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M&C Fwd: Guam Housing Corporation - FY 2019 Financial Audit Reports

1 message

Speaker's Office <speaker@guamlegislature.org>
To: Clerks Office <clerks@guamlegislature.org>
Cc: Rennae Meno <rennae@guamlegislature.org>

05-27-20	11:07 AM	04-26-20	Guam Housing Corporation – FY 2019 Financial Audit Reports.*	Office of Public Accountability





Sinseru yan Minagåhet,

Office of the Speaker • Tina Rose Muña Barnes
Committee on Public Accountability, Human Resources & the Guam Buildup

35th Guam Legislature
I Mina'trentai Singko na Liheslaturan Guåhan

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Gumai pribilehu yan konfedensia este siha na mensåhi. Solo espesiåtmente para hågu ma entensioña pat ma aturisa para unrisibi. Sen prubidu kumu ti un ma aturisa para manribisa, na'setbe, pat mandespåtcha. Yang mensåhi , put fabot ago' guatu gi I numa'huyong gi as speaker@guamlegislature.org yan despues destrosa todu siha I kopian mensåhi. Si Yu'os ma'åse'.

---------- Forwarded message ---------
From: **Jerrick Hernandez** <jhernandez@guamopa.com>
Date: Wed, May 27, 2020 at 11:07 AM
Subject: Guam Housing Corporation - FY 2019 Financial Audit Reports
To:

Hafa Adai,

Transmitted electronically are the Guam Housing Corporation's (GHC) financial statements, report on compliance and internal control, and the auditor's communication with those charged wit (FY) 2019. These reports may also be found at http://www.opaguam.org.

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Regards,

Jerrick J.J.G. Hernandez, MA, CGAP, CICA
Auditor
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4 attachments

- **GHC FY2019 COMP Final.pdf** 51K
- **GHC FY 2019 Financial Highlights FINAL.pdf** 64K
- **GHC FY2019 FS Final.pdf** 229K
- **GHC FY2019 ARC FINAL.pdf** 2037K

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Guam Housing Corporation – FY 2019 Financial Highlights

April 26, 2020

Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Guam Housing Corporation's (GHC) financial statements, report on compliance and internal control, and the auditor's communication with those charged with governance for fiscal year (FY) 2019. GHC ended FY 2019 with an increase in net position (net gain) of $727 thousand (K), an increase of $1.3 million (M) from the FY 2018 net loss of $569K.

GHC received an unmodified (clean) opinion on its FY 2019 audit from independent auditors, Ernst & Young, LLP (EY). There was no management letter issued and auditors did not identify any material weaknesses or significant deficiencies in its compliance report.

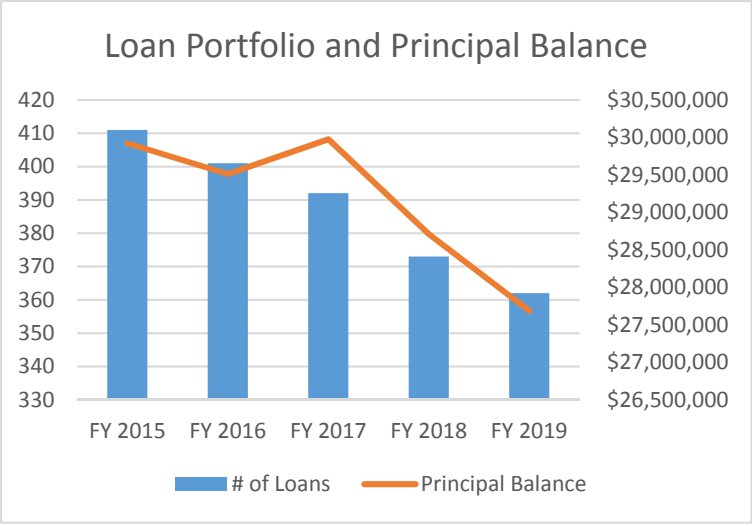
Revenues and Expenditures

GHC's total operating revenues increased by 11%, or $258K, from $2.4M in FY 2018 to $2.6M in FY 2019. This increase was mainly due to (1) a 15% increase in rental income or $114K, from $754K in FY 2018 to $868K in FY 2019, (2) the $57K FY 2019 gain on the sale of foreclosed assets, and (3) $53K in FY 2019 interest income on investments held by bond trustees.

