with the borrower to avoid foreclosure.

Foreclosed Loans

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>
Grand Total	\$326,714	\$0	\$1,589,852	\$1,087,763	\$240,849	\$35,047	\$0	\$500,451	\$0

Total number of

loans	3	0	14	11	3	1	0	5	0
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Three (3) foreclosed properties were sold in FY 2010. The overall gain on sales was \$1,600. Poor conditions of the units have continued to be a hindrance to their quick sale. Many of the vacated units were in serious disrepair and were thus susceptible to further damage.

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Management's Discussion and Analysis, continued

September 30, 2010

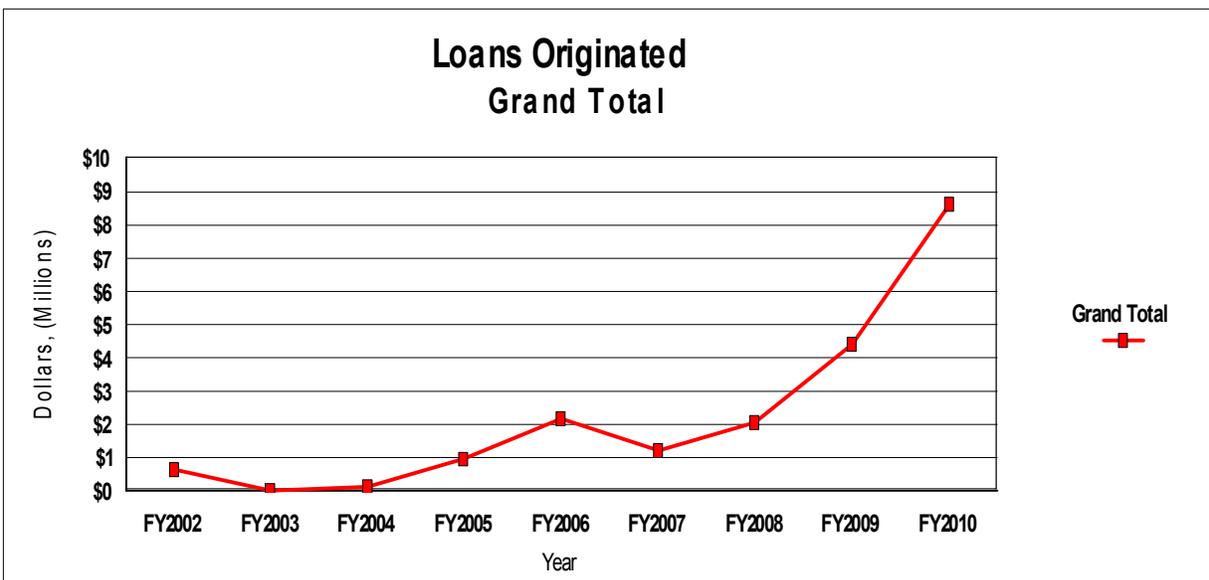
E. Financial Highlights, continued

Loan Origination

The following data and chart shows the amount of loans originated since FY 2002. In FY 2003 and FY 2004 the Corporation essentially suspended loan origination because of typhoon recovery and full implementation of the Recovery Plan. There was a decrease in FY 2007 which was in part attributable to limited housing supply within an affordable range. In the latter part of FY 2008, the Board approved and adopted a provision allowing the Corporation's Management to adjust loan interest rates to reflect the current market rate, resulting in being able to assist more families. This is reflected in the chart below.

Loans Originated	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>
Grand Total	\$651,842	\$11,237	\$141,083	\$952,782	\$2,180,928	\$1,235,210	\$2,072,972	\$4,446,132	\$8,599,755

Total number of loans	12	1	2	11	36	17	18	40	62
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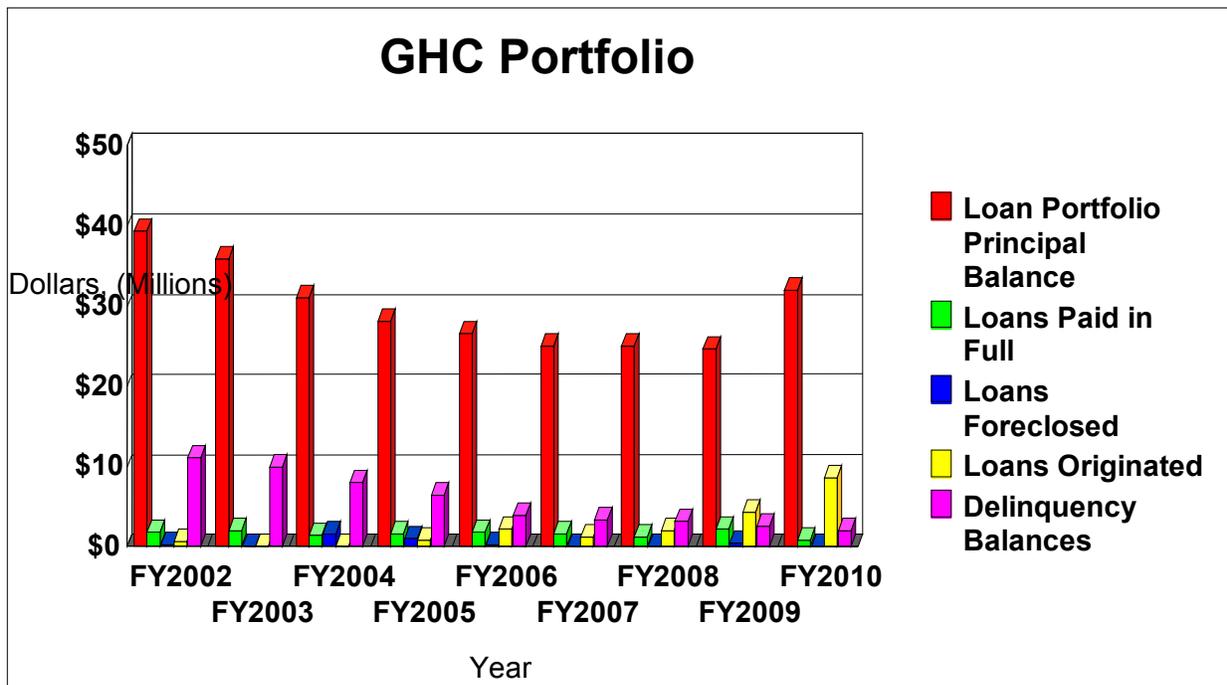
Management's Discussion and Analysis, continued

September 30, 2010

E. Financial Highlights, continued

Loan Portfolio

GHC Portfolio	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>
Loan Portfolio									
Principal Balance	\$39,381,962	\$35,929,693	\$31,175,230	\$28,185,870	\$26,632,726	\$25,053,953	\$25,027,686	\$24,749,566	\$31,977,839
Loans Paid in Full	\$ 1,802,486	\$ 2,061,421	\$ 1,525,515	\$ 1,624,036	\$ 1,747,437	\$ 1,712,039	\$ 1,290,394	\$ 2,135,099	\$ 869,455
Loans Foreclosed	\$ 326,714	\$ 0	\$ 1,589,852	\$ 1,087,763	\$ 240,849	\$ 35,047	\$ 0	\$ 500,451	\$ 0
Loans Originated	\$ 651,842	\$ 11,237	\$ 141,083	\$ 952,782	\$ 2,180,928	\$ 1,235,210	\$ 2,072,972	\$ 4,446,132	\$ 8,599,755
Delinquency									
Balances	\$11,094,528	\$ 9,967,364	\$ 7,953,395	\$ 6,521,715	\$ 3,919,197	\$ 3,387,036	\$ 3,217,545	\$ 2,572,805	\$ 2,109,867



The total loan portfolio has increased to \$31.9 million. With lower interest rates and decreasing home prices, more applicants were able to realize a higher qualifying amount.

Guam Housing Corporation
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Management's Discussion and Analysis, continued

September 30, 2010

E. Financial Highlights, continued

Loan Portfolio, continued

In addition to the above, the corporation disbursed funds from prior fiscal year's commitments. In the same period the corporation had 25 payoffs amounting to \$869,455 in comparison to the previous fiscal year of 39 totaling \$2.1 million.

