

*Financial Statements and Required Supplementary
Information*

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

*Year ended September 30, 2022
with Report of Independent Auditors*



Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Financial Statements, Required Supplementary Information, and
Supplementary Information

Year ended September 30, 2022

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Report of Independent Auditors

Board of Commissioners
Guam Housing and Urban Renewal Authority:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Guam Housing and Urban Renewal Authority (GHURA), a component unit the Government of Guam, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise GHURA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of GHURA as of September 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about GHURA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GHURA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GHURA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 26 as well as the Schedules of Proportionate Share of the Net Pension Liability on pages 67 through 69, the Schedule of Pension Contributions on page 70, the Schedule of Proportionate Share of the Total OPEB Liability on page 71 and the Schedule of OPEB Employer Contributions on page 72 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2023, on our consideration of GHURA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GHURA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GHURA's internal control over financial reporting and compliance.

Ernst + Young LLP

September 25, 2023

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis

Year ended September 30, 2022

As the management of the Guam Housing and Urban Renewal Authority (GHURA), a component unit of the Government of Guam (GovGuam), we offer readers of this narrative overview and analysis of the financial activities of GHURA for the fiscal year ended September 30, 2022.

The annual financial report consists of four parts - management's discussion and analysis (this section), the basic financial statements, the accompanying footnotes, and the supplementary information.

PROFILE OF THE AUTHORITY

Our Mission

To assure the availability of quality housing for low-income persons, to promote the civic involvement and economic self-sufficiency of residents, and to further the expansion of affordable housing on Guam.

General Information

Created in 1962, GHURA's goal is to provide adequate housing and planning for those who live in our community and receive assistance through our various rental and home ownership programs. Our programs are designed to support our clients and enable them to fulfill goals for themselves and their families. Our goal is to create opportunities for our client's successful participation in the workforce and housing in the private/public sector.

GHURA's staff (of approximately 110 Full Time Equivalents) is committed to excellence in the foundation for facilitating our clients' goals. We aggressively pursue partnerships with public and/or private entities to allow for the implementation of programs beneficial to our clients.

Neighborhood by neighborhood, we are changing the definition of public housing. Public housing no longer means fencing off a property where no one from outside the "project" dares to wander in. Today, it means modernizing our developments that blend in and become part of the surrounding community.

At GHURA, we welcome constructive suggestions on how we can improve our services. We look forward to meeting the affordable housing needs for the island of Guam.

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

Overview of the Financial Statements

The management's discussion and analysis is intended to serve as an introduction to GHURA's basic financial statements. GHURA's basic financial statements are comprised of two components: 1) authority-wide financial statements; and 2) notes to the financial statements.

Authority-Wide Financial Statements

GHURA-wide financial statements are designed to provide readers with a broad overview of GHURA's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of GHURA's assets and liabilities with the difference between the two reported as net position. The Statement of Net Position reports all financial and capital resources for GHURA. The statement is presented in the format where assets, minus liabilities, equal "Net Position", formerly known as Net Assets. Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Non-current". The focus of the Statement of Net Position (the "*Unrestricted Net Position*") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly net assets) is reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position".

GHURA-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense. The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

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Management's Discussion and Analysis, continued

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the authority-wide financial statements.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than fund types. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. GHURA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. GHURA has only one fund type, namely an Enterprise fund. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

GHURA's Funds

PUBLIC HOUSING – ASSET MANAGEMENT PROPERTIES

Public Housing was established to provide decent, safe, and sanitary rental housing for eligible families, the elderly, and persons with disabilities. Public Housing comes in all sizes and types – from scattered single-family houses to clustered units for elderly families or persons with disabilities. The Public Housing Program is operated under an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) GHURA's flat rent amount.

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Management's Discussion and Analysis, continued

GHURA owns and operates 750 Public Housing units consisting of four Asset Management Properties (AMP): AMP 1 Central Site Base, AMP 2 - Southeast Site Base, AMP 3 - Southwest Site Base, and AMP 4 - Northern Site Base. These site bases consist of the following developments:

AMP 1 – Site Base consists of 158 units located at Sinajana, Agana Heights, Mongmong, and Asan.

AMP 2 – Site Base consists of 163 units located at Yona, Inarajan, and Talofofu and Talofofu Elderly.

AMP 3 – Site Base consists of 195 units located at Agat, Agat Elderly, Merizo, Merizo Elderly, and Umatac.

AMP 4 – Site Base consists of 234 units located at Toto, Dededo, and Dededo Elderly.

Each AMP has a Property Site Manager directly responsible for their respective property management activities. Collectively, each individual AMP's property management activities include budgeting, oversight and monitoring of daily operations, overall maintenance of rental units, and the upkeep of common areas within their respective developments. In addition, each AMP also has asset management responsibilities that include short- and long-term capital improvement planning, review of finances, monitoring fixed assets and consumable stock, regulatory compliance, and planning for the long-term sustainability of the program. Property Site Managers oversee resident services, work orders, income reexaminations, evictions, and other matters.

The intention of working under an AMP system is to improve the short-term and long-term management of public housing through more accurate information and better decision-making, thus, expanding the viability of the public housing program over a long-term period. By converting to the AMP system, we now have three main advantages to offer our clients: increased efficiency, improved accountability, and better planning for the future.

GHURA is dedicated to providing quality public and affordable housing for all. Each of our developments is a special place, reflecting the rich diversity in the experiences and backgrounds of our residents and the surrounding neighborhoods. We welcome people from many walks of life and enjoy being part of their lives in a meaningful way by providing decent, safe, sanitary, and affordable housing. We work diligently to create positive living environments to enhance the quality of life for our residents.

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Management's Discussion and Analysis, continued

The chart below reflects the diversity of families within our developments.

Head of Household Nationality (By birthplace only)

	AMP1	AMP2	AMP3	AMP4
FEDERATED STATES OF MICRONESIA *	39	59	49	79
GUAM	71	73	88	64
JAPAN	1	0	1	0
KOREA	1	1	3	5
MARSHALL ISLANDS	2	1	1	0
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS **	20	8	5	7
PALAU	2	0	0	4
PHILIPPINES	3	1	10	24
SAMOA	0	1	1	0
U.S.	8	3	9	10
OTHER	11	16	28	41
GRAND TOTAL	158	163	195	234

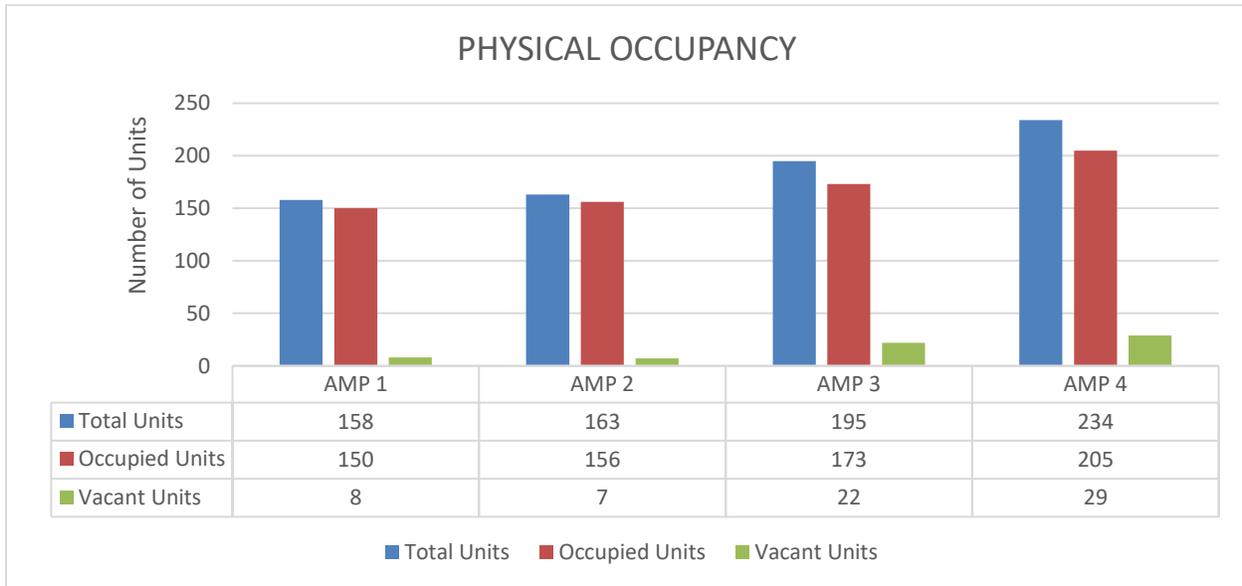
*Includes Chuuk, Pohnpei, and Yap

**Includes Saipan and Tinian

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Management’s Discussion and Analysis, continued

At the end of FY 2022, GHURA had 684 units occupied with 91% occupancy rate and an adjusted rate of 94% with 21 units under modernization. For the fiscal year ended September 30, 2022, GHURA received \$4.9 million in Operating Subsidy funds.



Capital Fund Program

In order to maintain its public housing inventory as a safe and habitable source of affordable housing, GHURA develops an annual Capital Improvement Plan. Through the Capital Fund Program, GHURA receives an annual formula grant of approximately \$3.2 million (based on the most recent grant) to implement such plan.

HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by GHURA. The funds are used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on GHURA’s dwelling units to keep them clean, safe, and in good condition. A portion of the funds may also be used to support operations and to make improvements in the management and operation of GHURA.

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Management's Discussion and Analysis, continued

THE SECTION 8 HOUSING CHOICE VOUCHER PROGRAM (HCV)

The Section 8 Housing Choice Voucher (HCV) Program is a housing subsidy program funded by HUD to assist very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. The HCV Program is administered by GHURA and is authorized with a combined total of more than 2,700 HCV and Special Purpose Vouchers. An eligible participant family issued a housing voucher is responsible for finding a suitable housing unit. Upon the family and owner's mutual agreement to rent under the program, the unit is inspected using housing quality standards. When the unit passes the inspection, GHURA and the landlord will execute a contract; and the participant and landlord will sign a lease agreement. The rent term is one year, and housing assistance payment is made directly to the owner on behalf of the participant's family every month. Because the program is income-based, and if the family is deemed to have a share of the rent, the family pays the difference between the rent charged by the landlord and the amount subsidized by the program.

GHURA administers the following Section 8 programs:

- 2,108 Regular Section 8 Housing Choice Vouchers
- 175 Non-elderly Disabled (NED) (special purpose vouchers)
- 30 Mainstream (for disabled families) (special purpose vouchers)
- 130 Family Unification Program (FUP) (special purpose vouchers)
- 76 Veteran Affairs Supportive Housing Program (VASH) (special purpose vouchers)
- 87 Emergency Housing Voucher Program (EHVP) (special purpose vouchers); and
- 112 Project-based Voucher (Summer Town Estates for the Elderly)

At the end of the calendar year 2022, the Section 8 Housing Choice Voucher Program began to resume normalcy of its operations after more than two years of working under pandemic guidelines and policies. All waivers adopted during the COVID pandemic ended, and all program compliance standards are back in place. At the end of the calendar year:

- GHURA's CY2022 Section 8 HAP budget was \$39,625,635, of which total voucher utilization was 100.53 percent;
- the leasing rate was 93 percent of the 2,718 authorized vouchers;
- the attrition rate was 10 percent;
- 343 families were admitted into the HCV Program;
- The total Per Unit Cost (PUC) was \$1,498;
- The utilization rate for PBV units was 99 percent; and
- 46 Section 8 HCV Program voucher holders ported to another jurisdiction

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Management's Discussion and Analysis, continued

PARTICIPANT DEMOGRAPHICS

GHURA's Section 8 Program served an average of 2,520 total households (10,212 individuals) in 2022. The sum of these households reflected the following averages:

- 1,990 families with a female head of households
- 530 families with a male head of households
- 2,305 identified as Native Hawaiian or Pacific Islanders; 230 Asians, 39 white; and 7 black
- 1,828 heads of households were between the ages of 25-54, 528 were between the ages of 55-74, 89 were between the ages of 18 to 24, and 75 were between the ages of 75 and older.
- 1,841 household participants were families; 335 were couples only; and 344 were single occupants
- The average HAP is \$1,390; the average tenant share of the rent is \$202.25, and the average household income is \$25,406.55 per year.