GHC's total operating expenses decreased by 35%, or $1M, from $2.9M in FY 2018 to $1.9M in FY 2019. This was mainly due to the decrease in Retiree Supplemental & Health Benefits, Professional Services and Loss on Impaired Assets. This was offset by the $444K increase in the Retirement & Medicare contributions.

Loan Portfolio

GHC's loan portfolio decreased by 3.6% or $1M, from $28.7M in FY 2018 to approximately $27.7M in FY 2019. The decrease was due to $1.5M in payoffs, $1.1M in monthly payments plus $156K from one foreclosure offset by a new loan's principal disbursements and deferment totaling $1.7M.



GHC originated five (5) loans totaling $824K under the Direct Loan Program, five (5) loans totaling $930K under the Revolving Loan Program, and ten (10) loans totaling $342K under the Community Affordable Housing Action Trust (CAHAT) program in FY 2019.

At the end of FY 2019, 14 applicants totaling $2.2M were committed for loans and awaiting documents.

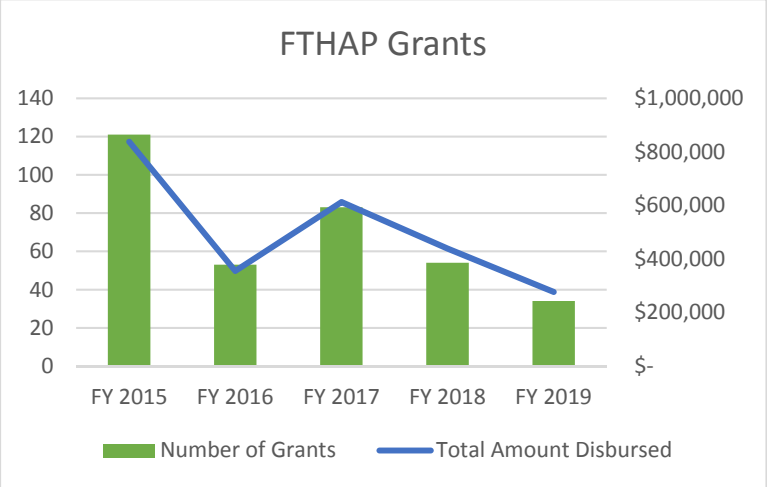
Although loans were committed, there have been delays in principal disbursements due to the limited number of skilled workers on Guam. GHC's borrowers are experiencing challenges in securing a Contractor to build their homes. GHC continues its marketing efforts to disseminate information relative to all its authorized programs, including the First Time Homeowners Assistance Program (FTHAP).

Although GHC is limited in its lending capital and securing a Contractor is difficult, it continued to conduct pre-qualification interviews to determine the need for affordable housing. In FY 2019, 228 applicants were interviewed. Of those interviewed, only 106 are prospective applicants requiring a total of $12.1M for loans. Most of these individuals are faced with the challenge of locating a dwelling within their affordability amount.

First Time Homeowners Assistance Program Disbursements Decreased

In FY 2019, FTHAP's total number of grants disbursed decreased from 54 in FY 2018 to 34 in FY 2019. GHC received $601K and $473K of escheated funds from the Department of Administration during FY 2019 and FY 2018, respectively.

Half of the FY 2019 funds were received in the latter part of FY 2019. As a result, these funds were disbursed in FY 2020. As with the previous fiscal years, the funds were not enough for all the applications GHC received resulting in an on-going waiting list. GHC is still awaiting funds.