For FY 2010, 62 loans were closed totaling \$8.6 million. A total of \$874,098 awaits loan closing. With continued marketing efforts, the corporation continues to conduct a number of pre-qualification interviews. For FY 2010, a total of 161 pre-qualification interviews were conducted. A number of applicants have yet to complete loan processing due to the lack of inventory of affordable homes. The Corporation continues its efforts to address this issue with its partners on the Housing Committee.

In an attempt to further provide assistance to our clients, the Corporation entered into a partnership agreement with the USDA Rural Development to provide joint financing. With this new partnership, the Corporation will hold a first lien position with a lower risk exposure to first time homeowners. With the partnership, the Corporation and USDA Rural Development will be able to provide 100% financing.

Portfolio management continues to improve as referenced by a decreasing delinquency rate.

Delinquency

Collections have improved by 3.92% in FY2010. The Collection division is working to sustain the progress it has made in collection efforts. The Credit and Collection Committee is in-charge with the review of accounts for referral to legal and workout actions. The Corporation will continue its aggressive collection efforts to maintain or decrease its current delinquency rate.

Although the Corporation's policy requires that all accounts past 90 days must be reviewed and referred to legal counsel for further proceedings, 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 are some cases in which the current market value of the secured property may be lower than the payoff thus the Corporation will realize a loss. If the borrower is committed and has demonstrated the ability to service the workout amount, we will authorize the workout. This, however, will not eliminate foreclosure should the borrower renege on the approved payment arrangement.

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

Management's Discussion and Analysis, continued

September 30, 2010

E. Financial Highlights, continued

Foreclosures and Other Real Estate Owned (OREO)

Foreclosed assets held for resale decreased by \$429,361 or 79% from \$545,720 in FY 2009 to \$116,359 in FY 2010. The decrease is attributed to the sale on three properties during FY 2010 and a prior period adjustment made to decrease the value of a wet land property from \$95,526 to zero.

With legal counsel firmly on track with the Collection Division on referrals for foreclosure, we fully expect that the process will continue to improve. Legal counsel has proven to be an effective partner in the Corporation's efforts to clean up on non-performing assets. Maintenance and security of these units throughout the Territory of Guam has fallen to the Rental Division, which due to its limited staff, struggles to accommodate the additional workload and concerns of vandalism, theft, and generally the deterioration of the vacant properties. As of September 2010, the Corporation had a total of two OREO Properties totaling \$116,359.

Allowance for Loan Losses

The Corporation's delinquency rates have continued to decrease in the last nine years, from 28.17% in FY 2002 to 6.69% in FY 2010. Although the Corporation's management and Board of Directors were conservative by making no adjustments to the Allowance for Loan Loss in previous years, the independent auditor recommended that a prior year adjustment be made due to the excess allowance. A prior year adjustment of \$2.3 million was made to decrease the Allowance for Loan Loss. The current appraisal value of non-performing loans as well as the usage of the Allowance for Loan Losses over the past five years was taken into consideration when making the adjustment.

The balance after the adjustment is \$972,568 which will be in accordance with the Corporation's Loan Policy to reserve 3% of its loan portfolio.

Capital Assets

Capital Assets increased by \$34,977 or 0.6% from \$5,835,274 in FY 2009 to \$5,870,251 in FY 2010. The increase is due to the As-Atdas renovation less depreciation and the sale of one rental unit.

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

Management's Discussion and Analysis, continued

September 30, 2010

E. Financial Highlights, continued

Debt Service

Notes Payable decreased by \$945,246 from \$5,296,866 in FY 2009 to \$4,351,620 in FY 2010. The Corporation continues to honor its monthly debt service obligations to its sole creditor, the FHLB at an interest rate of 6.49%. As of September 30, 2010, \$4,351,620 remains due on this note which is on schedule to be fully amortized by the year 2014. For more details on the note to FHLB see Note 10 of the financial statements.

Bonds Payable decreased by \$125,000 or 2.45% from \$5,105,000 in FY 2009 to \$4,980,000 in FY 2010. The Mortgage Revenue Bond (MRB) payments are made semi-annually on March 1 and September 1 of each year at interest rates ranging from 4.45% to 5.75%. The payment for the MRB began September 1, 1998 and matures September 1, 2031. For more details on the MRB see note 9 of the financial statements.

Rebate Liability

Rebate Liability decreased by \$51,384 or 36.2% from \$141,788 in FY 2009 to \$90,404 in FY 2010. The decrease was due to the decrease in market value in FY 2010. Interest on the MRB investment in excess of 5.229417% is due to the federal government. The interest in excess of 5.229417% is recorded as Rebate Liability. Analysis on the interest earned on the MRB investments are made and adjusted monthly to the Rebate Liability. An Interim Arbitrage Rebate Report is done annually by Orrick, Herrington & Sucliffe LLP as of March 1 of each year. The Rebate Liability is adjusted to the Orrick report each year. For more details on the Rebate Liability see note 9 of the financial statements.

Interest on Loans Receivable

Interest on loans receivable, net of loan origination, increased by \$103,353 or 6.1% in FY 2010. The increase is due to the increase in loan portfolio. The weighted average interest rate on loans decreased from 7.017% in FY 2009 to 6.39% in FY 2010.

Rental Income

Rental Income increased in FY 2010 by \$56,766. The renovation of the As-Atdas buildings were completed in March 2010. The Board of Directors approved an increase in rent for the newly renovated apartments.

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

Management's Discussion and Analysis, continued

September 30, 2010

E. Financial Highlights, continued

Interest on Investment held by Bond Trustees

Interest on Investment Held by Bond Trustees decreased by \$49,387 or 14% in FY 2010. The market value for these funds decreased in FY 2010 which also caused the decrease in the Rebate Liability.

Salaries

Salaries increased by \$174,590 or 19.6% from \$888,648 in FY 2009 to \$1,063,238 in FY 2010. An accrual was done at the end of the FY 2010 for Merit Bonuses mandated in FY 1991. The bonuses were paid in November 2010 in accordance with P.L. 21-59:7 (4GCA CH. 6 § 6203).

Interest Expense

Interest Expense decreased by \$64,891 or 9.9%. The decrease is due to the decrease in principal balance due for the note and bond.

Depreciation

Depreciation Expense decreased by \$11,790 in FY 2010. The decrease is due to the sale of one rental unit and assets fully depreciated.

Bad Debts

Bad Debts decreased by \$12,937 in FY 2010. With the assistance of the Salvation Army and the Catholic Social Services Agencies, and Guam Housing & Urban Renewal Authority administering the Homelessness Prevention and Rapid Re-Housing Program, our tenants have applied and received rental assistance which has decreased the number of evictions.

Other Expense

Other Expense decreased by \$17,530 in FY 2010. The decrease is attributed to the purchase of heavy duty maintenance tools and computer equipment in FY 2009.

Interest Income on Bank Deposits

Interest Income on Bank deposit decreased by \$215,178 or 78.0% from \$275,670 in FY 2009 to \$60,492 in FY 2010. The decrease in income is due to (1) funds drawn down from investments for loan disbursements, total loan disbursements in FY 2010 was \$9.3 million, and (2) decrease in interest rates on investments. The weighted average interest rate on TCDs decreased from 1.052% in FY 2009 to .407% in FY 2010.

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

Management's Discussion and Analysis, continued

September 30, 2010

E. Financial Highlights, continued

Gain on Disposal of Capital Assets

One rental unit was sold in FY 2010 for a gain of \$41,603.

F. Future Events

At the rate in which the Corporation is putting its lending capital to work, management is actively seeking new sources of funding including reinitiating its dialog to borrow additional lending capital with the FHLB.

It is refreshing and encouraging to see a trend toward homeownership rather than rental.

The Corporation is cognizant of the lack of inventory of affordable homes. It will continue addressing this issue with its partners of the Housing Committee for possible solutions.