VOUCHER LEASING CHALLENGES

Leasing of HCV vouchers continues to be a challenge for most participants because of the limited inventory of affordable housing units available for rent in the private market. In 2022, only 29 percent of families searching for a suitable unit in the private market found a home within 30 days; 27 percent found a unit within 60 days; and the remaining 44 percent found units within 90 to 150 days from the date they were issued a voucher. Participants with a disability have the hardest time finding a unit due to a lack of ADA units for rent. For other families, rental challenges vary due to limited financial resources for security deposit and to hook up utilities, poor credit history, lack of references, and property owners refusing to rent to Section 8 participants.

THE FAMILY SELF-SUFFICIENCY (FSS) PROGRAM

The FSS Program enables families assisted through the HCV and Public Housing programs to increase their earned income and reduce their dependency on welfare assistance and rental subsidies. The FSS Program works in collaboration with its Program Coordinating Committee (PCC) to link FSS families with services from public and private resources. Eligible families selected for participation under the program are required to execute a 5-year Contract of Participation. The contract delineates specific rights and responsibilities, as well as goals and services for the family. The FSS Coordinator links services and other resources necessary to assist the family to complete their goals. Examples of the services coordinated through the program include: child-care, transportation, education, job training, employment counseling, financial literacy, and homeownership counseling, among others.

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Management's Discussion and Analysis, continued

There are three key features to the FSS program: A financial incentive in the form of an escrow account, coaching and case management, and stable housing through rental subsidies. The escrow account is an interest-bearing account established by GHURA for each participating family and provides a unique opportunity for participants to build substantial savings. As the family's rent share increases because of an increase in earned income, the increases are credited to the family's Escrow account. Under certain circumstances, GHURA may allow for interim disbursements during the family's participation for purposes consistent with their Contract of Participation (CoP). Examples include disbursements for completion of higher education, job training, start-up expenses for a small business, vehicle repair to ensure that they may continue to get to work, and disbursements for college tuition to ensure that they graduate. Once a family successfully graduates from the program, they may access their escrow funds, which may then be used toward additional self-sufficiency goals, such as putting a down payment toward the purchase of a new home. Escrow monies dispersed to successful families are not subject to federal taxation.

Over the course of 2022, FSS Program Coordinators employed a number of unique processes to ensure continuity of services for FSS families, while still ensuring that pandemic restrictions were followed. Families were provided with case coaching, education, job search and career development workshops, and linkage to additional needed services and critical pandemic related information by continuing to offer virtually based one-to-one appointments. These included virtual orientations, enrollments, basic needs assessments and service coordination, as well as progress-based appointments. Additionally, Coordinators continued to execute an aggressive outreach campaign (virtually, and via telephone, email, and quarterly newsletters) to ensure that FSS families were continuously made aware of essential services and resources available to them.

Through continued collaboration with PCC partners, FSS families were able to avail of virtual Renters-101 workshops, virtual Budgeting workshops, both virtual and in-person job fairs, career development workshops, and academic advisement services, as well as both virtual and in-person cost-free training opportunities, which provided both certifications and job placement.

2022 brought many new changes to how the FSS Program operates, which included new regulations (Final Rule) implemented by HUD. The Final Rule required submission of a new and updated Action Plan. The intent was to streamline processes and make program responsibilities less cumbersome for participating families. The updates included changes to the CoP, how escrow is earned, and numerous other program guidelines. These new regulations amended previous protocols, and ultimately changed the landscape of the program. The plan was approved by HUD in October 2022.

At the end of 2022, the FSS Program enrolled 27 new families, and serviced 138 (105 Section-8 HCV and 28 Public Housing) participants. Of these, approximately 47% of Section 8 HCV families and 44% of Public Housing families participating in the FSS program were holding escrow balances. Furthermore, the FSS Program successfully graduated five (5) FSS families from the program for effectively fulfilling the conditions of the program, achieving all their named goals and activities, and completing their respective Individual Training and Services Plan (ITSP). The total escrow payout for these five families was approximately \$45,656. The most noteworthy payout for 2022 was approximately \$27,625.

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Management's Discussion and Analysis, continued

SUPPORTIVE HOUSING FOR THE ELDERLY (Guma Trankilidat Project)

The Guma Trankilidat Project is an elderly housing rental program, consisting of 50 dwelling units (49 one-bedroom and 1 two-bedroom unit). Construction of Guma Trankilidat Project was financed through a loan from the U.S. Department of Agriculture Section 515 Rural Rental Housing Program for \$2 Million and amortized for a 50-year period beginning March 26, 1980. Annual rental subsidies of approximately \$600 thousand are provided through project-based vouchers through HUD's Multifamily Housing program. These subsidies cover both the annual operating expenses and mortgage payments.

In compliance with Federal Regulations, a Capital Needs Assessment (CNA) and Section 504 Transition Plan was conducted in October 2013. An estimate of \$2.6 Million was identified to address improvements in order to operate over the next 20 years. GHURA has identified funding in Project Reserves to address this requirement.

Of the 50 dwelling units, a total of 20 units have been upgraded and completed to date for a total cost of \$329,600. Phase IV is in process to renovate another (8) eight units.

Phase I – 6 units completed on May 31, 2018; total cost \$84,300

Phase II – 6 units completed on December 11, 2018; total cost \$94,000

Phase III – 8 units completed on December 12, 2021; total cost \$151,300

Phase IV – 8 units were budgeted for Fiscal Year 2022

COMMUNITY PLANNING AND DEVELOPMENT FUNDS

Of the many HUD-funded activities administered by GHURA, the activities funded through the HUD Office of Community Planning and Development (CPD) represents the greatest diversity of projects engaged to benefit low and moderate-income populations, and special needs populations. These funds find their way into the community to support activities that meet the needs of persons over a multitude of diverse economic and social backgrounds from the homeless to those trying to afford their first home purchase.

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Management’s Discussion and Analysis, continued

On an annual basis, Guam is the Grantee of recipient of entitlement awarded funds from HUD’s CPD Office to address housing and community needs in Guam. GHURA is the administrator of these funds for GovGuam from HUD. GHURA, on GovGuam’s behalf, receives these funds in the form of three formula grants – the Community Development Block Grant (CDBG); the Home Investment Partnership Grant (HOME); and the Hearth Emergency Solutions Grant (HESG). GHURA also administers funds competitively awarded under the Continuum of Care (CoC) Program to address the needs of homeless populations.

In fiscal year 2022 alone, a total of \$4,476,268 was approved by HUD to fund eligible projects and activities with formula grant funds. CoC funds totaling \$1,266,839 were approved for activities in fiscal year 2022. Project selection was based on the review of applications submitted by community groups for activities, which would satisfy the needs and goals outlined in the report “*Guam Consolidated Plan (2020-2024)*”.

Community Development Block Grants (CDBG)

GHURA engages in community development activities for the benefit of low-income and moderate-income populations across the island. CDBG funds in the reporting year were used to fund ongoing public facilities improvements and public service programs such as the following:

Public Facilities

- (1) Continuation of a project to design and develop a public facility and transitional housing in the village of Dededo.
- (2) Continuation of a project to construct a new a basketball court in the village of Inalahan.
- (3) Continuation of a project to construct a new Central Community Arts Hall to be located in the village of Sinajana to regionally serve Guam’s central villages.
- (4) Continuation of a project to construct a new fire station to be located in the village of Sinajana.
- (5) Continuation of a project to construct a new police sub-station to be located in the village of Talo’fo’fo to improve access to services by residents of southeastern Guam presently served by the Agat (Hâgat) Police Precinct.

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Management's Discussion and Analysis, continued

Public Service –

- (6) To support the operations of a shelter for special needs individuals, homeless men and men of low/moderate income in recovery from substance abuse.
- (7) The Family Service Center/One-Stop Homeless Assistance Center (FSC/One-Stop) received match funding to support the operation of the Homeless Management Information System (HMIS). HMIS is the repository for data that tracks the assistance provided to the island's homeless through the various government and non-profit service providers.
- (8) The Family Service Center/One-Stop Homeless Assistance Center (FSC/One-Stop) received funds for operations to administer homeless prevention and rapid re-housing services under the Emergency Solutions Grant.
- (9) The Opportunity Initiative is a program administered by the Big Brothers Big Sisters of Guam to provide on-site enrichment activities and curriculum-based programs to enhance work readiness and literacy skills for youth and adults.
- (10) To provide one-to-one counseling, homebuyer education, group education; and case management to eligible families under the HOME, Section 8, and Public Housing Authority (PHA) programs.

Program Administration and Consolidated Planning –

- (11) GHURA utilized CDBG funds in the administration and planning of CDBG activities.

Home Investment Partnerships Program (HOME)

Guam uses HOME funds to address the needs of homebuyers and homeowners of low- and moderate-income. In the current reporting year, HOME funds were awarded for such activities as the following:

Program Administration – GHURA utilized HOME funds in the administration of the HOME program.

Homebuyer New Construction Build On Your Own Land (2020) – To provide additional funds for a project intended to support new housing construction for income eligible persons who own their own land but lack the resources to build.

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Management's Discussion and Analysis, continued

Hearth Emergency Solutions Grant (HESG)

In FY2022, HESG funded activities serving homeless populations and those individuals and families at or below 30% of Area Median Income. HESG funds were used to provide homeless prevention to income-eligible individuals and families, and rapid re-housing services to homeless individuals and families and for program administration.

Cares Act Funds (CDBG-CV and HESG-CV)

In FY2020 and FY2021, \$2,674,497 and \$5,550,151 of CDBG and HESG CARES Act funds were awarded to prepare for, prevent, and respond to coronavirus activities for the benefit of low- and moderate-income and homeless populations across the island. Use of these funds continued through FY2022.

Guam uses CARES Act Funds to address the needs of eligible individuals and households negatively impacted by the Coronavirus Pandemic. In the current reporting year, CDBG-CV and HESG-CV funds were used for such activities as to provide opportunities for mortgage relief, job training and re-training services, street outreach, rapid-rehousing and homeless prevention activities, a food pantry, non-congregate shelter leasing, operations, and case management services, homeless management information system support and program administration.

Continuum of Care (CoC) Grant Funds

In FY2022, GHURA received competitive grant funds for the support of homeless persons. Projects funded for the current fiscal year are:

1. Housing First Rental Assistance Program-provides rental voucher assistance to homeless individuals. To qualify for assistance, participants must be homeless and disabled by chronic alcohol or drug problems, serious mental illness, or other disabilities. In addition to receiving a rental subsidy, participants receive support services through a network of local service agencies.
2. Homeless Management Information System (HMIS). HMIS is the data repository to record the provision of services and track participants receiving assistance for homelessness. The service is intended as a tool to improve the provision of services by the numerous service providers.
3. Y Jahame Permanent Housing Program is an 8-unit project-based permanent housing program for homeless persons with disabilities.
4. DV Bonus. Funds used to provide joint transitional housing rapid re-housing/permanent housing and supportive services to victims of domestic violence and sexual assault.