FY 2019 Other Post-Employment Benefits (OPEB) Decreased

Governmental Accounting Standards Board (GASB) No. 75 pertains to post-employment benefits other than pension. These benefits provided by the Government of Guam (GovGuam) include medical, dental, and life insurance to retirees, spouses, children, and survivors. For FY 2019, GHC's proportionate share of GovGuam's OPEB liability was $5.7M, a 49% or $5.5M decrease from $11.2M in FY 2018. This decrease was due to the changes of many assumptions in the Actuaries' report dated March 12, 2020.

For a more detailed discussion on GHC's operations, see the Management's Discussion and Analysis in the audit report at www.guamhousing.org or www.opaguam.org.

Compliance and Internal Control

Guam Housing Corporation

(A Component Unit of the Government of Guam)

Year ended September 30, 2019



Building a better working world

Doc. No. 35GL-20-1828.*

Guam Housing Corporation

(A Component Unit of the Government of Guam)

Report on Compliance and Internal Control

Year ended September 30, 2019

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

Management and the Board of Directors
Guam Housing Corporation

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guam Housing Corporation (the Corporation), which comprise the statement of net position as of September 30, 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 24, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Ernst & Young LLP

April 24, 2020

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

Summary Schedule of Prior Audit Findings
Year ended September 30, 2019

Financial Statement Findings

Finding No.
2018-001

Requirement
Procurement in accordance with Guam Administrative Rules and Regulations

Comment:
Corrective action has been taken.

Financial Statements, Required Supplementary Information and Supplementary Information

Guam Housing Corporation

(A Component Unit of the Government of Guam)

Years ended September 30, 2019 and 2018
with Report of Independent Auditors



Building a better working world

Doc. No. 35GL-20-1828.*

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

Financial Statements, Required Supplementary Information, and Supplementary Information

Years ended September 30, 2019 and 2018

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Report of Independent Auditors

The Board of Directors
Guam Housing Corporation

Report on the Financial Statements

We have audited the accompanying statements of net position of the Guam Housing Corporation (the Corporation), a component unit of the Government of Guam, as of September 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Guam Housing Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

A member firm of Ernst & Young Global Limited

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 18, the Schedules of the Corporation's Proportionate Share of the Net Pension Liability on pages 55, 57 and 59, the Schedule of the Corporation's Contributions on pages 56, 58, 60 and 62 and the Schedule of the Corporation's Proportionate Share of Collective Total Other Postemployment Benefit Liability on page 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The supplementary information included in pages 64 through 68 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Supplementary Information, continued

The information included in pages 64 through 68 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated April 24, 2020 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Ernst & Young LLP

April 24, 2020

As Management of the Guam Housing Corporation (GHC, the Corporation), we offer the readers of the Corporation's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2019. We encourage the readers to consider the information presented as you review the financial statistics presented on the following pages.

A. About the Corporation

GHC was established by virtue of Title 12 Chapter 4 of the Guam Code Annotated in 1965. GHC's mandate is to (a) To encourage and promote the investment of private capital in low and moderate income residential housing in Guam. (b) To engage in land-use planning for residential housing purposes to the end that the most economic and socially beneficial use may be made of land, and to encourage and assist private persons and organizations to act in accordance with the results of such planning. (c) To encourage and engage in low and moderate income housing activities, including development of residential subdivisions, construction of housing for rental or resale, and to make loans to any person for the purchase, construction, improvement or repair of a home.

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

Loan & Supplemental Funding Programs

Currently, GHC makes available the following programs:

I. Regular Loan Program

The residential mortgage lending program is to assist families and individuals, who are first time homeowners and are unable to obtain financing for purchase or construction through conventional lending institutions. During the August 31, 2018 regular meeting of the Board of Directors, the current interest rate for this program was changed to 2% above the prevailing rate charged by local lenders.