G. 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 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 Assets

	September 30, 2010	2009 <i>(Restated)</i>
Assets		
Unrestricted assets:		
Cash and cash equivalents <i>(Notes 2 and 3)</i>	\$ 4,567,779	\$11,232,450
Self-insurance fund <i>(Notes 2, 3 and 13)</i>	1,382,692	1,291,117
Loans receivable, net <i>(Notes 2, 4, 10 and 14)</i>	18,825,479	10,947,023
Tenants receivable, net <i>(Notes 2 and 6)</i>	46,939	37,105
Other receivables <i>(Notes 2 and 5)</i>	29,159	14,779
Accrued interest receivable	98,444	123,283
Prepaid expenses and other	33,637	38,803
Foreclosed assets held for resale <i>(Note 8)</i>	<u>116,359</u>	<u>545,720</u>
Total unrestricted assets	<u>25,100,488</u>	<u>24,230,280</u>
Restricted assets:		
Cash and cash equivalents <i>(Notes 2 and 3)</i>	2,370,371	3,073,690
Investments <i>(Notes 2, 3 and 9)</i>	5,493,881	5,658,710
Loans receivable, net <i>(Notes 2, 4, 10 and 14)</i>	9,721,152	10,844,854
Other receivables <i>(Notes 2 and 5)</i>	2,105,043	1,745,871
Land held for development <i>(Notes 12 and 14)</i>	<u>10,947,385</u>	<u>10,947,385</u>
Total restricted assets	<u>30,637,832</u>	<u>32,270,510</u>
Capital assets, net <i>(Note 7)</i>	<u>5,870,251</u>	<u>5,835,274</u>
Total assets	<u>\$61,608,571</u>	<u>\$62,336,064</u>

See accompanying notes.

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

Statements of Net Assets, continued

	September 30, 2010	2009 <i>(Restated)</i>
Liabilities and Net Assets		
Liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued expenses	\$ 254,088	\$ 68,065
Accrued compensated absences <i>(Note 11)</i>	175,143	169,167
Deferred revenue	<u>88,403</u>	<u>116,852</u>
Total payable from unrestricted assets	<u>517,634</u>	<u>354,084</u>
Payable from restricted assets:		
Accounts payable <i>(Note 12)</i>	10,555,000	10,555,000
Bonds payable <i>(Note 9)</i>	4,980,000	5,105,000
Notes payable <i>(Note 10)</i>	4,351,620	5,296,866
Accrued interest payable <i>(Notes 9 and 10)</i>	46,012	51,574
Security deposits	50,038	48,823
Deposits by borrowers - insurance premiums and real estate taxes	479,096	590,639
Loans held in trust <i>(Note 5)</i>	550,581	619,977
Rebate liability <i>(Note 9)</i>	<u>90,404</u>	<u>141,788</u>
Total payable from restricted assets	<u>21,102,751</u>	<u>22,409,667</u>
Total liabilities	<u>21,620,385</u>	<u>22,763,751</u>
Commitments and contingencies <i>(Notes 12 and 13)</i>		
Net assets <i>(Note 14)</i> :		
Invested in capital assets, net of related debt	5,870,251	5,835,274
Restricted	9,535,081	9,860,843
Unrestricted	<u>24,582,854</u>	<u>23,876,196</u>
Total net assets	<u>39,988,186</u>	<u>39,572,313</u>
Total liabilities and net assets	<u>\$61,608,571</u>	<u>\$62,336,064</u>

See accompanying notes.

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

Statements of Revenues, Expenses and Changes in Net Assets

	Year ended September 30,	
	<u>2010</u>	2009 <i>(Restated)</i>
Interest income:		
Loans receivable	\$ 1,789,211	\$ 1,685,858
Investments held by bond trustees	301,404	350,791
Interest-bearing deposits	<u>60,492</u>	<u>275,670</u>
Total interest income	2,151,107	2,312,319
Interest expense on borrowings <i>(Notes 9 and 10)</i>	<u>588,771</u>	<u>653,662</u>
Net interest income	1,562,336	1,658,657
Other income:		
Rental income	785,213	728,447
Other income	66,276	65,134
Gain (loss) on disposal of capital and foreclosed assets	<u>43,203</u>	<u>(503)</u>
	<u>2,457,028</u>	<u>2,451,735</u>
Other expenses:		
Salaries	1,063,238	888,648
Retirement and Medicare contributions <i>(Note 11)</i>	272,401	252,052
Retiree supplemental and health benefits <i>(Note 11)</i>	153,752	164,840
Depreciation	133,994	145,784
Professional services <i>(Note 13)</i>	84,048	84,094
Contractual services	79,441	66,155
Rent <i>(Note 13)</i>	74,508	72,968
Maintenance	67,736	56,948
Other	44,049	61,579
Employee benefits, other than retirement	36,170	34,331
Bad debts	16,414	29,351
Bond trustee fees	14,754	14,602
Director fees	<u>650</u>	<u>1,050</u>
	<u>2,041,155</u>	<u>1,872,402</u>
Increase in net assets	415,873	579,333
Net assets at beginning of year <i>(Note 14)</i>	<u>39,572,313</u>	<u>38,992,980</u>
Net assets at end of year <i>(Note 14)</i>	<u>\$39,988,186</u>	<u>\$39,572,313</u>

See accompanying notes.

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

Statements of Cash Flows

	Year ended September 30,	
	<u>2010</u>	2009 <i>(Restated)</i>
Cash flows from operating activities:		
(Disbursements made to) receipts received from customers	\$(4,780,033)	\$ 2,134,804
Payments to suppliers	(158,593)	(381,962)
Payments to employees	(1,519,585)	(1,332,088)
Other operating receipts	<u>127,933</u>	<u>341,267</u>
Net cash (used in) provided by operating activities	(<u>6,330,278</u>)	<u>762,021</u>
Cash flows from investing activities:		
Decrease (increase) in investments	164,829	(102,141)
Interest received on cash and investments with trustees	301,404	350,791
Proceeds from sale of foreclosed assets held for resale	<u>430,961</u>	<u>275,074</u>
Net cash provided by investing activities	<u>897,194</u>	<u>523,724</u>
Cash flows from noncapital financing activities:		
Repayment of bonds payable	(125,000)	(110,000)
Repayment of notes payable	(945,246)	(886,002)
(Decrease) increase of rebate liability	(51,384)	31,678
Interest paid on notes payable	(316,165)	(375,049)
Interest paid on bonds payable	(278,168)	(283,710)
Increase in self-insurance fund	<u>(91,575)</u>	<u>(119,485)</u>
Net cash used in noncapital financing activities	(<u>1,807,538</u>)	(<u>1,742,568</u>)
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	111,713	---
Acquisition of capital assets	<u>(239,081)</u>	<u>(252,475)</u>
Net cash used in capital and related financing activities	(<u>127,368</u>)	(<u>252,475</u>)
Net decrease in cash and cash equivalents	(7,367,990)	(709,298)
Cash and cash equivalents at beginning of year	<u>14,306,140</u>	<u>15,015,438</u>
Cash and cash equivalents at end of year	\$ <u>6,938,150</u>	\$ <u>14,306,140</u>
Consisting of:		
Unrestricted	\$ 4,567,779	\$11,232,450
Restricted	<u>2,370,371</u>	<u>3,073,690</u>
	\$ <u>6,938,150</u>	\$ <u>14,306,140</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>2010</u>	2009 <i>(Restated)</i>
Reconciliation of increase in net assets to net cash (used in) provided by operating activities:		
Increase in net assets	\$ 415,873	\$579,333
Interest expense on borrowings	588,771	653,662
Interest income on investments held by bond trustees	<u>(301,404)</u>	<u>(350,791)</u>
	703,240	882,204
 Adjustments to reconcile operating income to net cash (used in) provided by operating activities:		
Depreciation	133,994	145,784
Bad debts	16,414	29,351
(Gain) loss on disposal of capital and foreclosed assets	<u>(43,203)</u>	503
(Increase) decrease in assets:		
Loans receivable, net	(6,771,168)	(358,127)
Tenants receivable, net	<u>(9,834)</u>	<u>(27,061)</u>
Other receivables	<u>(373,552)</u>	380
Accrued interest receivable	24,839	59,963
Prepaid expenses and other assets	5,166	9,367
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	186,023	<u>(49,585)</u>
Accrued compensated absences	5,976	8,833
Deferred revenue	<u>(29,049)</u>	<u>(20,111)</u>
Security deposits	1,815	463
Deposits by borrowers – insurance premiums and real estate taxes	<u>(111,543)</u>	138,666
Loans held in trust	<u>(69,396)</u>	<u>(58,609)</u>
Net cash (used in) provided by operating activities	\$ <u>(6,330,278)</u>	\$ <u>762,021</u>
 Supplemental disclosure of cash flow information:		
Cash payments during the year for interest expense	\$ <u>594,333</u>	\$ <u>658,759</u>

Supplemental disclosure of non-cash investing activity:

During 2009, loans and accrued interest receivable with carrying amounts of \$623,941 were converted to foreclosed assets held for resale.