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

5. Coordinated Entry System. Funds used to develop and implement the Coordinated Entry System utilizing the Homeless Management Information System (HMIS). Coordinated entry is a process developed to ensure that all people experiencing a housing crisis have fair and equal access and are quickly identified, assessed for, referred, and connected to housing and assistance based on their strengths and needs.
6. CoC Planning Costs. GHURA is designated to administer HUD funds on behalf of GovGuam. As the designated Collaborative Applicant, GHURA coordinates CoC activities, conducts monitoring of CoC for program performance and compliance, and provides guidance and assistance to address homelessness.
7. Guma Manhoben PH-RRH. Funds are used to provide permanent housing and rapid rehousing assistance to youth and young adults.
8. Planning. The Guam CoC received funds to strengthen their planning capabilities in support of the delivery of services by the recipients of CoC funds.
9. Anchor of Hope. Funds are used to provide rental assistance and support services to homeless individuals with disabilities.

Low-Income Housing Tax Credit Program

The Low-Income Housing Tax Credit (LIHTC) Program, created by the Tax Reform Act of 1986, is intended to encourage the construction or rehabilitation of low-income rental units. The regulations that govern this program are contained in Section 42 of the Internal Revenue Code (the "Code" or IRC). The LIHTC Program provides Federal tax credits to qualified project owners who agree to maintain all or a portion of a project's units for low-income individuals or families.

GHURA is the recognized state housing credit agency authorized to allocate LIHTC Program credits in Guam. GHURA has been designated as the agency responsible for the administration of the LIHTC program. The LIHTC Program assists in the development of low-income rental housing by providing qualified owners with tax credits to offset their federal tax obligations. LIHTC Program credits are available to owners of qualifying buildings and projects that meet certain low-income occupancy rent restrictions. Tax credits are allocated to eligible jurisdictions by the Internal Revenue Service on an annual basis.

The latest application cycle yielded two projects for award. The two projects will result in the development of 192 units of new affordable rental housing. The first project for 64 units is the first project to be located in the village of Barrigada. The second project awarded will yield 128 units in NCS, Dededo, a prime location for rental housing development.

Since 2005, the LIHTC Program has been a primary tool in support of affordable rental housing development in Guam. The LIHTC Program has contributed to the construction of over 1,100 units of affordable housing in northern and central Guam.

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

Authority-Wide Financial Statements

Statements of Net Position

The following summary presented below reflects the condensed 2020 to 2022 Statements of Net Position. GHURA is engaged only in Business-Type Activities.

GHURA's Net Position
As of September 30
Table 1

			\$ Change FY2021 to FY2022	% Change FY2021 to FY2022	
	2022	2021	FY2022	FY2022	2020
Current and Other Assets	\$ 45,822,595	\$ 28,296,933	\$ 17,525,662	61.93%	\$ 24,084,757
Capital Assets	18,737,414	17,511,594	1,225,820	7.00%	17,644,865
Other Real Estate	2,462,887	2,532,193	(69,306)	-2.74%	2,636,152
Total Assets	<u>67,022,896</u>	<u>48,340,720</u>	<u>18,682,176</u>	<u>38.65%</u>	<u>44,365,774</u>
Deferred Outflows of Resources	<u>8,124,156</u>	<u>9,547,261</u>	<u>(1,423,105)</u>	<u>-14.91%</u>	<u>7,390,493</u>
	<u>\$ 75,147,052</u>	<u>\$ 57,887,981</u>	<u>\$ 17,259,071</u>	<u>29.80%</u>	<u>\$ 51,756,267</u>
Current and Other Liabilities	\$ 36,828,281	\$ 37,162,794	\$ (334,513)	-0.90%	\$ 36,100,413
Long-Term Debt	11,996,098	3,229,968	8,766,130	271.40%	821,572
Total Liabilities	<u>48,824,379</u>	<u>40,392,762</u>	<u>8,431,617</u>	<u>20.87%</u>	<u>36,921,985</u>
Deferred Inflows of Resources	<u>\$ 5,355,290</u>	<u>\$ 5,580,958</u>	<u>\$ (225,668)</u>	<u>-4.04%</u>	<u>\$ 3,862,902</u>
Net Position:					
Net Investment in Capital Assets	20,542,203	19,301,819	1,240,384	6.43%	19,459,445
Restricted	29,745,730	19,192,375	10,553,355	54.99%	18,279,634
Unrestricted	<u>(29,320,550)</u>	<u>(26,579,933)</u>	<u>(2,740,617)</u>	<u>10.31%</u>	<u>(26,767,699)</u>
Total Net Position	<u>20,967,383</u>	<u>11,914,261</u>	<u>9,053,122</u>	<u>75.99%</u>	<u>10,971,380</u>
	<u>\$ 75,147,052</u>	<u>\$ 57,887,981</u>	<u>\$ 17,259,071</u>	<u>29.81%</u>	<u>\$ 51,756,267</u>

Total assets and deferred outflows of resources of GHURA as of September 30, 2022 amounted to \$75,147,052 an increase of \$17,259,071 or 29.80% as compared to \$57,887,981 as of September 30, 2021. Cash and cash equivalents as of September 30, 2022 totaled \$25,420,197 an increase of \$6,574,070 or approximately 34.9% as compared to \$18,846,127 as of September 30, 2021.

While the results of operations are a significant measure of GHURA's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change in financial well-being.

Table 2 presents details on the change in Unrestricted Net Position for the fiscal years ended September 30, 2020 to 2022. (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

GHURA's Change in Unrestricted Net Position
Years Ended September 30
Table 2

	2022	2021	\$ Change FY2021 to FY2022	% Change FY2021 to FY2022	2020
Unrestricted Net Position, Beginning	\$ (26,579,933)	\$ (26,767,699)	\$ 187,766	-0.7%	\$ (25,236,775)
Change in Net Position	9,053,122	942,881	8,110,241	860.2%	(2,173,575)
Adjustments:					
Depreciation (1)	1,458,548	1,988,678	(530,130)	-26.7%	3,431,193
Adjusted Change in Net Position	10,511,670	2,931,559	7,580,111	258.6%	1,257,618
Change in Restricted Net Position	(10,553,355)	(912,741)	(9,640,614)	1056.2%	(1,458,687)
Acquisition and Disposal of Capital Assets	(2,615,062)	(1,751,448)	(863,614)	49.3%	(1,255,184)
Repayment of Long-Term Debt	(83,870)	(79,604)	(4,266)	5.4%	(74,671)
Net Change	(2,740,617)	187,766	(2,928,383)	-1559.6%	(1,530,924)
Unrestricted Net Position	\$ (29,320,550)	\$ (26,579,933)	\$ (2,740,617)	10.3%	\$ (26,767,699)

Statements of Revenues, Expenses and Change in Net Position

The following summary presented below reflects the condensed 2020 to 2022 Statements of Revenues, Expenses and Changes in Net Position.

GHURA's Change in Net Position
Years Ended September 30
Table 3

	2022	2021	\$ Change FY2021 to FY2022	% Change FY2021 to FY2022	2020
Revenues:					
Operating and Capital Grants	\$ 64,444,721	\$ 51,984,374	\$ 12,460,347	23.97%	45,400,026
Tenant Rental Revenue	1,217,579	798,387	419,192	52.50%	749,460
Other Operating Revenues	3,119,513	797,871	2,321,642	290.98%	359,511
Non-Operating Revenues	1,088,905	601,822	487,083	80.93%	495,144
Total Revenues	<u>69,870,718</u>	<u>54,182,454</u>	<u>15,688,264</u>	<u>28.95%</u>	<u>47,004,141</u>
Expenses:					
Housing Assistance Payments	41,170,222	38,049,419	3,120,803	8.20%	32,498,722
Other Operating Expenses	19,552,378	15,136,965	4,415,413	29.17%	16,627,185
Non-Operating Expenses	94,996	53,189	41,807	78.60%	51,809
Total Expenses	<u>60,817,596</u>	<u>53,239,573</u>	<u>7,578,023</u>	<u>14.23%</u>	<u>49,177,716</u>
Change in Net Position	\$ 9,053,122	\$ 942,881	\$ 8,110,241	860.16%	\$ (2,173,575)

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

Table 3 presents the changes in GHURA's net position for the years ended September 30, 2020 to 2022. GHURA had total revenues of \$69,870,718 in 2022 and \$54,182,454 in 2021, an increase of \$15,688,264 or 28.95% while total expenses were \$60,817,596 in 2022 and \$53,239,573 in 2021, an increase of \$7,578,023 or 14.23%.

Tenant Revenue

Tenant revenue, which accounted for 1.74% of total current year revenues, increased by \$419,192 or approximately 52.50% from \$798,387 in 2021.

Other Revenue

Other income consists of program income, land sales, interest earned on cash equivalents, and other income.

Expenses

Housing Assistance Payments

Housing assistance payments, which accounted for 67.98% of total current year expenses, increased by \$3,120,803, or approximately 8.20% from \$38,049,419 in 2021. The increase in the current year expenses is attributed to increase in Section 8 Housing Choice vouchers for the period due to higher unit month leasing costs.

Other Operating Expenses

Other operating expenses, which accounted for 32.15% of total current year expenses, increased by \$4,415,413 or approximately 29.17% from \$15,136,965 in 2021.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2022, GHURA had \$18,737,414 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (net of additions and depreciation) of \$1,225,820, or approximately 7.00% from the end of last year.

Debt Administration

GHURA has certain notes payable under the USDA Farmers Home Administration and the HUD Loan Guarantee Program. Debt additions amounted to \$9M in FY2021. For additional information concerning debt, please refer to Note 7 to the accompanying financial statements.

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

GHURA's Capital Assets
As of September 30
Table 4

	2022	2021	2020
Depreciable Assets:			
Structures	\$ 99,774,579	\$ 97,736,439	\$ 96,041,260
Furnitures, Fixtures, and Equipment	5,033,941	4,456,231	4,404,700
Leasehold Improvements	<u>335,736</u>	<u>296,583</u>	<u>296,583</u>
	105,144,256	102,489,253	100,742,543
Accumulated Depreciation	<u>(90,668,429)</u>	<u>(89,209,881)</u>	<u>(87,221,203)</u>
Total Depreciable Assets, Net	<u>14,475,827</u>	<u>13,279,372</u>	<u>13,521,340</u>
Nondepreciable Assets:			
Land	3,675,882	3,675,882	3,675,882
Homes for Transfer to Persons	110,235	322,515	322,515
Construction in Progress	<u>475,470</u>	<u>233,825</u>	<u>125,128</u>
Total Non-Depreciable Assets	<u>4,261,587</u>	<u>4,232,222</u>	<u>4,123,525</u>
Total Capital Assets, Net	<u>\$ 18,737,414</u>	<u>\$ 17,511,594</u>	<u>\$ 17,644,865</u>

For additional information on GHURA's capital assets, please refer to Note 5 to the accompanying financial statements.

Economic Factors

Significant economic factors that affect GHURA are as follows:

As Guam entered into the partial COVID 19 pandemic recovery, its participants are affected by the three primary sources of revenue inflows for Guam: 1) tourism, 2) federal funds, and 3) construction capital investment.

Federal funding of HUD. As GHURA receives the majority of its operating revenue through financial assistance from HUD, GHURA and its financial operations are significantly affected by the federal government's annual appropriation to HUD.

GHURA has been proactive in assessing its financial condition and attempting to align its activities and the financial position of the agency so it can respond to new terms and conditions that may be incorporated into this extension. By incorporating its estimate of these possible changes and reductions into its budget for the current and future fiscal years, GHURA hopes to avoid any significant reductions in service levels or ongoing operations. However, any deviation from current estimates of funding to be received would have to be reexamined.

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Management's Discussion and Analysis, continued

GHURA locally administers certain programs of HUD. The funding source for all major programs is virtually 100% dependent on the U.S. Federal government, through HUD. Funding and funding related issues are therefore subject to Congressional approval on an annual basis. Major changes continue to occur in HUD program rules, regulations, and requirements, particularly as they relate to funding methodology, which will affect GHURA's future operations and administration of these federal programs. Funding is provided for HUD programs on a calendar year basis.