II. Six Percent Loan Program

This is a low interest rate residential mortgage loan program to assist families and individuals who are first time homeowners and are unable to obtain financing from conventional mortgage lending institutions. The interest rate on this program was changed to match that of the local markets with a floor of 4% and a ceiling of 6% for a term of 30 years (P.L. 31-166).

III. Community Affordable Housing Action Trust (CAHAT)

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

IV. IV. Leveraged Loan Program

This loan program was effectuated via a Memorandum of Understanding between GHC (Government of Guam) and Rural Development (RD), United States Department of Agriculture (USDA) on September 5, 2005. The program is a joint financing concept whereby an applicant receives two separate loans to obtain a 100% financing. GHC provides 20%, holding the first mortgage; and the RD provides 80% for the second mortgage.

GHC's loan will be at the interest rates established for its regular loan program for a term of thirty (30) years. RD loans will be available at the prevailing interest rate for a term of thirty-three (33) years. However, because RD's loan is a subsidized loan, the interest rate may be reduced depending on the borrower's income. This subsidy increases the buying power of an individual.

V. First Time Homeowners Assistance Program (FTHAP)

This program was reestablished through the Housing Trust Fund Act established by P. L. 31-166 in January of 2012 with the first grant being awarded with the establishment of the Rules and Regulations for the program in June of 2012 through P. L. 31-277.

A real success story; since its reintroduction, the Corporation has issued grants totaling $3,938,114 to 546 families. Not only has this program helped so many first time homeowners realize the dream of ownership but it also has stimulated the real estate industry by a whopping $98 million.

Eligible recipients of the program are provided up to $10,000 or 4% of the total of the purchase price or construction cost and closing costs. The maximum total cost should not exceed $300,000 as amended by P.L. 34-100.

The program is not restricted to GHC loans. Currently, there are eleven (11) participating financial institutions, including GHC.

GHC also works in conjunction with the USDA RD and the Land Trust Initiative in supporting their housing initiatives. By virtue of Title 21, Chapter 75 of the Guam Code Annotated, GHC is the primary, and in most cases, the only authorized lender for chamorro land trust property recipients seeking mortgage financing. Loan programs available to veterans, who are also recipients of the chamorro land trust property, were limited to GHC's loan program and U.S. Veteran's Administration direct loan under the Native American Loan Program. However, a Memorandum of Understanding executed by the Chamorro Land Trust Commission (CLTC), GHC and RD on September 2005 was suspended due to suit on the Fair Housing Act. An Amended MOU is under review and expected to be executed by all parties in order to effectuate the original intent for RD to provide financial assistance to first-time homeowners with a CLTC lease and also meet RD's eligibility and qualifying criteria.

GHC's borrowers are diverse and includes teachers, firemen, police officers, office managers, office workers, hotel and restaurant employees. They walk through our doors seeking financing for their first home in order to fill the basic need of housing for their families. It is for this very reason why GHC seeks additional lending capital at the lowest cost possible for those families who have been pre-qualified.

Even though GHC continues to hold its own, its limited capital does hinder its ability to do all that it is capable of doing with respect to funding its own lending programs or in moving its special programs forward.

Currently the lack of skilled construction workers has driven the price of building and renovating houses beyond the buying powers of GHC's applicants. Also, the current inventory of affordable housing units is insufficient to meet the needs of our people. It is imperative that the Corporation as a government entity, continue to work to address the housing needs of our island residents. GHC under its mandate is geared to accomplish this mission.

Rental Division

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

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

B. Overview of the Financial Statements

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

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

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

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

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

The Corporation-wide financial statements report on the function of the Corporation that is principally supported by intergovernmental revenues. The Corporation's function is to help first-time homeowner individuals and families secure mortgage financing who cannot otherwise qualify as borrowers through other conventional financing means and provide and administer low-cost housing rental projects. The Corporation-wide financial statements of the Corporation can be found on pages 19 through 68 of this report.