See accompanying notes.

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

Notes to Financial Statements

Years ended September 30, 2010 and 2009

1. Organization and Summary of Significant Accounting Policies

Organization

Guam Housing Corporation (the Corporation), 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 points and interest on its loans. 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 complexes known as Lada Gardens and Guam As-Atdas. 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.

Basis of Accounting

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 Principle Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Net Assets

Net assets represent the residual interest in the Corporation's assets after liabilities are deducted and consist of three sections: net assets invested in capital assets, net of related debt; restricted and unrestricted. Net assets invested in capital assets, net of related debt include capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt net of debt service reserve. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. The Corporation's restricted assets are expendable. All other net assets are unrestricted.

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 statements of net assets and the statements of cash flows, cash and cash equivalents is defined as cash on hand, deposits in banks and time certificates of deposit.

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. Loan limits are currently \$271,050 for single-unit dwellings.

The Corporation accepts loan applications only for single-unit dwellings. Determination of loan interest rates is made by the Board of Directors of the Corporation but does not exceed two percent (2%) of the cost of funds to the Corporation. In fiscal year 2008, the Board of Directors approved and adopted a provision allowing its management to adjust loan interest rates to reflect the current prevailing rate. This action arises from Public Law no. 26-123 which 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.

Loans receivable are stated at principal amount outstanding less allowance for loan and lease losses and net deferred loan origination fees. 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, which is charged to expense and reduced by charge-offs, net of recoveries. Because of the uncertainties inherent in the estimation process, management's estimate of credit losses in the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

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

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Tenants Receivable

Tenants receivable are derived from monthly rents charged to tenants leasing rental units owned by the Corporation. The Corporation recognizes bad debts using the allowance method and are only written off after approval by management and subsequent reporting to the Board of Directors.

Loan Origination Fees and Related Costs

Loan origination and commitment fees and certain direct origination costs are accounted for in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 310-20, *Nonrefundable Fees and Other Costs*, and are deferred and amortized on a straight-line basis generally over the contractual life of the related loans. Differences between this method and the interest method are not significant and do not otherwise materially affect the accompanying financial statements. Amortization of deferred loan fees is reported as a component of interest income on loans receivable in the accompanying statements of revenues, expense and changes in net assets.

Inventory

Inventory represents office supplies on hand based on physical count and is valued at the lower of cost (specific identification) or market value.

Capital Assets

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

Depreciation of property and equipment 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 property and equipment in excess of \$5,000 with a useful life exceeding one year. Major renewals and betterments are charged to the property accounts, 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 non-operating revenue/expense, respectively.

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

Impairment of Long-lived Assets

Long-lived assets to be held and used or disposed of by the Corporation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Investments

Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale and is primarily determined based on quoted market values.

Compensated Absences

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

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

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

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

Environmental Costs

Liabilities for future remediation and monitoring costs are recorded when environmental assessments and/or remedial and monitoring efforts are probable and the costs can be reasonably estimated. These liabilities are not reduced by possible recoveries from third parties, and projected cash expenditures are not discounted.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loan and lease losses and the valuation of foreclosed real estate properties. In connection with the determination of the estimated losses on loan and foreclosed properties, management obtains independent appraisals for collaterals.

The Corporation's loan portfolio consists of single-family residential loans in the Territory of Guam. Real estate prices in this market are also susceptible to fluctuation and speculation. Accordingly, the ultimate collectibility of a substantial portion of the Corporation's loan portfolio and the recovery of the carrying amount of foreclosed real estate are susceptible to changes in local market conditions.

While management uses available information to recognize losses on loans receivable and foreclosed real estate, further reductions in the carrying amounts of loans receivable and foreclosed assets may be necessary based on changes in local economic conditions. Because of these factors, it is reasonably possible that the estimated losses on loans receivable and foreclosed real estate may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

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.

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

New Accounting Standards

During the year ended September 30, 2010, the Corporation implemented the following pronouncements:

- In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009.
- In March 2009, GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB efforts to codify all GAAP for state and local governments so that they derive from a single source.
- In March 2009, GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.
- In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The provisions of this statement are effective for periods beginning after December 15, 2008.

The implementation of these pronouncements did not have a material effect on the financial statements of the Corporation.

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Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Corporation.

In December 2009, GASB issued Statement No. 57, *Other Postemployment Benefits (OPEB) Measurements by Agent Employers and Agent Multiple-Employer Plans*, which establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The provisions of this statement are effective for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Corporation.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which establishes to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. The provisions of this statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Corporation.

Subsequent Events

The Corporation has evaluated subsequent events through March 3, 2011, which is the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2009 financial statements for comparative purposes. Such reclassifications had no effect on previously reported increase in net assets.

Guam Housing Corporation
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Notes to Financial Statements, continued

2. Concentrations of Credit Risk

Financial instruments which potentially subject the Corporation to concentrations of credit risk consist principally of cash deposits, investments and receivables.

The Corporation maintains cash in bank accounts, which at times may exceed federal depository insurance limits. At September 30, 2010 and 2009, \$250,000 of the Corporation's deposits in each bank is covered by federal depository insurance, with the remainder being uninsured and uncollateralized.

Substantially all of the Corporation's receivables are due from borrowers and tenants residing in the Territory of Guam. The Corporation maintains an allowance for loan and lease losses based on management's evaluation of potential uncollectibility. Concentration of credit risk with respect to receivables is limited due to the large number of customers comprising the Corporation's customer base.

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

Cash and cash equivalents, self insurance fund, and investments at September 30, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Cash on hand and due from banks	\$ 4,741,409	\$ 3,540,081
Certificates of deposits	3,611,314	11,352,407
Money market funds	5,316,302	6,055,598
Cash with Federal Home Loan Bank	<u>145,698</u>	<u>307,881</u>
	<u>\$13,814,723</u>	<u>\$21,255,967</u>

Additionally, certain of the above cash and cash equivalents, and investments at September 30, 2010 and 2009 are restricted as follows:

	<u>2010</u>	<u>2009</u>
Restricted Cash and Cash Equivalents:		
Revolving Loan Fund	\$1,517,528	\$1,287,756
Community Affordable Housing Action Trust (CAHAT)	351,827	728,957
Trust fund and borrower's deposits	434,763	798,305
Tenant security deposits	66,253	64,714
Building renovation contract	<u>---</u>	<u>193,958</u>
Total restricted cash and cash equivalents	<u>2,370,371</u>	<u>3,073,690</u>

Guam Housing Corporation
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Notes to Financial Statements, continued

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

	<u>2010</u>	<u>2009</u>
Restricted Investments:		
Investments and cash with Bond Trustees	4,993,881	5,158,710
Foreclosure Protection Fund	<u>500,000</u>	<u>500,000</u>
Total restricted investments	<u>5,493,881</u>	<u>5,658,710</u>
Total restricted cash and cash equivalents and investments	<u>\$7,864,252</u>	<u>\$8,732,400</u>

The restricted cash and investments are restricted for specific uses from enabling Public Law 26-123 and 12 GCA Chapter 4 §4209 for revolving loan fund and related trust funds and the CAHAT, respectively, the Mortgage Revenue Bonds and self-imposed restrictions on tenant security deposits for the Corporation's rental units.

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. At September 30, 2010 and 2009, investments and cash held by the trustees, in trust for the Corporation, in these funds and accounts are as follows:

	<u>2010</u>	<u>2009</u>
Revenue Fund	\$4,993,623	\$5,158,453
Capitalized Interest Fund	<u>258</u>	<u>257</u>
	<u>\$4,993,881</u>	<u>\$5,158,710</u>

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 Aa/P-1 by Moody's.

Guam Housing Corporation
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Notes to Financial Statements, continued

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

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

- Category 1 Investments that are insured or registered, or securities held by the Corporation or its agent in the Corporation's name;
- Category 2 Investments that are uninsured and unregistered for which securities are held by the counterparty's trust department or agent in the Corporation's name; or
- Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in Corporation's name.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*, amended GASB Statement No. 3 to, in effect, eliminate disclosure for deposits falling into categories 1 and 2 and provides for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial risk in GASB Statement No. 3.