Low-income families, veterans, senior citizens and disabled individuals waiting for assistance under the federal housing voucher program may have to wait even longer as public housing agencies begin to cope with budget cuts.

With the progressing COVID 19 recovery, waivers implemented by HUD to prevent families from becoming ineligible to participate in GHURA's program have expired. GHURA has now had to catch up to ensure case files of families in the programs are in compliance with HUD policies, procedures, rules, and regulations.

The local economy is heavily dependent on the tourism industry, the source of which is from Asian markets, primarily Japan. Unlike most public housing authorities in the U.S. mainland, the local economy does not follow the U.S. national economic trends. The tourism industry appears to be in an initial recovery stage. However, adverse economic conditions, compounded by the effects of ever-increasing worldwide prices of oil, are and will continue to affect residents, clients, and partners. The local government revenues have greatly reduced the amount of welfare assistance provided to those tenants of GHURA, who were or are welfare recipients.

Local inflationary, recessionary and unemployment trends continue to affect resident incomes and therefore the amount of dwelling rental income GHURA is able to charge and collect. Unemployment is estimated at 8% and has affected those individuals with low to moderate income paying jobs, many of whom include the tenants in GHURA's housing programs. Tenant reduced incomes result in lower dwelling rental income received by GHURA, and lower collection rates, which have affected operations. Also, some GHURA participants are still not able to work and rely on GovGuam's Emergency Rental Program to pay for past due rent payments or mortgages.

Inflationary pressure on utility rates, supplies and other costs – Utility rates have been fluctuating. Utility costs must be factored into utility allowances for tenants, which increase the level of assistance provided in terms of utility allowances, which increases the costs of the housing programs in general.

Results from the 2009 Guam Comprehensive Housing Study show that Guam's housing market has become unaffordable for households looking to move to a new unit. Only 41.5% of households interested in buying a home had the resources to find an affordable unit while 49% of renters had sufficient income to move to a new rental unit.

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Management's Discussion and Analysis, continued

Low-income and moderate-income households represent 59.4% of households interested in buying a home. However, only 25.9% of the housing supply is within the affordable range for low- and moderate-income buyers.

Landlords are expected to maximize their rental income and are attracted to the subsidized military rental market rather than to the HCV program, which provides subsidies to civilian households with incomes below 50% of area median income. In 2010, GHURA's payment standard provided a maximum rent of \$1,633 for a 3-bedroom house to include utilities. Depending on rank, a military household could receive a housing allowance of \$1,700 to \$2,500. Developers are targeting the higher income housing market, which can demand rents of \$2,000 or more.

Rental Assistance Demonstration

The HUD Rental Assistance Demonstration (RAD) Program is under continuing review by GHURA. GHURA's aim is to determine its applicability and benefit to the island's inventory of Public Housing. Participation in the RAD Program would see the conversion of Public Housing properties to a Section 8 Project-Based Voucher (PBV) or Project-Based Rental Assistance (PBRA) program. The RAD Program is a key component of the HUD Office of Public and Indian Housing's rental housing preservation strategy, working to preserve the nation's stock of deeply affordable rental housing, and to promote efficiency within and among HUD programs to build strong, stable communities.

Audit and Compliance

In order to ensure accountability for performance and results, the Executive Management is using a Management Scorecard. The Executive Management will use this scorecard to track how well departments are executing the management initiatives, and where they stand at a given point in time against the overall standards for success. Scores are based on standards established under the Public Housing Assessment System, Section Eight Management Assessment System, Voucher Management System, Rental Integrity Monitoring Reviews, and independent audits, to name a few. Over time, the scores should improve as departments correct the problems. The Executive Management will update this report twice a year and issue a mid-year report. We will hold ourselves responsible and report honestly, when progress is too slow.

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

Systems, Controls, and Legal Compliance

Systems

GHURA currently utilizes a commercially developed package that integrates all housing program areas under one common software umbrella. The software incorporates Section 8 Tenant and Landlords, Occupancy and Rent, Applications Waiting List, Receivables, General Ledger, Work Orders, Purchase Orders, Budgeting and Payroll as the main modules. All data entry is self-contained within this system and, ultimately feeds into the financials, where pay out, reporting, and tracking occurs. On average, the system generates approximately \$4.25 million per month in payments to tenants, landlords, employees, and vendors. Data is available real-time and on-line.

The software exchanges data with HUD's web-based reporting requirements and transmits and receives electronic banking payment (receivables) on a daily basis, as well as other various GovGuam agencies. All modules are accessible simultaneously by the approximate 90 staff via remote sites, designed to improve our customer service and support. These remote locations in Agat, Yona, Toto, Tumon, and Agana all access the main host server located in Sinajana via a common telecommunications media. Additionally, a second software is utilized to effectively track and forecast grant expenditures managed by CPD. These grants include CDBG, HOME, ESG, and CoC programs. Data from both systems are exchanged and utilized in the reconciliation process, payment, and reporting requirements. Numerous controls, interface programs, and preventive measures have been developed, tested and implemented to ensure the integrity and accuracy of the data, to include quality control and discrepancy reports.

Controls

Management controls are the organization, policies, and procedures used to reasonably ensure that (1) programs achieve their intended results; (2) resources are used consistent with agency's mission; (3) programs and resources are protected from waste, fraud, and mismanagement; (4) laws and regulations are followed; and (5) reliable and timely information is obtained, maintained, reported and used for decision making.

Managers must take systematic and proactive measures to (1) develop and implement appropriate, cost-effective management controls for results-oriented management; (2) assess the adequacy of management controls in Federal programs and operations; (3) identify needed improvements; (4) take corresponding corrective action; and (5) report monthly, semi-annually, and annually on management controls.

Legal Compliance

GHURA is required to comply with a wide range of laws and regulations, including appropriations, employment, health and safety, and others. Responsibility for compliance primarily rests with agency management; compliance is addressed as part of agency financial statement audits.

Guam Housing and Urban Renewal Authority
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Management's Discussion and Analysis, continued

Accountability

Management accountability is the expectation that “managers are responsible for the quality and timeliness of program performance, increasing productivity, controlling costs and mitigating adverse aspects of agency operations, and assuring that programs are managed with integrity and in compliance with applicable law.”

Fraud, Waste, and Abuse

GHURA must maintain its credibility with applicant and participant families, owners, HUD, and the larger community by enforcing program requirements. When families, owners, or GHURA employees fail to adhere to program requirements, GHURA must take appropriate action. The action that is appropriate depends on the particular case or circumstances.

GHURA will address program errors, omissions, fraud, or abuse through both prevention and detection. Preventive measures are the most effective way to deter widespread program irregularities. Errors, omissions, fraud, and abuse will occur, and GHURA will have preventive measures in place so that any irregularity can be quickly detected and resolved as efficiently, professionally, and as fairly as possible. Because preventive monitoring measures are the most effective way to deter widespread program irregularities, they will be an integral part of daily operations.

GHURA must ensure it operates legally and with integrity. The central principle underlying the public ethics codes is the Conflict of Interest, more specifically, the conflict between a public official's individual self-interest and the public interest. We, as public officials, are held to a higher standard than individuals in the private sector are. Public officials are repositories of the public trust and as such have a duty to faithfully and honestly represent the interests of the public.

COVID-19

GHURA received two separate allocations of Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) funds through HUD's Office of Community Planning and Development. CDBG and ESG funds are intended to fund activities and programs that would directly address the COVID-19 pandemic emergency. In general, funds are intended to prevent, prepare, and respond to the community's needs because of the pandemic and to do so by consulting with public health and other government officials to identify how best to meet the needs of the public.

The total allocation of CDBG funds amounted to \$4,705,410. The total allocation of ESG funds amounted to \$3,519,238. Guam will amend its existing 5-Year Consolidated Plan and the PY2019 Annual Action Plan to propose projects for COVID-19 purposes. Both programs have made liberal adjustments to program rules that positively affect the use of funds to maximize their reach to the populations rendered vulnerable due to the emergency.

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Management's Discussion and Analysis, continued

The CARES Act also provided supplemental Public Housing Operating funding under Notice PIH-2020-07, as well as funding provisions for the HCV Program Administrative Fees under Notice PIH-2020-08. The notices provide guidance on the disbursement of funds, reporting requirements, and a description on eligible and ineligible expenses. Funding availability is through December 31, 2021. However, the HCV CARES funds was extended to liquidate funds obligated as of December 31, 2021.

Financial Contact

Requests regarding any information contained in this report or any additional information or questions concerning the report should be addressed to Elizabeth F. Napoli, Executive Director, Guam Housing and Urban Renewal Authority, 117 Bien Venida Avenue, Sinajana, Guam 96910.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Statement of Net Position

September 30, 2022

Assets and Deferred Outflows of Resources

Current assets:

Cash and cash equivalents	\$24,395,050
Cash and cash equivalents – restricted	1,025,147
Receivables, net:	
HUD	3,091,256
Notes receivable – current	802,221
Tenants	408,223
Other government	9,774
Accrued interest receivable	5,751
Miscellaneous	363,308
Allowance for doubtful accounts	(377,848)
Prepayments and other current assets	135,747
Inventory	<u>321,830</u>
Total current assets	<u>30,180,459</u>

Noncurrent assets:

Notes receivable, net of current portion	15,188,045
Lease receivables	454,091
Capital assets:	
Depreciable assets, net of accumulated depreciation	14,475,827
Non-depreciable assets	4,261,587
Other real estate	<u>2,462,887</u>
Total noncurrent assets	<u>36,842,437</u>
Total assets	<u>67,022,896</u>

Deferred outflows of resources:

Pension	2,786,792
OPEB	<u>5,337,364</u>
Total deferred outflows of resources	<u>8,124,156</u>
Total assets and deferred outflows of resources	<u>\$75,147,052</u>

See accompanying notes.

Guam Housing and Urban Renewal Authority
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Statement of Net Position, continued

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities:	
Accounts payable and other deposits	\$1,604,358
Due to HUD	16,755
Current portion of accrued compensated absences	107,705
Current portion of notes payable	556,000
Accrued payroll and other liabilities	200,933
Unearned revenues	1,497,102
Security and escrow deposits	328,626
Other current liabilities	<u>133,425</u>
Total current liabilities	4,444,904
Accrued compensated absences, net of current portion	849,961
Notes payable, net of current portion	11,440,098
Net pension liability	13,014,620
OPEB liability	<u>19,074,796</u>
Total liabilities	<u>48,824,379</u>
Deferred inflows of resources:	
Pension	1,660,073
OPEB	<u>3,695,217</u>
Total deferred inflows of resources	<u>5,355,290</u>
Net position:	
Net investment in capital assets	20,542,203
Restricted for housing operations	29,745,730
Unrestricted	<u>(29,320,550)</u>
Total net position	<u>20,967,383</u>
Total liabilities, deferred inflows of resources and net position	<u>\$75,147,052</u>

See accompanying notes.

Guam Housing and Urban Renewal Authority
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Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2022

Operating revenues:	
HUD PHA Operating Grants	\$62,870,392
Tenant rental income	1,217,579
Other income	<u>3,119,513</u>
Total operating revenue	<u>67,207,484</u>
Operating expenses:	
Housing assistance payments	41,170,222
Salaries and wages	5,753,885
Other administrative expenses	4,725,935
Repairs and maintenance	2,763,624
Employee benefits	1,958,568
Depreciation	1,458,548
Retiree healthcare costs and other pension benefits	1,339,641
Office expense	545,248
Utilities	513,807
Professional fees	198,556
Insurance	141,878
Payments in lieu of taxes	84,204
Advertising	55,269
Protective services	14,206
Compensated absences	13,641
Bad debts recovery	<u>(14,632)</u>
Total operating expenses	<u>60,722,600</u>
Operating income	<u>6,484,884</u>
Nonoperating revenues (expense):	
Contributions from GovGuam for retiree benefits	361,984
Fraud recovery	12,822
Interest income	2,197
Other income	711,902
Interest expense	<u>(94,996)</u>
Total nonoperating revenues (expense), net	<u>993,909</u>
Income before capital grants and contributions	7,478,793
Capital grants and contributions:	
Federal grants	<u>1,574,329</u>
Change in net position	9,053,122
Net position at the beginning of the year	<u>11,914,261</u>
Net position at the end of the year	<u>\$20,967,383</u>

See accompanying notes.