A condensed summary of the Corporation's statements of net position at September 30, 2019, 2018 and 2017 is shown below.

	2019	2018	2017
Cash & Investments	$ 10,794,353	$ 9,951,896	$ 9,361,591
Loans receivable, other receivables, prepaid exp. & inventory	27,233,491	28,287,200	29,527,266
Foreclosed assets held for resale	535,541	477,450	505,638
Capital Assets	6,030,003	6,216,039	6,335,993
Deferred outflows of resources – pension & OPEB	1,130,250	1,448,339	1,655,150
Total assets & deferred outflows of resources	45,723,638	46,380,924	47,385,638
Accounts payable & accrued expenses	887,337	771,197	841,714
Deposits by borrowers & security deposit	535,868	654,163	712,927
Bonds payable	3,495,000	3,715,000	3,905,000
Loans held in trust	147,408	166,738	191,461
Net Pension & OPEB Liability	9,302,919	14,668,683	15,916,557
Total Liabilities	14,368,532	19,975,781	21,567,659
Deferred inflows of resources – pension & OPEB	5,730,577	1,508,093	351,628
Invested in capital assets, net of related debt	6,030,003	6,216,039	6,335,993
Restricted	4,541,540	3,903,672	3,605,367
Unrestricted	15,052,986	14,777,339	15,524,991
Total net position	$ 25,624,529	$ 24,897,050	$ 25,466,351

	2019	2018	2017
Revenues	$ 2,633,641	$ 2,376,083	$ 2,558,943
Expenses	1,906,162	2,945,384	3,307,599
Increase (decrease) in net position	727,479	(569,301)	(748,656)
Net position at beginning of year	24,897,050	25,466,351	26,215,007
Net position at end of year	$ 25,624,529	$ 24,897,050	$ 25,466,351

C. Financials at a Glance

The Corporation ended fiscal year 2019 with an increase in net income of $727,479. The increase is attributed to the Other Post-Employment Benefits (OPEB) liability adjustments. The overall adjustments due to the OPEB increased the net position by $842,637. Before the OPEB and pension liability adjustment the corporation had a decrease in net position of $97,712.

Revenue increased by 11% due to the increase in Rental Income, gain on the sale of property, interest on investments held by bond trustee and interest on bank deposit this was offset by the decrease in miscellaneous income. An explanation of the variance of these revenue categories is provided below.

Expense decreased by 35% due to the decrease in Retiree Supplemental & Health Benefits, Professional Services and Loss on Impaired Assets this was offset by the increase in the Retirement & Medicare contributions. An explanation of the variance of these expense categories is provided below.

GHC's loan portfolio has decreased by $1.02 million to approximately $27.7 million decreasing 3.6% from the prior year. The decrease is due to $1.5 million in payoffs, $1.1 million in monthly payments plus $156 thousand from one foreclosure offset by new loan's principal disbursements and deferment totaling $1.7 million.

