



Guam Housing and Urban Renewal Authority FY 2015 Financial Highlights

June 26, 2016

The Guam Housing and Urban Renewal Authority (GHURA) ended fiscal year (FY) 2015 with a slight increase in net position (net income) of \$72 thousand (K), an improvement from the three previous years' of losses ranging from \$1.5 million (M) to \$4.5M. The U.S. Department of Housing and Urban Development (HUD) provided 96%, or \$41.6M of the \$43.4M in federal awards to GHURA in FY 2015.

Independent auditors, Burger • Comer • Magliari, rendered an unmodified or “clean” opinion on the financial statements and modified opinions on the Public and Indian Housing and Section 8 Housing Choice Voucher (HCV) Programs. The report on internal control over compliance cited four findings – one a material weakness. Ten internal control deficiencies were identified in a separate Management Letter, six more than FY 2014.

Despite the decline in operating expenses by \$1.5M from FY 2014, total operating expenses of \$44.7M continued to outweigh revenues of \$43.7M resulting in an operating loss of \$963K. Operating expenses declined due to lower Section 8 HCV program housing assistance payments, administrative expenses, and salaries and benefits. Operating revenues only declined nominally by \$13K. GHURA received \$40.5M from HUD in Public Housing Authority (PHA) operating grants which are 93% of GHURA's total revenues.

GHURA operates a number of housing and grant programs including five major programs that encompass 94% of GHURA's total operating revenues. The Section 8 HCV Program received the most at \$31.8M, or 73% of operating revenues. Other major programs are the Low Income Housing Program; Community Development Block Grant; Supportive Housing for the Elderly; and Economic, Social and Political Development of the Territories (Compact Impact).

Section 8 Housing Choice Voucher Program (HCV)

GHURA's HCV Program ended FY 2015 with a loss of \$270K, an improvement from FY 2014's loss of \$696K. HUD PHA operating grants for housing assistance increased by \$558K to \$31.8M from \$31.2M in FY 2014. This demonstrates a modest recovery from the FY 2014 effects of the U.S Congress imposed budget sequestration where GHURA received \$2.1M less grant funding. Housing assistance payments decreased by \$202K to \$30.0M from \$30.2M in FY 2014.

Other signs of recovery include GHURA assisting 2,425 families which is 116 more families than FY 2014 and a new affordable rental program for eligible elderly families. The Section 8 Project-based Assistance Program is a public-private partnership offering 112 affordable rental units at the new Summer Town Estates. The Family Self-sufficiency Program received additional funding for a coordinator position to manage the program. The FSS features an interest bearing escrow account which is credited for a family's increased share of its rent from the family's increased income.

Low Income Housing Program-Asset Management Properties (AMP)

GHURA owns 750 Public Housing units which are rented to low-income households. At the end of FY 2015, 729 units, or 97%, were occupied and 9 units were under modernization. Head of Household (HOH) public housing tenants are mainly from Guam (49%) and the Federated States of Micronesia (26%), with the remaining from other countries (25%).

In FY 2015, the program had a \$180K loss, despite an operating revenue increase of \$125K to \$4.5M from \$4.4M in FY 2014, mainly due to a \$94K increase in tenant rental income. Operating expenses amounted to \$4.7M, a slight decrease of \$264K, from \$5.0M in FY 2014.

Community Development Block Grant (CDBG)

The CDBG is one of three annual HUD Office of Community Planning and Development formula grants GHURA receives to revitalize neighborhoods, develop economies, and improve communities. In FY 2015, a \$485K decrease in CDBG operating expenses contributed to the \$265K increase in net position. Operating revenues declined by \$219K, from \$2.4M in FY 2014 to \$2.2M in FY 2015 due to a \$210K decrease in HUD PHA operating grants.

In FY 2015, CDBG funded projects such as support for a shelter for special needs individuals and the homeless, construction of the Kattan (Central) Youth Resource Center, and the rehabilitation of the Sinajana and Agafa Gumas Community Recreational Facilities.

New Governmental Accounting Standard – Pension Liability

GHURA recognized its \$9.8M pro rata share of the Government of Guam's \$1.2 billion net pension liability in FY 2015 from the implementation of GASB 68 related to *Accounting and Financial Reporting for Pensions*. This resulted in a \$480K pension recovery in FY 2015 positively affecting operating expenses.

Contingencies and Subsequent Events

In FY 2015, HUD recommended that GHURA repay \$578K for conflict of interest instances and \$1.4M for unused construction funds. There have been no decisions in these matters, which are under review with HUD's Honolulu Field Office. GHURA has not recorded any related liabilities. From July 2015 to May 2016, GHURA was served with 18 federal subpoenas and a search warrant, the nature of which are not available at this time.

Reports on Compliance and Internal Controls and Management Letter

One material weakness where eligibility documentation could not be located was reported along with three significant deficiencies. There were no questioned costs. The significant deficiencies were: (1) household members did not complete HUD Form 52675; (2) housing inspection reports were not completed; and (3) GHURA failed to include a family member under a housing voucher.

Ten management letter comments on internal control deficiencies was issued to GHURA, six more than FY 2014. GHURA has also not been able to issue its annual audit within the preferred standard of six months after the fiscal year, or March. The untimely audits, material weaknesses, and significant deficiencies indicate instability in GHURA's accounting infrastructure that warrants immediate attention.

For more details, refer to the Management Discussion and Analysis in the audit report on GHURA's website at www.ghura.org or OPA's website at www.opaguam.org.