Guam Housing and Urban Renewal Authority
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Statement of Cash Flows

Year ended September 30, 2022

Cash flows from operating activities:	
Operating grants received	\$62,870,392
Receipts from tenants and customers	3,011,345
Housing assistance paid	(41,170,222)
Payments to suppliers for goods and services	(8,713,709)
Payments to employees	(8,053,334)
Net cash provided by operating activities	<u>7,944,472</u>
Cash flows from capital and related financing activities:	
Capital grants received	1,574,329
Acquisition of capital assets	(2,684,368)
Proceeds from sales of other real estate	69,306
Proceeds from notes payable	9,003,000
Advances to subrecipient	(9,003,000)
Repayment of note payable	(236,870)
Interest paid	(94,996)
Net cash used for capital and related financing activities	<u>(1,372,599)</u>
Cash flows from investing activities:	
Interest and other	<u>2,197</u>
Net change in cash	6,574,070
Cash and cash equivalents at beginning of year	<u>18,846,127</u>
Cash and cash equivalents at end of year	<u>\$25,420,197</u>
Cash and cash equivalents consist of the following:	
Unrestricted	\$24,395,050
Restricted	<u>1,025,147</u>
	<u>\$25,420,197</u>

See accompanying notes.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Statement of Cash Flows, continued

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$6,484,884
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,458,548
Bad debts recovery	(14,632)
Noncash OPEB cost	1,258,120
Noncash pension cost	1,333,381
Fraud recovery and other income	724,724
Increase in assets:	
Receivables	(1,489,184)
Notes receivable	(405,004)
Prepayments and other current assets	(6,019)
Inventory	(33,753)
Increase (decrease) in liabilities:	
Accounts payable and other deposits	343,975
Accrued compensated absences	(31,590)
Accrued payroll and other liabilities	38,193
Unearned revenues	(156,283)
Security and escrow deposits	(10,182)
OPEB liability	81,521
Net pension liability	(1,667,224)
Other current liabilities	<u>34,997</u>
Net cash provided by operating activities	<u>\$7,944,472</u>

See accompanying notes.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements

Year ended September 30, 2022

1. Reporting Entity

The Guam Housing and Urban Renewal Authority (GHURA), a component unit of the Government of Guam (GovGuam), was created on December 18, 1962 by Government Code, Vol. II, Title XIV, Chapter X, 13902. The primary purpose of GHURA is to provide safe, decent, sanitary, and affordable housing for low to moderate-income families and elderly families in the Territory of Guam, and to operate its housing programs in accordance with federal and local laws and regulations. GHURA's federal programs are administered through the U.S. Department of Housing and Urban Development (HUD) under the provisions of the U.S. Housing Act of 1937, as amended.

The administration and operation of GHURA is under the control of a six-member Board of Commissioners appointed by the Governor of Guam with the advice and consent of the Legislature with one of the seven members being a resident of the Public Housing program, elected by the residents and appointed by the Governor. GHURA has no component units required to be reported in accordance with the respective Governmental Accounting Standards Board (GASB) Statements.

2. Summary of Significant Accounting Policies

The accompanying financial statements of GHURA have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by GHURA.

GASB establishes financial reporting standards for governmental entities, which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Organization and Program Descriptions

GHURA, formed to pursue an active community development program through urban renewal projects and to provide housing of low income, administers the following community programs:

Housing Assistance Payments Program:

HUD funds the Housing Choice Voucher Program. The principal purpose of the program is to enable lower income families to reside in existing privately owned housing. Assistance is calculated according to family needs and paid directly to the dwelling owner. As of September 30, 2022, GHURA was authorized by HUD to approve housing assistance payment contracts for up to 2,657 families, dependent upon budget authority and available resources. Total contracted units under lease totaled 2,525 or 95% as of September 30, 2022. The project-based voucher program located at the Summer Town Estates in Lada, Dededo, consists of 112 units, which began in November 2015. As of September 30, 2022, Elderly Families occupied 110 units.

Public Housing Capital Fund Program:

The Capital Fund Program Grant accounts for modernization funds received from HUD for capital improvements, major repairs, management improvements, operational costs and related planning costs to improve the physical quality of low-income housing. Upon completion of major capital improvement, the assets are transferred to the Low Income Housing Program.

Supportive Housing for the Elderly:

The Supportive Housing for the Elderly project is designed to provide housing accommodations for elderly residents of Guam. The project was built on land donated by GovGuam at an appraised value of \$1,380,000. The project officially commenced operations in March 1980.

Low Income Housing Program:

Under this program, GHURA rents its own units to low-income households. The Low Income Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidies to enable GHURA to provide the housing at a rent that is based on 30 percent of household income. GHURA entered into an ACC that allowed them to develop and operate a Low-Income Housing Program. Since that time, nine projects were developed: Guam 1-1 through 1-9. For the year ended September 30, 2022, 729 units were available for rent, of which 21 units were modernized under HUD's Capital Funds Program. In 2022, 705 or 97% units were occupied.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Organization and Program Descriptions, continued

HOME Investment Partnership Program:

This program is designed to increase homeownership and affordable housing opportunities for low-income and very low-income Americans. Program funds are used to provide incentives to develop and support affordable rental housing and homeownership affordability through the acquisition, new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, among others.

Continuum of Care Program:

GHURA administers grant funds received through the HUD's Continuum of Care Grant to serve the housing and service needs of homeless individuals with disabilities. GHURA acts as the collaborative applicant to submit for annual consideration a series of grants that are awarded to different island NGO's providing services to their individual populations.

Community Development Block Grants (CDBG):

These grants are used to carry out a wide range of community development activities directed toward neighborhood revitalization, economic development, and improved community facilities and services. All CDBG activities must meet one of the following national objectives: benefit low-income and moderate-income persons; aid in the prevention or elimination of slums and blight; or meet certain community development needs having a particular urgency. Some of the activities that these funds can be used for includes the acquisition of real property; rehabilitation of residential and nonresidential properties; provision of public facilities and improvements, such as water, sewer, streets, and community centers; clearance, demolition and removal of buildings and improvements; homeownership assistance; and assistance to for-profit businesses for economic development activities.

Emergency Solutions Grant Program:

This program provides grants to assist homeless and near-homeless individuals by providing rapid re-housing and homeless prevention services. The grants cover rental and utility assistance for persons and individuals who are homeless or on the verge of becoming homeless. Eligible households also can receive housing relocation and stabilization services such as counseling, case management and money management classes.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Organization and Program Descriptions, continued

Resident Opportunity and Supportive Services:

This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

Multifamily Housing Service Coordinator:

The purpose of this program is to link elderly, especially frail and disabled, or disabled non-elderly assisted housing and neighborhood residents to supportive services in the general community; to prevent premature and unnecessary institutionalization; and, to assess individual service needs, determine eligibility for public services and make resource allocation decisions, which enable residents to stay in the community longer.

Economic, Social and Political Development of the Territories (Compact Impact):

This program is funded by the U.S. Department of the Interior to promote the economic, social and political development of the territories and freely associated states, leading toward greater self-government and self-sufficiency for each of them. In addition, Federal funding is provided for capital improvement programs and technical assistance to the insular areas including Guam.

Family Self-Sufficiency Program:

The objectives of the Family Self-Sufficiency program promote the development of local strategies to coordinate the use of assistance under the Housing Choice Voucher and Public Housing programs with public and private resources to enable participating families to increase earned income and financial literacy, reduce or eliminate the need for welfare assistance, and make progress toward economic independence and self-sufficiency.

Neighborhood Stabilization Program – Recovery Act Fund:

The objectives of this program are to stabilize property values; arrest neighborhood decline; assist in preventing neighborhood blight; and stabilizing communities across America hardest hit by residential foreclosures and abandonment. These objectives are to be achieved through the purchase and redevelopment of foreclosed and abandoned homes and residential properties that will allow those properties to turn into useful, safe and sanitary housing.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Organization and Program Descriptions, continued

Low-Income Housing Tax Credits (LIHTC) Program:

This program was created by the Tax Reform Act of 1986 and is intended to encourage the construction or rehabilitation of low-income rental units. The regulations governing this program are contained in Section 42 of the Internal Revenue Code (the “Code” or IRC). The LIHTC Program provides Federal tax credits to qualified project owners who agree to maintain all or a portion of a project’s units for low-income individuals or families.

Local Funds:

GHURA is charged with administrative oversight responsibility for a variety of community projects as established and funded by GovGuam through contributions and local grants-in-aid.

Revolving and Trust Funds:

These funds function primarily to facilitate cash management for all funds.

Other Funds:

Other funds consist primarily of local projects that have been completed and have undergone a final close out audit. Such projects include Yona and Sinajana Urban Renewals, and neighborhood facilities constructed in Agat and Sinajana.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the financial statements. GHURA has elected to use proprietary fund types as its principle reporting. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The accounting objectives of its measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and deferred outflows of resources, and liabilities and deferred inflows or resources (whether current or noncurrent) associated with the operation of GHURA are included in the statement of net position. Proprietary fund equity is classified as net position. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. GHURA accounts for those operations that are financed and operated in a manner similar to private business or where GHURA has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The principal operating revenues of GHURA are operating subsidies and administrative fees received from HUD and rental revenues received from residents. Grants and similar items are recognized as revenue as soon as all eligible requirements have been met.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting, continued

Gains from sale of capital assets are included in non-operating revenues. Operating expenses of GHURA include the cost of operating housing units, cost of tenant services, protective services, general, administrative, maintenance, depreciation, and housing assistance payments.

Other expenses of GHURA include interest expense. Housing assistance payments from HUD are received by GHURA for each unit rented to qualified tenants in the public housing and Section 8 programs. HUD grants associated with capital acquisition and improvements are considered non-operating revenues and are separately presented as capital contributions in the accompanying statement of revenues, expenses and changes in net position.

Net Position

Net position represents the residual interest in GHURA's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets. Deferred outflows of resources that are attributable to related debt are also included in this component.

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law. GHURA's restricted expendable net position pertains to unexpended HUD funds under various federal programs.

Unrestricted net position consists of net position, which does not meet the definition of the two preceding categories. Unrestricted net position may be designated for specific purposes by action by management or the Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

All of GHURA's restricted net position is expendable. When both restricted and unrestricted resources are available for use, generally it is GHURA's policy to use restricted resources first and the unrestricted resources when they are needed.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Cash and Cash Equivalents

For purposes of the statements of net position and of cash flows, GHURA considers cash and cash equivalents to be cash on hand, cash in checking and savings account and time certificates of deposit with original maturities of less than three months.

As of September 30, 2022, bank balance was \$25,482,884, which is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance.

As of September 30, 2022, bank deposits in the amount \$250,000 were FDIC insured. In accordance with 5 GCA 21, *Investments and Deposits*, GHURA requires collateralization of deposits in excess of depository insurance limits at 100%. Such collateralization shall be in securities in U.S. treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged or such other securities as may be approved by GMHA. As of September 30, 2022, all of GHURA's bank deposits in excess of depository insurance limits are collateralized with securities held by the pledging financial institution but not in GHURA's name.

Receivables from HUD

Reimbursements due to GHURA for its expenditures on federally funded reimbursement and grant programs are reported as "receivables from HUD" in the accompanying financial statements.