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. In compliance with the bond indenture, the Corporation minimized the interest rate risk, by limiting maturity of investments. 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. The Bank of New York Mellon manages the Corporation's investments investing in U.S. Securities, U.S. Government Agencies, Money Market Funds and Certificates of Deposits insured by the Federal Deposit Insurance Corporation. 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 requirement of the mortgage revenue bond indenture. As of September 30, 2010 and 2009, the Corporation's investments in the Federal Home Loan Mortgage Corporation represented 59% and 64%, respectively, and the Blackrock Liquidity T-Funds represented 32% and 28%, respectively, of its total investments.

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Notes to Financial Statements, continued

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

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Corporation will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. 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, 2010 and 2009.

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment.

The Corporation's bond trustees hold the Corporation's restricted investments and cash at September 30, 2010 and 2009. Investments are stated at fair market value. The amortized cost and fair value of restricted investments at September 30, 2010 and 2009 are summarized as follows:

	2010		
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Fair Value</u>
Short-term investments	\$1,748,893	\$ ---	\$1,748,893
Money Market	2,994,291	250,697	3,244,988
Certificate of deposit	<u>500,000</u>	<u>---</u>	<u>500,000</u>
	<u>\$5,243,184</u>	<u>\$250,697</u>	<u>\$5,493,881</u>
	2009		
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Fair Value</u>
Short-term investments	\$1,563,520	\$ ---	\$1,563,520
Money Market	3,412,095	183,095	3,595,190
Certificate of deposit	<u>500,000</u>	<u>---</u>	<u>500,000</u>
	<u>\$5,475,615</u>	<u>\$183,095</u>	<u>\$5,658,710</u>

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Notes to Financial Statements, continued

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

The bond funds have been classified as Category 2 investments and the bond reserve funds have been classified as Category 1 investments in accordance with GASB Statement No. 3.

At September 30, 2010 and 2009, the Corporation's investment in debt securities is as follows:

	Moody's Credit Rating	2010				Total
		Investment Maturities (In Years)				
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>Greater than 10</u>	
Certificate of deposit Federal Home Loan	Aaa	\$ 500,000	---	---	---	\$ 500,000
Mortgage Corporation	Aaa	---	---	---	3,244,988	3,244,988
Blackrock Liquidity T-Fund	Aaa	<u>1,748,893</u>	---	---	---	<u>1,748,893</u>
		<u>\$2,248,893</u>	---	---	<u>3,244,988</u>	<u>\$5,493,881</u>
2009						
	Moody's Credit Rating	Investment Maturities (In Years)				Total
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>Greater than 10</u>	
Certificate of deposit Federal Home Loan	Aaa	\$ 500,000	---	---	---	\$ 500,000
Mortgage Corporation	Aaa	---	---	---	3,595,190	3,595,190
Blackrock Liquidity T-Fund	Aaa	<u>1,563,520</u>	---	---	---	<u>1,563,520</u>
		<u>\$2,063,520</u>	---	---	<u>3,595,190</u>	<u>\$5,658,710</u>

The Corporation also maintains restricted investments for its Foreclosure Protection Fund. The Foreclosure Protection Fund is used by the Corporation to protect the interest of Guam's CAHAT program as holder of the second mortgage and is used exclusively for the purpose of paying off the first mortgage upon foreclosure. As of September 30, 2010 and 2009, the restricted investments for this fund totaled \$500,000.

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Notes to Financial Statements, continued

4. Loans Receivable

At September 30, 2010 and 2009, loans receivable, collateralized by first mortgages on real estate, are as follows:

	<u>2010</u>	2009 <i>(Restated)</i>
Unrestricted	\$20,151,644	\$12,158,842
Restricted	<u>9,721,152</u>	<u>10,844,854</u>
	29,872,796	23,003,696
Less: Deferred loan origination fees, net	(353,597)	(239,863)
Allowance for loan and lease losses	<u>(972,568)</u>	<u>(971,956)</u>
	<u>\$28,546,631</u>	<u>\$21,791,877</u>

Movements in the allowance for loan and lease losses for the years ended September 30, 2010 and 2009 are as follows:

	<u>2010</u>	2009 <i>(Restated)</i>
Balance at beginning of year	\$971,956	\$981,556
Recoveries of loans previously charged-off	612	96,265
Write-off during the year	<u>---</u>	<u>(105,865)</u>
Balance at end of year	<u>\$972,568</u>	<u>\$971,956</u>

The restricted portion of the total loans outstanding is assigned as collateral on notes payable (see Note 10). Loans to employees totaled \$591,604 and \$404,866 at September 30, 2010 and 2009, respectively. These loans meet the same criteria as all real estate loans made to non-related individuals by the Corporation. At September 30, 2010 and 2009, loans and other receivables in arrears three months or more or held with the attorney for collection totaled \$1,085,789 and \$1,561,402, respectively.

In accordance with its loan portfolio policy, the Corporation should maintain an allowance for loan and lease losses of no less than 3% of the gross loan portfolio. In prior years, the allowance for loan and lease losses totaled approximately \$3.4 million, which is more than the average delinquent loan balance (more than 30 days in arrears or more) of approximately \$2.9 million at September 30, 2008 and 2009. A majority of these delinquent loans are fully secured by a first lien position on single family residential units. However, in determining the allowance for loan and lease losses, the Corporation did not measure the loss allowance as the difference between the carrying value of the loan and the fair value of the collateral less costs to sell.

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Notes to Financial Statements, continued

4. Loans Receivable, continued

Historically, the Corporation has not written-off any significant portion of the loan balances upon foreclosure of their respective collaterals. Accordingly, a minimum allowance for loan and lease losses of 3% based on gross loan portfolio is considered adequate to cover possible future losses. As a result, the Corporation reversed the excess allowance for loan and lease losses totaling approximately \$2.3 million. The reversal was recorded as an adjustment to the beginning balance of net assets (see Note 14).

5. Other Receivables

In 2002, the Corporation elected to record a receivable and the corresponding liability for loans under the CAHAT, Hazard Mitigation, Down Payment and Closing Cost Assistance (DPCCA) and the Sagan Linayan Project programs. These programs are interest-free loans solely to assist first-time homeowners for purposes of retrofitting for typhoon resistant homes. The Foreclosure Protection Fund is restricted for the purpose of protecting the interest of CAHAT loans.

As of September 30, 2010 and 2009, other receivables due from borrowers for the aforementioned loans consisted of the following:

	<u>2010</u>	<u>2009</u>
CAHAT	\$1,641,450	\$1,164,106
DPCCA	440,259	555,745
Hazard Mitigation Program	<u>23,334</u>	<u>26,020</u>
	2,105,043	1,745,871
Other receivables	<u>29,159</u>	<u>14,779</u>
	<u>\$2,134,202</u>	<u>\$1,760,650</u>

The Corporation recorded a corresponding liability which is reported as loans held in trust in the accompanying statements of net assets as follows:

	<u>2010</u>	<u>2009</u>
DPCCA Program	\$442,381	\$511,777
Hazard Mitigation Program	<u>108,200</u>	<u>108,200</u>
	<u>\$550,581</u>	<u>\$619,977</u>

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Notes to Financial Statements, continued

5. Other Receivables, continued

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 Hazard Mitigation Program was funded with monies received from the Federal Emergency Management Agency in 1995. The CAHAT and Foreclosure Protection Fund programs were funded by appropriations received from the GovGuam through Public Law 21-99. 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 is remitted monthly.