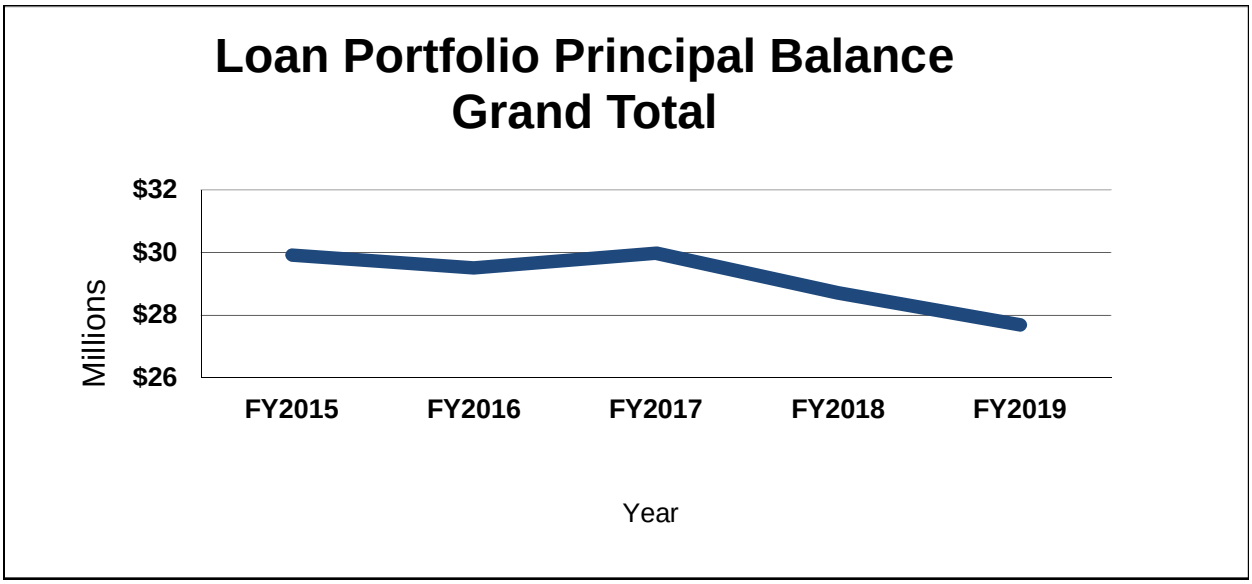
GHC originated five (5) loans totaling $824 thousand under the Direct Loan Program, five (5) loans totaling $930 thousand under the Revolving Loan Program and ten (10) loans totaling $342 thousand under the CAHAT program in fiscal year 2019.

At the end of fiscal year 2019, 14 applicants totaling $2.2 million were committed for loans and awaiting documents. Although there are loans committed, there has been delays in principal disbursement due to the limited number of skilled workers on Guam. GHC's borrowers are having a hard time securing a Contractor to build their homes. GHC continues its marketing efforts to disseminate information relative to all its authorized programs, including the FTHAP. Although GHC is limited in its lending capital and securing a Contractor is difficult, it continued to conduct pre-qualification interviews in order to determine the need for affordable housing. In fiscal year 2019, 228 applicants were interviewed. Of those interviewed only 106 are prospective applicants requiring a total of $12.1 million for loans. Most of these individuals are faced with the challenge of locating a dwelling within their affordability amount.

D. Financial Highlights

Loan Portfolio Principal Balance

FY2015	FY2016	FY 2017	FY 2018	FY 2019
$29,921,496	$29,512,782	$29,976,181	$28,708,835	$27,686,804
Total Number of Loans				
411	401	392	373	362