Accounts Receivables - Tenants

GHURA recognizes bad debts using the allowance method and receivables are only written off after approval by management and subsequent reporting to the Board of Commissioners. The allowance for doubtful accounts is determined based on management estimates. While management believes the amount is adequate, the ultimate uncollectible balance may differ from the amounts provided.

Notes Receivable

Notes receivable are stated at the amount of unpaid principal. The allowance for doubtful accounts is established through a provision charged to expense. Notes are charged against the allowance when the principal due aged beyond 90 days.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Prepayments

Payments made to vendors for services that will benefit future periods are recorded as prepayments.

Inventories

Inventories are stated at the lower of weighted average cost or market (net realizable value).

Capital Assets and Depreciation

All capital assets with a value greater than \$5,000 and a useful life over one year are capitalized. Capital assets are stated at cost or at estimated historical cost if actual historical cost is not available except for certain parcels of land donated by GovGuam, which are recorded at the estimated fair market value at date of donation.

The cost of maintenance and repairs is charged to operations as incurred and improvements are capitalized. Depreciation of capital assets is computed using the straight-line method over the estimated useful lives of the assets. Property and equipment for the Supportive Housing for the Elderly are stated at cost, while property that was donated or contributed is carried at the fair value on the date of donation or contribution.

Property and equipment for this project are depreciated utilizing straight-line method over their estimated useful lives. Capital assets are depreciated on a straight-line basis method over estimated useful lives as follows:

<u>Category</u>	<u>Useful Life</u>
Structures	15-40 years
Leasehold improvements	15 years
Furniture	5-7 years

Upon retirement or other disposition of capital assets recorded, the cost and related accumulated depreciation are removed from the respective program or fund accounts and any gain or loss is included in the respective program or fund current operations. GHURA also has other assets, which consist primarily of property inventory under the Local Funds programs. Additionally, capital assets include deferred charges, developmental costs, management improvements, and dwelling and non-dwelling costs from other various projects.

GHURA evaluates events or changes in circumstances affecting long-lived assets, including intangible and capital assets, to determine whether an impairment of its assets has occurred. If GHURA determines that a long-lived asset is impaired, and that the impairment is significant and other-than temporary, then an impairment loss will be recorded in GHURA's financial statements. In 2022, GHURA did not recognize any loss on impairment related to its long-lived assets.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Other Real Estate

Other real estate consists primarily of land transferred from GovGuam to GHURA to construct 500 single-family homes under the GHURA 500 Low Cost Housing Project. This property is recorded at the fair value less estimated selling cost. Management periodically performs valuations and property held for sale is carried at the lower of new cost basis or fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of the property exceeds its fair value. Costs of significant improvement are capitalized, whereas costs relating to holding property are expensed.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. GHURA has determined differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability, changes of actuarial assumptions or other inputs, pension and OPEB contributions made subsequent to the measurement date, and changes in proportion and differences between GHURA pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. GHURA has determined differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability and the OPEB liability, differences between projected and actual earnings on pension plan investments, changes of actuarial assumptions or other inputs, and changes in proportion and differences between GHURA pension contributions and proportionate share of contributions qualify for reporting in this category.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. GHURA recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents GHURA's proportionate share of excess total pension liability over the pension plan assets - actuarially calculated - of a single-employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes GHURA's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA to DCRS members.

Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes of actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Other Postemployment Benefits (OPEB)

OPEB is required to be recognized and disclosed using the accrual basis of accounting. GHURA recognizes a net OPEB liability for the defined benefit OPEB plan in which it participates, which represents GHURA's proportionate share of total OPEB liability - actuarially calculated - of a single-employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. An OPEB trust has not been established thus the OPEB plan does not presently report OPEB plan fiduciary net position. Instead, the OPEB plan is financed on a substantially "pay-as-you-go" basis.

Changes in the net OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes of actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Compensated Absences

Compensated absences are accrued and reported as a liability in the period earned. Annual leave, expected to be paid out within the next fiscal year, is accrued and is included in current liabilities. The maximum accumulation of annual leave convertible to pay upon termination of employment is limited to 320 hours. Pursuant to Public Law 27-106, employees who have accumulated annual leave in excess of 320 hours as February 28, 2003, may carry over their excess leave and shall use the excess amount prior to retirement or termination of service. Any unused leave over 320 hours shall be lost upon retirement. As of September 30, 2022, accrued earned compensated absences totaled \$654,730.

Public Law 26-86 allows members of the Defined Contribution Retirement System (DCRS) to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. As of September 30, 2022, GHURA has accrued an estimated sick leave liability of \$302,936 for potential future sick leave payments as a result of this law. However, this amount is an estimate and actual payout may be materially different than estimated.

Unearned Revenues

Unearned revenues arise when resources are received before GHURA has legal claim for them, such as when federal award money is received before the qualifying expenditure is made. In the subsequent period, when GHURA has a legal claim to the resources, the liability for unearned revenue is reduced and the revenue is recognized.

HUD Subsidies and Contributions

Subsidies and contributions from HUD are received periodically and represent the most significant source of revenues to GHURA. The terms of these subsidies are defined in various Consolidated Annual Contributions Contracts. HUD subsidies for ongoing operations and housing assistance payments for each unit rented to qualified tenants are recorded as operating grant revenues. HUD contributions for project acquisition and development or modernization are recorded as capital contributions.

Tenant Rental Income

Revenue from rental charges to residents is recognized ratably over the terms of the lease agreements, which are generally on a month-to-month basis or 12-month period.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Administrative and General Expenses

Certain operating facilities and materials used by the programs are shared with other programs. Costs associated with these facilities and materials are accumulated and paid by a central disbursement fund, which allocates such costs to the various programs based on each program's pro rata share of payroll hours.

Income Taxes

Income derived or generated by GHURA is not subject to federal income tax pursuant to Internal Revenue Code Section 115. GHURA is exempt from local property taxes.

Recently Adopted Accounting Pronouncements

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 89 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

During the year ended September 30, 2022, GHURA implemented the following pronouncements:

- GASB Statement No. 87, *Leases*, which increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Limited exceptions to the single approach guidance are provided for short-term leases, financed purchases, leases of assets that are classified as investments, and certain regulated leases.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The implementation of this Statement did not have a material effect on the accompanying financial statements.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- GASB Statement No. 92, *Omnibus 2020*, which enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which increases consistency and comparability related to the reporting of fiduciary component units; mitigates costs associated with the reporting of certain pension plans and other postemployment benefit (OPEB) plans as fiduciary component units; and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*, which establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 99, *Omnibus 2022*, which provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:
 - 1) Amends guidance in GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requiring that the accounting and financial reporting of Supplemental Nutrition Assistance Program (SNAP) transactions should follow the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions, as amended*. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
 - 2) Requires disclosures related to nonmonetary transactions, in the notes to financial statements, of the measurement attribute(s) applied to the assets transferred rather than the basis of accounting for those assets. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

3) Provides guidance on accounting for pledges of future revenues when resources are not received by the pledging government. The guidance addresses the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

4) Provides clarification of provisions in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended*, related to the focus of the government-wide financial statements. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

5) Provides terminology updates related to certain provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and terminology used in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. These updates were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

6) GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which amended GASB Statement No. 53 to address transition away from the London Interbank Offered Rate (LIBOR). GASB Statement No. 99 extends the period during which the LIBOR is considered an appropriate benchmark interest rate to when LIBOR ceases to be determined using methodology in place as of December 31, 2021. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

Guam Housing and Urban Renewal Authority
(A Component Unit of the Government of Guam)

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

- 1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.
- 3) Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives effective for fiscal year ending September 30, 2023.
- 4) Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Effective for fiscal year ending September 30, 2023.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

5) Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. Effective for fiscal year ending September 30, 2023.

6) Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. Guidance is effective for fiscal year ending September 30, 2023.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

Subsequent Events

GHURA has evaluated subsequent events through September 25, 2023. It is also the date that the financial statements were available to be issued.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

3. Cash and Cash Equivalents

The deposits and investment policies of GHURA are governed by 5 GCA 21, *Investments and Deposits*. 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, which are explicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

Custodial credit risk is the risk that in the event of a bank failure, GHURA's deposits may not be returned to it. Such deposits are not covered by depositor insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. GHURA has an investment and deposit policy for custodial credit risk. For deposits, GHURA and the depository must execute a general depository agreement pursuant to HUD regulations. The depository bank must be a bank or financial institution whose deposits are insured by FDIC, Federal Savings and Loan Insurance Corporation or the National Credit Union Administration and all deposits must be fully collateralized by U.S. securities.

4. Notes Receivable

Notes receivable consist primarily of first time homebuyer loans to provide assistance to eligible residents to purchase or construct a primary owner-occupied dwelling. The loans under GHURA's Down Payment and Closing Cost Assistance Program are interest free with a maximum loan amount of the lesser of \$18,000 or 18% of the purchase price and are collateralized by second mortgages on real estate. Under the CDBG and HOME Investment Partnerships Program, loans carry a 3% interest rate with a 30-year term.

On December 3, 2020, HUD entered into a \$12 million loan facility with GHURA under the Community Development Block Grant (CDBG) Section 108 Loan Guarantee Program. (See Note 7) GHURA simultaneously entered into a subrecipient loan agreement with "The Learning Institute" (the subrecipient), a Guam nonprofit corporation, for the purpose of funding construction, rehabilitation or installation of public facilities eligible under 24 CFR 570.703 (1), in connection with the iLearn Academy Charter School Project. During the year ended September 30, 2022, various drawdowns totaling \$11,491,000, were made against this facility. As of September 30, 2022, note receivable from the subrecipient amounted to \$11,338,000.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

4. Notes Receivable, continued

As of September 30, 2022, these notes receivable are summarized as follows:

Section 108 Loan Guarantee Program	\$11,338,000
CDBG and HOME Investment Partnerships Program	4,397,762
Down Payment and Closing Cost Assistance Program	<u>254,504</u>
	15,990,266
Less current portion	<u>(802,221)</u>
	<u>\$15,188,045</u>

Maturities of the principal balances subsequent to September 30, 2022, are as follows:

<u>Year Ending</u> <u>September 30</u>	
2023	\$ 802,221
2024	629,130
2025	639,370
2026	634,542
2027	643,091
2028 through 2032	3,351,947
2033 through 2037	3,710,892
2038 through 2042	4,119,563
2043 through 2047	921,044
2047 through 2050	<u>538,466</u>
	<u>\$15,990,266</u>

As of September 30, 2022, the allowance for doubtful accounts on notes receivable amounted to \$162,055.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

5. Capital Assets

A summary of changes in capital assets for the year ended September 30, 2022, is as follows:

	<u>Balance</u> <u>October 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30</u>
Depreciable assets:				
Structures	\$ 97,736,439	\$2,038,140	\$ ---	\$ 99,774,579
Furniture, fixtures and equipment	4,456,231	577,710	---	5,033,941
Leasehold improvement	<u>296,583</u>	<u>39,153</u>	<u>---</u>	<u>335,736</u>
	102,489,253	2,655,003	---	105,144,256
Less accumulated depreciation and amortization	(89,209,881)	(1,458,548)	<u>---</u>	(90,668,429)
	<u>13,279,372</u>	<u>1,196,455</u>	<u>---</u>	<u>14,475,827</u>
Non-depreciable assets:				
Land	3,675,882	---	---	3,675,882
Homes for transfer to persons	322,515	---	(212,280)	110,235
Construction in progress	<u>233,825</u>	<u>475,470</u>	<u>(233,825)</u>	<u>475,470</u>
	<u>4,232,222</u>	<u>475,470</u>	<u>(446,105)</u>	<u>4,261,587</u>
Total capital assets, net	<u>\$ 17,511,594</u>	<u>\$1,671,925</u>	<u>\$(446,105)</u>	<u>\$ 18,737,414</u>