6. Tenants Receivable

At September 30, 2010 and 2009, tenants receivable, net is summarized as follows:

	<u>2010</u>	<u>2009</u>
Tenant accounts	\$81,237	\$51,916
Other	<u>70</u>	<u>16,533</u>
	81,307	68,449
Allowance for doubtful accounts	<u>(34,368)</u>	<u>(31,344)</u>
	<u>\$46,939</u>	<u>\$37,105</u>

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Capital Assets

A summary of changes in capital assets, consisting of property and equipment for the year ended September 30, 2010 is as follows:

	Beginning Balance October 1, <u>2009</u>	Transfers and <u>Additions</u>	Transfers and <u>Disposals</u>	Ending Balance September 30, <u>2010</u>
Capital assets depreciated:				
Buildings and improvements	\$5,780,700	\$239,081	\$(114,385)	\$5,905,396
Office furniture and equipment	341,692	---	---	341,692
Vehicles	134,537	---	(11,970)	122,567
Land improvements	47,659	---	---	47,659
Leasehold improvements	<u>29,445</u>	<u>---</u>	<u>---</u>	<u>29,445</u>
Total capital assets depreciated	6,334,033	239,081	(126,355)	6,446,759
Less: accumulated depreciation	<u>(3,007,986)</u>	<u>(133,994)</u>	<u>56,245</u>	<u>(3,085,735)</u>
Net capital assets depreciated	3,326,047	105,087	(70,110)	3,361,024
Capital asset not depreciated - land	<u>2,509,227</u>	<u>---</u>	<u>---</u>	<u>2,509,227</u>
	<u>\$5,835,274</u>	<u>\$105,087</u>	<u>\$(- 70,110)</u>	<u>\$ 5,870,251</u>

Guam Housing Corporation
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Notes to Financial Statements, continued

7. Capital Assets, continued

A summary of changes in capital assets, consisting of property and equipment for the year ended September 30, 2009 is as follows:

	Beginning Balance October 1, <u>2008</u>	Transfers and <u>Additions</u>	Transfers and <u>Disposals</u>	Ending Balance September 30, <u>2009</u>
Capital assets depreciated:				
Buildings and improvements	\$5,528,638	\$252,062	\$ ---	\$5,780,700
Office furniture and equipment	586,171	413	(244,892)	341,692
Vehicles	162,599	---	(28,062)	134,537
Land improvements	47,659	---	---	47,659
Leasehold improvements	<u>238,946</u>	<u>---</u>	<u>(209,501)</u>	<u>29,445</u>
Total capital assets depreciated	6,564,013	252,475	(482,455)	6,334,033
Less: accumulated depreciation	<u>(3,344,154)</u>	<u>(145,784)</u>	<u>481,952</u>	<u>(3,007,986)</u>
Net capital assets depreciated	3,219,859	106,691	(503)	3,326,047
Capital asset not depreciated - land	<u>2,509,227</u>	<u>---</u>	<u>---</u>	<u>2,509,227</u>
	<u>\$5,729,086</u>	<u>\$106,691</u>	<u>\$(- 503)</u>	<u>\$5,835,274</u>

8. Foreclosed Assets Held for Resale

A summary of the activity in the foreclosed assets held for resale as of September 30, 2010 and 2009 is as follows:

	<u>2010</u>	2009 <i>(Restated)</i>
Foreclosed assets held for resale at beginning of year	\$545,720	\$196,853
Foreclosed assets sold during the year	(430,988)	(277,708)
Other costs and adjustments	1,627	2,634
Foreclosures made during the year	<u>---</u>	<u>623,941</u>
	<u>\$116,359</u>	<u>\$545,720</u>

Foreclosed assets held for resale represents two buildings acquired by the Corporation due to the borrowers' default on their mortgages.

Guam Housing Corporation
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Notes to Financial Statements, continued

9. Mortgage Revenue Bonds Payable

Revenue bonds payable at September 30, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rates of 4.45% to 5.25% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2013. Semi-annual principal installments totaling from \$65,000 to \$75,000	\$ 415,000	\$ 540,000
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 5.35% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2018. Semi-annual principal installments totaling from \$74,931 to \$95,420	850,000	850,000
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 \$108,434 to \$119,510	685,000	685,000
Single Family Mortgage Revenue Bonds 1.998 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 \$114,054 to \$194,021	<u>3,030,000</u>	<u>3,030,000</u>
	<u>\$4,980,000</u>	<u>\$5,105,000</u>

Guam Housing Corporation
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Notes to Financial Statements, continued

9. Mortgage Revenue Bonds Payable, continued

On April 15, 1998, the Corporation issued a \$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.

At September 30, 2010 and 2009, the accrued interest expense on the above bonds totaled \$22,785 and \$23,306, respectively, which is reported as a component of accrued interest payable in the accompanying statements of net assets. For the years ended September 30, 2010 and 2009, interest expense, net of amortized bond premium incurred on the aforementioned bonds totaled \$277,647 and \$283,261, respectively, which is reported as a component of interest expense on borrowings in the accompanying statements of revenues, expenses and changes in net assets. Accrued interest income earned on the bonds totaled approximately \$11,032 and \$12,423 as of September 30, 2010 and 2009, respectively.

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, 2010 and 2009, the rebate liability totaled \$90,404 and \$141,788, respectively, as reported in the accompanying statements of net assets. 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%.

Guam Housing Corporation
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Notes to Financial Statements, continued

9. Mortgage Revenue Bonds Payable, continued

Scheduled future maturities of mortgage revenue bonds maturing on September 1, 2018 are summarized as follows:

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
March 1, 2014	\$74,931	September 1, 2016	\$85,468
September 1, 2014	\$77,273	March 1, 2017	\$88,395
March 1, 2015	\$79,614	September 1, 2017	\$90,737
September 1, 2015	\$81,371	March 1, 2018	\$93,079
March 1, 2016	\$83,712	September 1, 2018	\$95,420

Scheduled future maturities of mortgage revenue bonds maturing on September 1, 2021 are summarized as follows:

<u>Date</u>	<u>Principal Amount</u>
March 1, 2019	\$108,434
September 1, 2019	\$110,183
March 1, 2020	\$113,681
September 1, 2020	\$115,430
March 1, 2021	\$117,762
September 1, 2021	\$119,510

Scheduled future maturities of mortgage revenue bonds maturing on September 1, 2031 are summarized as follows:

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
March 1, 2022	\$114,064	March 1, 2027	\$150,915
September 1, 2022	\$117,573	September 1, 2027	\$156,180
March 1, 2023	\$120,498	March 1, 2028	\$159,689
September 1, 2023	\$124,008	September 1, 2028	\$165,539
March 1, 2024	\$127,517	March 1, 2029	\$170,218
September 1, 2024	\$131,612	September 1, 2029	\$174,898
March 1, 2025	\$135,122	March 1, 2030	\$180,162
September 1, 2025	\$139,216	September 1, 2030	\$186,012
March 1, 2026	\$143,311	March 1, 2031	\$191,275
September 1, 2026	\$147,990	September 1, 2031	\$194,201

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Notes to Financial Statements, continued

9. Mortgage Revenue Bonds Payable, continued

Pursuant to Article IV, Section 4.02(A)(1) of the bond indenture, the Bonds were subject to special mandatory redemption as a whole, or in part, on November 1, 2001 in an amount equal to the amount transferred from the Program Fund to the Redemption Fund (and amounts transferred from the Escrow Fund and the Capitalized Interest Account in connection (herewith), at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. In addition, pursuant to Article V, Section 5.02(B), on any date prior to October 1, 2001 specified by the Corporation, the Trustee must transfer amounts on deposit in the Program Fund that the Corporation certifies will not be used to acquire Mortgage-Backed Securities to the Redemption Fund to be applied to the redemption of the Bonds. During 2002, the Trustee exercised and processed that special mandatory redemption and recalled \$44,155,000, due to non-origination of loans.

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 was in compliance with all significant covenants of the mortgage revenue bonds as of September 30, 2010.

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>Debt Service</u>
2011	\$ 130,000	\$ 271,760	\$ 401,760
2012	140,000	264,968	404,968
2013	145,000	257,643	402,643
2014	152,204	249,891	402,095
2015	160,985	241,622	402,607
2016 to 2020	984,539	1,067,984	2,052,523
2021 to 2025	1,246,882	782,239	2,029,121
2026 to 2030	1,634,914	380,520	2,015,434
2031	<u>385,476</u>	<u>16,666</u>	<u>402,142</u>
	<u>\$4,980,000</u>	<u>\$3,533,293</u>	<u>\$8,513,293</u>

Guam Housing Corporation
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Notes to Financial Statements, continued

10. Notes Payable

At September 30, 2010 and 2009, the Corporation has notes payable to Federal Home Loan Bank of Seattle (FHLB) totaling \$4,351,620 and \$5,296,866, respectively, with interest of 6.490% per annum, and matures in August 2014. Monthly principal installments and accrued interest are due at varying amounts. At September 30, 2010 and 2009, accrued interest payable on this note totaled \$23,227 and \$28,268, respectively, and is reported as a component of accrued interest payable in the accompanying statements of net assets. For the years ended September 30, 2010 and 2009, interest expense incurred on the aforementioned notes totaled \$311,124 and \$370,401, respectively, and is reported as a component of interest expense on borrowings in the accompanying statements of revenues, expenses and changes in net assets.