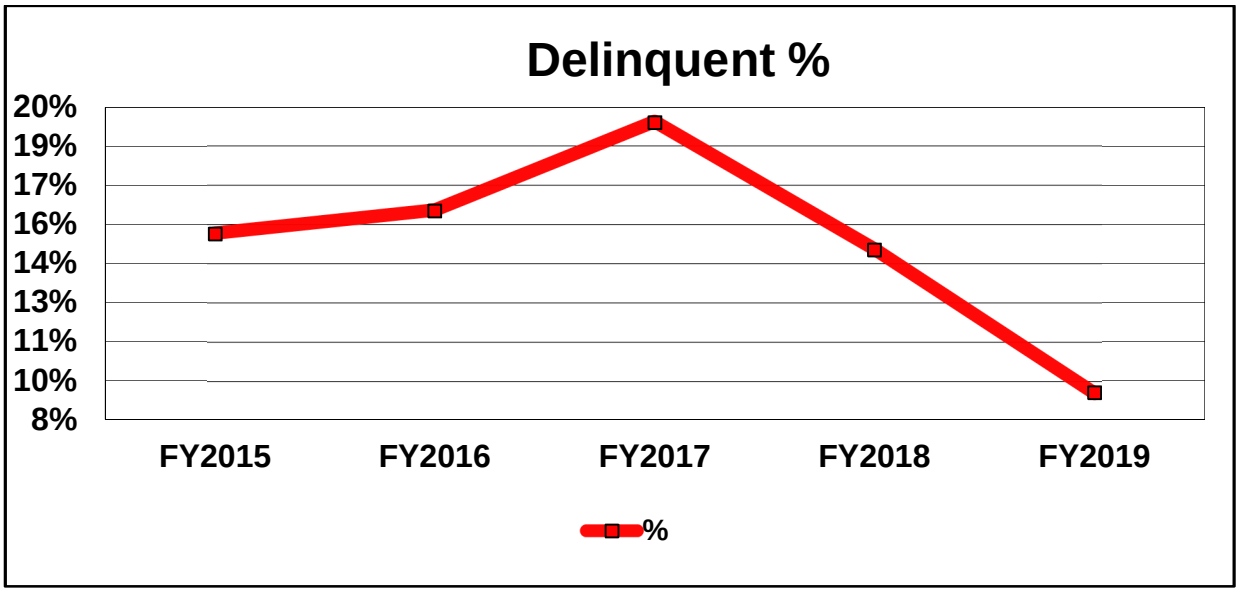


Delinquency

GHC provides financial assistance to individual and families who are unable to get assistance thru conventional means for their housing needs. As such, GHC takes a higher risk. Delinquent loans 30 days and over decreased by $1.7 million to $2.5 million in fiscal year 2019. Overall, loans delinquent 30 days and over decreased from 15% in fiscal year 2018 to 9% in fiscal year 2019. The decrease is due GHC's Legal Counsel's aggressive actions and some workout agreements with borrowers.

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

FY2015	FY2016	FY2017	FY2018	FY2019
Delinquent %				
15.15%	16.04%	19.43%	14.54%	9.03%
Principal Balance				
$4,496,676	$4,697,389	$5,789,624	$4,150,819	$2,488,045
Total Number of Loans				
58	53	60	50	32



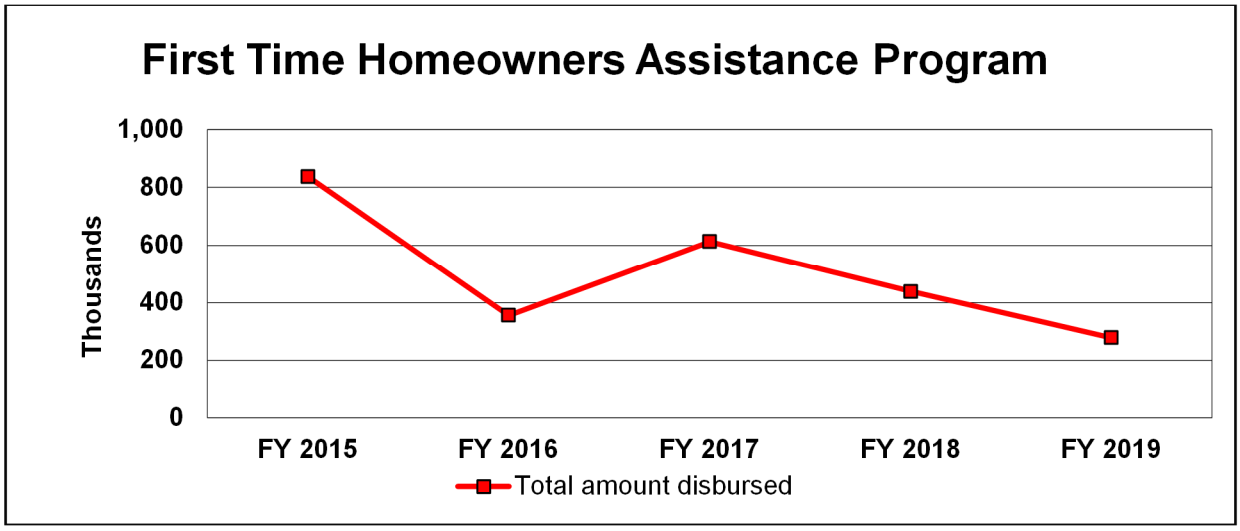
First-Time Homeowners Assistance Program