6. Other Real Estate

GovGuam transferred five parcels of land to GHURA to construct 500 single-family homes under the GHURA 500 Low Cost Housing Project. The estimated value per house was based on the development cost incurred totaled \$34,653. As of September 30, 2022, GHURA had sixty nine (69) lots in its inventory with an estimated value of \$2,391,057. In addition, GHURA has five (5) lots in the GovGuam Astumbo Housing Project with estimated per lot value of \$14,366 for a total estimated value of \$71,830 as of September 30, 2022.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

7. Notes Payable

Farmers Home Administration

On March 26, 1980, GHURA entered into a Section 515 Rural Rental Housing loan with the U.S. Department of Agriculture (USDA) Farmers Home Administration for \$2,000,000 for the construction of elderly housing known as Guma Trankilidat. The loan bears interest at 6% per annum and is secured by a first mortgage and assignment of rental income and assessments. In the event that GHURA defaults in the payment of the loan or in the performance of any of its obligations under the promissory note, or GHURA or any other party defaults in their respective obligations under any of the related security documents, USDA would have the option to declare the unpaid principal amount of the loan, together with any accrued and unpaid interest and charges, immediately due and payable. Approximate annual debt service requirements to maturity for principal and interest are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2023	\$ 89,000	\$ 37,480	\$ 126,480
2024	95,000	31,480	126,480
2025	101,000	25,480	126,480
2026	107,000	19,480	126,480
2027	114,000	12,480	126,480
2028 through 2029	<u>152,098</u>	<u>6,502</u>	<u>158,600</u>
	<u>\$ 658,098</u>	<u>\$ 132,902</u>	<u>\$ 791,000</u>

Loan Guarantee Program

On December 3, 2020, GHURA entered into a loan guaranty assistance loan made pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974 as amended and 24 CFR part 570, Subpart M, in the maximum commitment amount of \$12,000,000. (See Note 4) Advances are made upon written request of GHURA and the approval of the HUD Secretary.

The loan bears variable interest based on the 3-month Treasury Auction Bill rate, is payable quarterly commencing August 1, 2021 with principal due annually.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

7. Notes Payable, continued

Loan Guarantee Program, continued

Principal repayment based on the commitment schedule on the written request are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>
2023	\$ 467,000
2024	476,000
2025	486,000
2026	495,000
2027	505,000
2028 through 2032	2,680,000
2023 through 2037	2,957,000
2038 through 2040	<u>3,272,000</u>
	<u>\$11,338,000</u>

Changes in notes payable for the year ended September 30, 2022, is as follows:

	<u>Balance October 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30</u>	<u>Due Within One Year</u>
Notes payable:					
Farmers Home Administration	\$ 741,968	\$ ---	\$(83,870)	\$ 658,098	\$ 89,000
Loan Guarantee Program	<u>2,488,000</u>	<u>9,003,000</u>	<u>(153,000)</u>	<u>11,338,000</u>	<u>467,000</u>
	<u>\$ 3,229,968</u>	<u>\$9,003,000</u>	<u>\$(236,870)</u>	<u>\$11,996,098</u>	<u>\$556,000</u>

8. Other Noncurrent Liabilities

The changes in other long-term liabilities for the year ended September 30, 2022, is as follows:

	<u>Balance October 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30</u>	<u>Due Within One Year</u>
Compensated absences	\$ 989,256	\$ ---	\$(31,590)	\$ 957,666	\$107,705
Net pension liability	15,722,499	---	(2,707,879)	13,014,620	---
OPEB liability	<u>16,920,540</u>	<u>2,154,256</u>	<u>---</u>	<u>19,074,796</u>	<u>---</u>
	<u>\$33,632,295</u>	<u>\$2,154,256</u>	<u>\$(2,739,469)</u>	<u>\$33,047,082</u>	<u>\$107,705</u>

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

9. Commitments

Housing Assistance Payments:

As of September 30, 2022, GHURA had 2,657 voucher contracts with dwelling owners, all of which are funded for a period of twelve months. Of the 2,657 vouchers leased-up, 112 were project-based vouchers located at the Summer Town Estate in Lada, Dededo. These units were 98% occupied with elderly families as of September 30, 2022. HUD will fund the entire amount of assistance payments committed under these contracts.

Local Funds

Proceeds of \$460,000 from the sale of property have been committed for use in a construction project jointly agreed to by GovGuam and GHURA. A total of \$459,403 had been expended for the construction project prior to the fiscal year ended September 30, 2016. On October 13, 2014, Bill number 327-32 (COR) was signed into law (Public Law 32-194) that placed the custodianship, discretion, and purview of the GHURA 500 lot land sales under GHURA.

Construction Work-in-Progress

GHURA has entered into development stage contracts for certain programs. Ongoing and unliquidated contracts as of September 30, 2022, is as follows:

	Contract Amount	Liquidations	Unliquidated Contract
Community Development Block Grant	\$ 5,478,399	\$(3,111,254)	\$ 2,367,145
Capital Fund Program	892,600	(195,210)	697,390
HOME Investment Partnership	650,000	(100,890)	549,110
Housing Choice Vouchers	<u>225,000</u>	<u>(89,100)</u>	<u>135,900</u>
	<u>\$ 7,245,999</u>	<u>\$(3,496,454)</u>	<u>\$ 3,749,545</u>

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

10. Pensions

GHURA is statutorily responsible for providing pension benefits for GHURA employees through the GovGuam Retirement Fund (GGRF).

A. General Information About the Pension Plans:

Plan Description: GGRF administers the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan, and the Defined Contribution Retirement System (DCRS). GovGuam also maintains a nonqualified deferred compensation plan that constitutes an “eligible governmental plan” in accordance with Section 457(b) of the Internal Revenue Code and comparable provisions under the Guam Territorial Income Tax Code. Participation in the 457 Deferred Compensation Plan is voluntary for all employees who are members of the DB Plan and the DCRS Plan.

The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes GHURA, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, and prior to January 1, 2018 are required to participate in the DCRS Plan. Hence, the DB Plan became a closed group.

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, retirees under the DB and DCRS Plans who retired prior to September 30, 2021 are eligible to receive an annual ad hoc cost of living allowance (COLA).

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.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

10. Pensions, continued

A. General Information About the Pension Plans, continued:

Benefits Provided: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater. Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age. Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age. Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

Supplemental annuity benefit payments are provided to DB retirees in the amount of \$4,238 per year, but not to exceed \$40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB and DCRS retirees in a lump sum amount of \$2,000. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a “pay-as-you-go” basis so there is no plan trust. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

10. Pensions, continued

A. General Information About the Pension Plans, continued:

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans; the DB 1.75 Plan and the Guam Retirement Security Plan (GRSP). On February 4, 2020, the Guam Legislature terminated the GRSP. Commencing April 1, 2017, eligible employees elected, during the “election window”, to participate in the DB 1.75 Plan with an effective date of January 1, 2018.

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee’s base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam 457 Deferred Compensation Plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution. Benefits are fully vested upon attaining 5 years of credited service.

Members of the DB 1.75 Plan may retire at age 62 with 5 years of credited service, or at age 60 with 5 years of credited service without survivor benefits, or at age 55 with 25 years of credited service but the retirement annuity shall be reduced ½ of 1% for each month that the age of the member is less than 62 years (6% per year). Credited service is earned for each year of actual employment by the member as an employee. Upon retirement, a retired member is entitled to a basic retirement annuity equal to an annual payment of 1.75% of average annual salary multiplied by years of credited service. Average annual salary means the average of annual base salary for the three years of service that produce the highest average.

Contributions and Funding Policy: 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 GHURA are established and may be amended by the GGRF.

GHURA’s statutory contribution rate was 28.32% for the year ended September 30, 2022. Employees were required to contribute 9.5% of their annual pay for the year ended September 30, 2022.

GHURA’s contributions to the DB Plan for the year ended September 30, 2022 were \$1,532,814, which were equal to the required contributions.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

10. Pensions, continued

A. General Information About the Pension Plans, continued:

GHURA's contributions for supplemental annuity benefit and COLA payments for the year ended September 30, 2022 were \$162,224, which were equal to the statutorily required contributions.

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

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

Statutory employer contributions for the DCRS plan for the year ended September 30, 2022 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 6.2% of the member's regular pay is deposited into the DCRS. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

GHURA's contributions to the DCRS Plan for the year ended September 30, 2022 were \$687,301, which was equal to the required contributions. Of this amount, \$536,328 was contributed towards the unfunded liability of the DB Plan.

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Pension Liability: As of September 30, 2022, GHURA reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2021, which is comprised of the following:

Defined benefit plan	\$10,326,747
Ad hoc COLA/supplemental annuity plan for DB retirees	1,863,441
Ad hoc COLA plan for DCRS retirees	<u>824,432</u>
	<u>\$13,014,620</u>

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

10. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued:

GHURA's proportion of the GovGuam net pension liabilities was based on GHURA's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. As of September 30, 2022, GHURA's proportionate shares of the GovGuam net pension liabilities were as follows:

Defined benefit plan	1.07%
Ad hoc COLA/supplemental annuity plan for DB retirees	0.60%
Ad hoc COLA plan for DCRS retirees	1.17%

Pension Expense (Benefit): For the year ended September 30, 2022, GHURA recognized pension expense (benefit) for its proportionate share of plan pension expense from the above pension plans as follows:

Defined benefit plan	\$(341,076)
Ad hoc COLA/supplemental annuity plan for DB retirees	(59,150)
Ad hoc COLA plan for DCRS retirees	<u>66,383</u>
	<u><u>\$(333,843)</u></u>

Deferred Outflows and Inflows of Resources: As of September 30, 2022, GHURA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees</u>		<u>Ad Hoc COLA Plan for DCRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 16,575	\$ 105,001	\$ ---	\$ 25,887	\$ 90,665	\$ 16,055
Net difference between projected and actual earnings on pension plan investments	---	1,247,465	---	---	---	---
Changes of assumptions	---	---	50,776	5,526	167,455	54,379
Contributions subsequent to the measurement date	1,532,814	---	134,224	---	28,000	---
Changes in proportion and difference between GHURA contributions and proportionate share of contributions	<u>595,092</u>	<u>---</u>	<u>---</u>	<u>132,798</u>	<u>171,191</u>	<u>72,962</u>
	<u>\$ 2,144,481</u>	<u>\$1,352,466</u>	<u>\$ 185,000</u>	<u>\$ 164,211</u>	<u>\$ 457,311</u>	<u>\$ 143,396</u>

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

10. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued:

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2022 will be recognized in pension expense as follows:

<u>Year Ending</u> <u>September 30</u>		
2023		\$ 59,919
2024		1,085
2025		(175,822)
2026		(508,590)
2027		15,884
Thereafter		<u>39,205</u>
		<u>\$(568,319)</u>

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

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% per year from age 55 to 64, 20% per year from age 65 to 74, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.

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Notes to the Financial Statements, continued

10. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued:

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26.0%	7.44%	1.93%
U.S. Equities (small cap)	4.0%	9.23%	0.37%
Non-U.S. Equities	17.0%	9.28%	1.58%
Non-U.S. Equities (emerging markets)	3.0%	11.32%	0.34%
U.S. Fixed Income (aggregate)	22.0%	3.89%	0.86%
Risk Parity	8.0%	5.92%	0.47%
High Yield Bonds	8.0%	6.42%	0.51%
Global Real Estate (REITs)	2.5%	8.55%	0.21%
Global Equity	7.0%	8.20%	0.57%
Global Infrastructure	2.5%	7.58%	0.19%
Expected average return for one year			7.04%
Expected geometric mean (30 years)			6.36%

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan was 7.0%, which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments was 2.26%, which is equal to the rate of return of a high quality bond index.