Under the note agreements with FHLB, the borrowings are collateralized by proceeds received from mortgage loans made by the Corporation. As of September 30, 2010 and 2009, the Corporation has pledged loans totaling \$9,721,152 and \$10,844,854, respectively, as security to the aforementioned borrowings.

In September 2002, the Corporation and the FHLB mutually agreed to consolidate the remaining five notes of the Corporation's notes that totaled \$9,897,916 into one single note due in monthly installments starting September 2003 through August 2014.

Scheduled future maturities of notes payable to FHLB are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2011	\$1,008,450	\$252,690	\$1,261,140
2012	1,075,881	185,770	1,261,651
2013	1,147,820	113,309	1,261,129
2014	<u>1,119,469</u>	<u>36,553</u>	<u>1,156,022</u>
	<u>\$4,351,620</u>	<u>\$588,322</u>	<u>\$4,939,942</u>

11. Employee Benefits and Others

Employee Retirement Plan

Employees of the Corporation hired before September 30, 1995 are under the GovGuam Employees' Retirement System, a defined benefit pension plan (DB Plan). Employees hired after September 30, 1995, are members of the new Defined Contribution Retirement System (DCRS). 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, these employees remained under the old plan.

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Notes to Financial Statements, continued

11. Employee Benefits and Others, continued

Employee Retirement Plan, continued

The DB Plan and the DCRS are administered by the Government of Guam Retirement Fund (GGRF), to which the Corporation contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan.

DB Plan

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

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.

Statutory contribution rates for employer and employee contributions were 26.04% and 9.50%, respectively, for the year ended September 30, 2010, 25.20% and 9.50%, respectively, for the year ended September 30, 2009, 24.07% and 9.50%, respectively, for the year ended September 30, 2008. Actuarial contribution rate was 29.31%, 26.02% and 27.38% for the years ended September 30, 2010, 2009 and 2008, respectively.

During the years ended September 30, 2010, 2009 and 2008, contributions made, which were equal to the required contribution for those years, amounted to \$61,334, \$53,880 and \$55,334, respectively.

DCRS

Contributions into the DCRS, by members are based on an automatic deduction of 5% 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.

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Notes to Financial Statements, continued

11. Employee Benefits and Other, continued

DCRS, continued

Statutory employer contributions into the DCRS for the years ended September 30, 2010 and 2009 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 5% 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.

For the years ended September 30, 2010, 2009 and 2008 contributions made under the DCRS amounted to \$188,371, \$186,089 and \$190,030, respectively.

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, 2010 and 2009, the Corporation has accrued an estimated liability of \$86,800 and \$84,762, respectively, which is reported as a component of accrued compensated absences in the accompanying statements of net assets. However, this amount is an estimate and actual payout could differ from the estimate.

Other Post-Employment Benefits

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GGRF. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with \$10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage. Because the Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

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Notes to Financial Statements, continued

12. Land Held for Development

In accordance with Public Law 20-225, 46 acres of land were transferred from GovGuam to the Corporation to develop affordable housing units for sale to first-time homeowners known as Lada Estates Project (Lada Estates). The recorded cost of the 46 acres was \$392,385 at the time of transfer. Lada Estates was intended as a two-phase turnkey project which was substantially completed on July 24, 1998. Subsequent economic conditions prevented the completion of the project and the Corporation has halted further development as of September 30, 2002.

The Lada Estates units were to be sold at the cost of construction, plus 2% and \$3 per square meter for the house lot. The donated land initially recorded at \$2.10 per square meter increased by the cost of the development incurred. At September 30, 2010 and 2009 (restated), Lada Estates is reported in the statements of net assets as land held for development and consists of the following:

Cost of land	\$ 392,385
Capitalized improvement for off-site and on-site infrastructure	<u>10,555,000</u>
	<u>\$10,947,385</u>

On January 27, 2004, the contractor filed a lawsuit against the Corporation and GovGuam for breach of contract arising out of the planning, design, and construction of the on-site and off-site infrastructure of Lada Estates. The contractor seeks for monetary compensation and damages for the construction of on-site and off-site infrastructure of Lada Estates totaling \$10.55 million (\$7.6 million for on-site infrastructure and against the Corporation and \$2.9 million for off-site infrastructure and against GovGuam) plus accrued interest and costs. The Corporation has recorded a liability payable to the contractor of \$10.55 million, which is reported as accounts payable from restricted assets in the accompanying statements of net assets. The contractor is claiming accrued interest of \$9.02 million due on the outstanding liability as of September 30, 2010. It is not possible to determine the ultimate outcome on accrued interest claimed by the contractor, and therefore, no provision has been recorded in the accompanying financial statements for the accrued interest.

The Corporation has a contingent receivable due from GovGuam totaling \$2.9 million for GovGuam's off-site infrastructure costs and which in prior years was reported as such in the Corporation's financial statements pursuant to Guam Public Law 25-116, Section 6 (Price). Public Law 25-116, Section 6 provides that "the costs of the off-site infrastructure and off-site access roads shall be the responsibility of GovGuam". The Department of Administration (DOA) of GovGuam, however, has not recorded the above-referenced liability in the Government's General Fund records. Management of the Corporation has opted to reclassify this amount under the category of land held for development until such time that the pending litigation is resolved. Upon ultimate adjudication by the Court, the receivable will either remain as part of land held for development or be restated as receivable due from the GovGuam.

Guam Housing Corporation
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Notes to Financial Statements, continued

12. Land Held for Development, continued

On September 28, 2010, the Board of Directors approved and authorized a proposed Settlement Agreement between the Corporation and the contractor. Management of the Corporation, in consultation with the Corporation's legal counsel, believes that no further monetary compensation or financial obligations will be required by the Corporation. Based upon proposed Settlement Agreement, which is still pending approval by the Superior Court of Guam.

Prior to October 1, 2009, the improvements on land held for development had a carrying value of approximately \$15.8 million. Lada Estates experienced recurring theft and damage to its infrastructure and incurred illegal dumping of trash and refuse. Due to the physical damage and construction stoppage, the Corporation believes that the carrying amount of Lada Estates improvements is no longer recoverable and was written down to its estimated fair value of \$10.6 million. Accordingly, an impairment loss of approximately \$5.2 million was recognized as an adjustment to the beginning balance of net assets in prior years (see Note 14). The fair value of the Lada Estates was based on expected the settlement price which is equivalent to the amount recorded as accounts payable to the contractor (Level 3 input under ASC 820).

13. Commitments and Contingencies

Commitments

As of September 30, 2010, the Corporation has a total of \$1,407,245, respectively, in loan commitments.

In February 2003, the Corporation entered into a Memorandum of Understanding (MOU) with the Guam Economic Development Authority (GEDA), an autonomous agency of the GovGuam to provide network and computer administration support services to the Corporation. For each of the years ended September 30, 2010 and 2009, the service fee on the aforementioned agreement totaled \$21,696 which is reported as a component of professional services and, additionally, rental expense totaling \$72,198 was paid to GEDA which is reported as a component of rent expense in the accompanying statements of revenues, expenses and changes in net assets.

The Corporation sub-leases office space from GEDA under an operating lease which expires February 28, 2011. At September 30, 2010, the remaining future minimum annual lease payments for the operating lease totaled \$30,080.

Guam Housing Corporation
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Notes to Financial Statements, continued

13. Commitments and Contingencies

Litigation

During 2010, a class lawsuit was filed against the Corporation, DOA and the GovGuam to compel the aforementioned autonomous agencies and entities to issue merit bonuses to those resigned classified employees receiving superior performance rating pursuant to the Uniform Position Classification and Salary Administration Act of 1991. The case is still pending in the Superior Court of Guam and the outcome of this case is undeterminable.