Discount Rate Sensitivity Analysis: The following presents the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to GHURA's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

10. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued:

Defined Benefit Plan:

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	\$ <u>13,038,873</u>	\$ <u>10,326,747</u>	\$ <u>6,967,691</u>

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>1.26%</u>	Current Discount Rate <u>2.26%</u>	1% Increase in Discount Rate <u>3.26%</u>
Net Pension Liability	\$ <u>2,043,551</u>	\$ <u>1,863,441</u>	\$ <u>1,706,206</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>1.26%</u>	Current Discount Rate <u>2.26%</u>	1% Increase in Discount Rate <u>3.26%</u>
Net Pension Liability	\$ <u>935,896</u>	\$ <u>824,432</u>	\$ <u>729,335</u>

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

11. Other Post-Employment Benefits (OPEB)

GHURA participates in the retiree health care benefits program. GovGuam’s Department of Administration is responsible for administering the GovGuam Group Health Insurance Program, which provides medical, dental, and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. The program covers retirees and is considered an OPEB plan.

A. General Information About the OPEB Plan:

Plan Description: The OPEB plan is a single-employer defined benefit plan that provides healthcare benefits to eligible employees and retirees who are members of the GovGuam Retirement Fund. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Governor’s recommended budget and the annual General Appropriations Act enacted by the Guam Legislature provide for a premium level necessary for funding the program each year on a “pay-as-you-go” basis.

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

Contributions: No employer contributions are assumed to be made since an OPEB trust has not been established. Instead, the OPEB Plan is financed on a substantially “pay-as-you-go” basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

B. Total OPEB Liability:

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

Reporting date:	September 30, 2022
Measurement date:	September 30, 2021
Valuation date:	September 30, 2020

Total OPEB liability as of September 30, 2022 is \$19,074,796.

Proportionate share of total OPEB liability at September 30, 2022 is 0.69%.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

11. Other Post-Employment Benefits (OPEB), continued

B. Total OPEB Liability, continued:

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

Inflation:	2.75%
Healthcare cost trend rate:	19 percent and 31 percent for 2021 Non-Medicare and Medicare plans, respectively. 6 percent for 2022 through 2023, decreasing 0.25 percent per year to an ultimate rate of 4.25 percent for 2030 and later years.
Dental trend rates:	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Healthy retiree mortality rates:	Head-count weighted PUB-2010 Table, set forward 4 years for males and 2 years for females, respectively, projected generationally using 50% of MP-2020

Discount rate: The discount rate used to measure the total OPEB liability was 2.26%. The projection of cash flows used to determine the discount rate assumed that contributions from GovGuam will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 2.26% tax-exempt, high quality municipal bond rate was applied to all periods to determine the total OPEB liability.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the sensitivity of the total OPEB liability to changes in the discount rate. The sensitivity analysis shows the impact to GHURA's proportionate share of the total OPEB liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	<u>1.26%</u>	<u>2.26%</u>	<u>3.26%</u>
Total OPEB Liability	\$ <u>21,933,706</u>	\$ <u>19,074,796</u>	\$ <u>15,806,927</u>

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

11. Other Post-Employment Benefits (OPEB), continued

B. Total OPEB Liability, continued:

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact to GHURA's proportionate share of the total OPEB liability if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ <u>15,533,665</u>	\$ <u>19,074,796</u>	\$ <u>22,696,434</u>

C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2022, GHURA reported total OPEB expense of \$1,258,120, for its proportionate share of the GovGuam total OPEB. As of September 30, 2022, GHURA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$2,227,089	\$2,681,999
Differences between expected and actual experience	1,662,185	1,013,218
Contributions subsequent to the measurement date	199,760	---
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>1,248,330</u>	<u>---</u>
	<u>\$5,337,364</u>	<u>\$3,695,217</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2022 will be recognized in OPEB expense as follows:

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

11. Other Post-Employment Benefits (OPEB), continued

C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, continued:

Year Ending <u>September 30</u>	
2023	\$(118,164)
2024	481,506
2025	659,848
2026	254,133
2027	<u>165,064</u>
	<u>\$1,442,387</u>

12. Risk Management

GHURA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; operation liability, errors and omissions, employee injuries and illnesses; employee health, dental and accident benefits and natural disasters. GHURA maintains commercial insurance to provide for claims arising from most of these risks except for typhoon insurance.

Beginning in fiscal year 2005, GHURA decided to stop carrying commercial insurance for typhoon coverage because it was cost-prohibitive. A typhoon insurance coverage waiver was granted by HUD provided that GHURA establish and maintain a separate typhoon coverage escrow account in which it will deposit \$200,000 annually until the account balance reaches a minimum of balance of \$1 million. HUD must approve each draw against the typhoon coverage escrow account. When funds are used to pay typhoon claims, GHURA must replenish the escrow account on an annual basis to maintain the \$1 million minimum balance. As of September 30, 2022, GHURA had deposited \$1,025,147 into the typhoon coverage escrow restricted cash account.

There were no material losses sustained because of GHURA's risk management practices.

13. Contingencies

Federal Award Programs and HUD

GHURA participates in a number of federal award programs for specific purposes that are subject to review and audit by grantor agencies, namely the U.S. Department of Housing and Urban Development (HUD). Certain amount of questioned costs exist as of September 30, 2022. The questioned costs will be resolved by the applicable grantor agency and due to GHURA's inability to predict the ultimate outcome of this matter, no provision for any liability, if any that may result from this matter has been made in the accompanying financial statements. Such questioned costs could lead to requests for reimbursements from the grantor agency for expenditures disallowed under the terms of the applicable grant.

Guam Housing and Urban Renewal Authority
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Notes to the Financial Statements, continued

13. Contingencies, continued

Federal Award Programs and HUD, continued

During fiscal year 2015, GHURA received a letter from the HUD dated May 26, 2015 informing GHURA of HUD's DEC on-site review whose report was dated February 20, 2015. Based on the results of the on-site review, several instances of conflict of interest were cited including one pertaining to GHURA's prior legal counsel who was a landlord with the Section Housing 8 HCV while serving as legal counsel for GHURA. DEC recommended that GHURA repay \$577,626 from its non-federal funds for the amounts paid to the attorney as a landlord and for legal services paid while serving as legal counsel to GHURA. The report is under review with HUD's Honolulu Field Office and shared with GHURA for further discussions. No decisions have been made at this time.

During fiscal year 2004, GHURA transferred \$1,700,940 from its HCV Program's unrestricted net assets to its Low Rent Public Housing Program to construct a new building for its central operations. GHURA spent approximating \$295,000; however, the new building was not constructed. DEC is recommending that GHURA use non-federal funds repay \$1,405,940 to the HCV Program for the unused funds. The report is under review with HUD's Honolulu Field Office and shared with GHURA for further discussions. No decisions have been made at this time. Therefore, no liability that may ultimately arise from these matters have been recorded in the accompanying financial statements.

Litigation

GHURA is subject to various claims, unlawful detainer complaints and other legal actions in the normal course of business. GHURA consults their legal counsel whenever there is a potential or asserted claim and relies on the advice of counsel for direction and for establishing reserves for potential unfavorable outcomes.

Required Supplementary Information

Guam Housing and Urban Renewal Authority
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Schedule 1
Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

Defined Benefit Plan

	2022	2021	2020	2019	2018	2017	2016	2015	2014
GHURA's proportionate share of the net pension liability	\$ 10,326,747	12,797,806	\$ 11,913,613	\$ 10,897,784	\$ 9,526,027	\$ 11,293,296	\$ 11,754,627	\$ 9,785,625	\$ 11,952,878
GHURA's proportion of the net pension liability	1.07%	1.03%	0.98%	0.92%	0.83%	0.83%	0.82%	0.79%	0.92%
GHURA's covered-employee payroll**	\$ 5,706,641	\$ 5,366,685	\$ 4,998,061	\$ 4,749,017	\$ 4,239,078	\$ 4,177,889	\$ 4,183,506	\$ 4,404,881	\$ 4,244,960
GHURA's proportionate share of the net pension liability as percentage of its covered employee payroll	180.96%	238.47%	238.36%	229.47%	224.72%	270.31%	280.98%	222.15%	281.58%
Plan fiduciary net position as a percentage of the total pension liability	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%	53.94%

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

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

Guam Housing and Urban Renewal Authority
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Schedule 2
Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2022	2021	2020	2019	2018	2017	2016
GHURA's proportionate share of the net pension liability	\$ 1,863,441	2,106,536.00	\$ 2,212,240	\$ 2,021,716	\$ 1,952,207	\$ 1,522,308	\$ 1,485,317
GHURA's proportion of the net pension liability	0.60%	0.65%	0.68%	0.70%	0.68%	0.66%	0.63%

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

Guam Housing and Urban Renewal Authority
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Schedule 3
Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	2022	2021	2020	2019	2018	2017	2016
GHURA's proportionate share of the net pension liability	\$ 824,432	\$ 818,157	\$ 779,407	\$ 631,920	\$ 834,630	\$ 520,758	\$ 434,878
GHURA's proportion of the net pension liability	1.17%	1.23%	1.30%	1.28%	1.34%	0.84%	0.83%

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

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Schedule 4
Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily determined contribution	\$ 1,544,126	\$ 1,335,864	\$ 1,244,540	\$ 1,181,730	\$ 1,040,659	\$ 1,168,865	\$ 1,134,630	\$ 1,134,630	\$ 1,134,630
Contribution in relation to the statutorily determined contribution	<u>1,532,814</u>	<u>1,366,041</u>	<u>1,192,443</u>	<u>1,255,496</u>	<u>1,044,757</u>	<u>1,026,636</u>	<u>1,100,398</u>	<u>1,052,968</u>	<u>1,116,118</u>
Contribution deficiency (excess)	<u>\$ 11,312</u>	<u>\$ (30,177)</u>	<u>\$ 52,097</u>	<u>\$ (73,766)</u>	<u>\$ (4,098)</u>	<u>\$ 142,229</u>	<u>\$ 34,232</u>	<u>\$ 81,662</u>	<u>\$ 18,512</u>
GHURA's covered-employee payroll**	<u>\$ 5,875,671</u>	<u>\$ 5,706,641</u>	<u>\$ 5,366,685</u>	<u>\$ 4,998,061</u>	<u>\$ 4,749,017</u>	<u>\$ 4,239,078</u>	<u>\$ 4,177,889</u>	<u>\$ 4,183,506</u>	<u>\$ 4,404,881</u>
Contribution as a percentage of covered-employee payroll	26.09%	23.94%	22.22%	25.12%	22.00%	24.22%	26.34%	25.17%	25.34%

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

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

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Schedule 5
Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Total OPEB Liability
Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
GHURA's proportion of the total OPEB Liability	\$ 19,074,796	\$ 16,920,540	\$ 15,873,373	\$ 11,630,596	\$ 14,924,532	\$ 15,314,916
GHURA's proportion of the total OPEB Liability	0.69%	0.67%	0.62%	0.62%	0.61%	0.60%

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

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Schedule 6
Required Supplemental Information (Unaudited)
Schedule of OPEB Employer Contributions
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 1,724,998	\$ 1,736,353	\$ 1,325,418	\$ 1,625,198	\$ 1,679,498	\$ 1,437,562
Contributions in relation to the actuarially determined contribution	288,658	257,710	278,128	258,531	245,526	245,526
Contribution deficiency	\$ 1,436,340	\$ 1,478,643	\$ 1,047,290	\$ 1,366,667	\$ 1,433,972	\$ 1,192,036

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

Guam Housing and Urban Renewal Authority
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Note to Required Supplementary Information
(Unaudited)

Changes of Assumptions – Pension Plans

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

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

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

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

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

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

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