The Corporation has claims under legal procedures for approximately \$344,521 in which foreclosure, litigation or bankruptcy is involved. These claims are at various stages and the ultimate outcome is uncertain. Therefore, no additional provision for any potential liability that may result from these claims has been made in the accompanying financial statements.

Self-Insurance

The Corporation self-insures for all risks to Lada Gardens and Guma As-Atdas. A separate restricted cash 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. Excess of losses over the fund is recognized in the year realized. At September 30, 2010 and 2009, the self-insurance fund totaled \$1,382,692 and \$1,291,117, respectively, as reported in the accompanying statements of net assets.

Environmental Remediation

Lada Estates has experienced recurring illegal dumping of trash and refuse. Management recognizes this problem within the property and along the secondary roadways outlining the property which may pose a potential negative impact on the environment.

The management of the Corporation has consulted with the Guam Environmental Protection Agency (GEPA) on potential environmental hazards. GEPA has offered to assist the Corporation in these environmental remediation matters and the Corporation is in the process of obtaining cost estimates for proper remediation and securing the property to help prevent future illegal dumping. Management is assessing the total cost of the cleanup and remediation. As of September 30, 2010, the Corporation has not recorded a provision for this liability in the accompanying financial statements.

Guam Housing Corporation
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Notes to Financial Statements, continued

14. Prior Period Adjustments

As more fully discussed in Note 4, the Corporation determined that it has an excess allowance for loan and lease losses totaling approximately \$2.3 million. In years prior to October 1, 2008, the Corporation did not take into consideration the fair market values of collateral securing delinquent loans in determining its allowance for loan and lease losses as required by accounting principles generally accepted in the United States. ASC 310-40 *“Troubled Debt Restructurings by Creditors”* states that a lender should recognize a loan loss measured as the difference between the carrying value of the loan and the fair value of the collateral less cost to sell.

Additionally, as more fully discussed in Note 12, the Corporation determined that an impairment loss of approximately \$5.2 million should have been recognized in earlier years relating to the Lada Estates. The impairment loss is required based on Government Accounting Standard Board Statement 42 *“Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”*.

The impact of the corrections on the Corporation’s net assets as of October 1, 2008 is as follows:

	<u>Net Assets</u>
Net assets as of September 30, 2008, as originally reported	\$41,814,933
Reversal of allowance for loan and lease losses	2,345,000 **
Impairment loss on land held for development	(5,166,953) **
Net assets as of September 30, 2009, as restated	<u>\$38,992,980</u>

** Relates to years prior to October 1, 2008.

Other Financial Information

Guam Housing Corporation
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Combining Statement of Net Assets

September 30, 2010

	<u>Housing</u>	<u>Rental</u>	<u>Combined Total</u>
Assets			
Unrestricted assets:			
Cash and cash equivalents	\$ 2,937,688	\$ 1,630,091	\$ 4,567,779
Self-insurance fund	---	1,382,692	1,382,692
Loans receivable, net	18,825,479	---	18,825,479
Tenants receivable, net	---	46,939	46,939
Other receivables	29,159	---	29,159
Accrued interest receivable	94,730	3,714	98,444
Prepaid expenses and other	3,511	30,126	33,637
Foreclosed assets held for resale	116,359	---	116,359
	<u>22,006,926</u>	<u>3,093,562</u>	<u>25,100,488</u>
Total unrestricted assets			
Restricted assets:			
Cash and cash equivalents	2,304,118	66,253	2,370,371
Investments	5,493,881	---	5,493,881
Loans receivable, net	9,721,152	---	9,721,152
Other receivables	2,105,043	---	2,105,043
Land held for development	10,947,385	---	10,947,385
	<u>30,571,579</u>	<u>66,253</u>	<u>30,637,832</u>
Total restricted assets			
Capital assets, net	<u>13,730</u>	<u>5,856,521</u>	<u>5,870,251</u>
Total assets	<u>\$ 52,592,235</u>	<u>\$ 9,016,336</u>	<u>\$ 61,608,571</u>

Guam Housing Corporation
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Combining Statement of Net Assets, continued

September 30, 2010

	<u>Housing</u>	<u>Rental</u>	<u>Combined Total</u>
Liabilities And Net Assets			
Liabilities:			
Payable from unrestricted assets:			
Accounts payable and accrued expenses	\$ 202,718	\$ 51,370	\$ 254,088
Accrued compensated absences	109,801	65,342	175,143
Deferred revenue	<u>87,130</u>	<u>1,273</u>	<u>88,403</u>
Total payable from unrestricted assets	<u>399,649</u>	<u>117,985</u>	<u>517,634</u>
Payable from restricted assets:			
Accounts payable	10,555,000	---	10,555,000
Bonds payable	4,980,000	---	4,980,000
Notes payable	4,351,620	---	4,351,620
Accrued interest payable	46,012	---	46,012
Security deposits	---	50,038	50,038
Deposits by borrowers - insurance premiums and real estate taxes	479,096	---	479,096
Loans held in trust	550,581	---	550,581
Rebate liability	<u>90,404</u>	<u>---</u>	<u>90,404</u>
Total payable from restricted assets	<u>21,052,713</u>	<u>50,038</u>	<u>21,102,751</u>
Total liabilities	<u>21,452,362</u>	<u>168,023</u>	<u>21,620,385</u>
Net assets:			
Invested in capital assets, net of related debt	13,730	5,856,521	5,870,251
Restricted	9,518,866	16,215	9,535,081
Unrestricted	<u>21,607,277</u>	<u>2,975,577</u>	<u>24,582,854</u>
Total net assets	<u>31,139,873</u>	<u>8,848,313</u>	<u>39,988,186</u>
Total liabilities and net assets	<u>\$ 52,592,235</u>	<u>\$ 9,016,336</u>	<u>\$ 61,608,571</u>

Guam Housing Corporation
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Combining Statement of Revenues, Expenses and Changes in Net Assets

Year ended September 30, 2010

	<u>Housing</u>	<u>Rental</u>	<u>Combined Total</u>
Interest income:			
Loans receivable	\$ 1,789,211	\$ ---	\$ 1,789,211
Investments held by bond trustees	301,404	---	301,404
Interest-bearing deposits	<u>47,740</u>	<u>12,752</u>	<u>60,492</u>
Total interest income	2,138,355	12,752	2,151,107
Interest expense on borrowings	<u>588,771</u>	<u>---</u>	<u>588,771</u>
Net interest income	1,549,584	12,752	1,562,336
Other income:			
Rental income	3,625	781,588	785,213
Other income	47,781	18,495	66,276
Gain on disposal of capital and foreclosed assets	<u>1,600</u>	<u>41,603</u>	<u>43,203</u>
	<u>1,602,590</u>	<u>854,438</u>	<u>2,457,028</u>
Other expenses:			
Salaries	784,724	278,514	1,063,238
Retirement contributions	201,983	70,418	272,401
Retiree supplemental, COLA and health benefits	104,937	48,815	153,752
Depreciation	5,088	128,906	133,994
Professional services	75,796	8,252	84,048
Contractual services	46,650	32,791	79,441
Rent	74,508	---	74,508
Maintenance	---	67,736	67,736
Other	25,193	18,856	44,049
Employee benefits, other than retirement	23,012	13,158	36,170
Bad debts	---	16,414	16,414
Bond trustee fees	14,754	---	14,754
Director fees	<u>650</u>	<u>---</u>	<u>650</u>
	<u>1,357,295</u>	<u>683,860</u>	<u>2,041,155</u>
Increase in net asset	245,295	170,578	415,873
Net assets at beginning of year (restated)	<u>30,894,578</u>	<u>8,677,735</u>	<u>39,572,313</u>
Net Assets at end of year	<u>\$ 31,139,873</u>	<u>\$ 8,848,313</u>	<u>\$ 39,988,186</u>

Guam Housing Corporation
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Salaries, Wages and Benefits

Year ended September 30, 2010

Salaries, wages and benefits:	
Salaries	\$ 1,063,238
Retirement benefits	272,401
Retiree supplemental, cola and health benefits	153,752
Benefits other than retirement	<u>36,170</u>
 Total salaries, wages and benefits	 \$ <u><u>1,525,561</u></u>
 Employees at end of year	 23