The total number of FTHAP grants disbursed have decreased from 54 in fiscal year 2018 to 34 in fiscal year 2019. GHC received $600,544 & $473,461 of escheated funds from the Department of Adminstration (DOA) during fiscal years 2019 & 2018 respectively. Half of the funds received in fiscal year 2019 was received in the latter part of the fiscal year so disbursements for these funds were disbursed in fiscal year 2020. As with the previous fiscal years, the funds were not enough for all the applications GHC received so the waiting list that was established is ongoing. GHC is still awaiting funds.

	FY 2015	FY 2016	FY 2017	FY2018	FY2019
Total amount disbursed	$837,997	$355,262	$612,575	$438,982	$276,991
Total number of grants	121	53	83	54	34

GHC funds	$0	$26,338	$0	$7,532	$0
Number of grants (GHC)	0	4	0	1	0

Escheated funds	$837,997	$328,924	$612,575	$431,450	$276,991
Number of grants (Escheated funds)	121	49	83	53	34



Foreclosed assets held for resale

Foreclosed assets held for resale increased from $477,450 in fiscal year 2018 to $535,541 in fiscal year 2019. During fiscal year 2019, one (1) property was sold which had a book value of $177,210 and one (1) property was added due to a foreclosure with a value of $235,301. At the end of fiscal year 2019 there were three (3) foreclosed assets held for resale.

Maintenance and security of these units throughout the Territory of Guam has fallen to the Rental Division, which due to its limited staff, struggles to accommodate the additional workload. Among others there are concerns of vandalism, theft, and generally the deterioration of the vacant properties.

Investment with trustee

Investment with trustee decreased by $383,056 to $1,868,261 in fiscal year 2019. This account is used to pay the trustee fees and the principal and interest of the mortgage revenue bond.

Pension & Other Post-employment Benefits (OPEB) Deferred Outflows of resources

The deferred outflows of resources decreased from $1,448,339 in fiscal year 2018 to $1,130,250 in fiscal year 2019 or 22% due to the changes in assumptions as reported in the OPEB valuation report. As per the KMS Actuaries' report dated March 12, 2020 many assumptions were updated in this valuation and the OPEB Expense and deferred outflows and inflows of resources primarily result from changes in the components of the total OPEB liability. The changes of assumptions resulted in a decrease in the OPEB deferred outflow of resources this was offset by an increase in the Pension deferred outflow of resources. The Pension deferred outflow of resources increased due to eleven employees changing retirement plans from the Define Contribution Retirement System (DCRS) to the Define Benefit 1.75 Retirement System (DB 1.75 Plan) in January 2018.

Restricted Accounts Payables

In fiscal years 2018 and 2019 in accordance with PL33-168, DOA transferred to GHC $473,461 and $600,544, respectively, of escheated funds for the FTHAP. Because of the restrictions, the funds received were placed under a restricted payable. During fiscal year 2019, $276,991 was disbursed to thirty-four (34) first time homeowners from this fund. The balance at the end of fiscal year 2019 was $411,113.

Pension Liability

Pension liability increased from $3,444,753 in fiscal year 2018 to $3,625,960 in fiscal year 2019 or 5%. The increase was due to the transfer of eleven employees from the DCRS plan to the DB 1.75 Plan in January 2018.

Other Post-employment Benefit Liability

The OPEB liability decreased by 49% from $11,223,930 in fiscal year 2018 to $5,676,959 in fiscal year 2019. The decrease is due to the changes of assumptions. As per the KMS Actuaries' report dated March 12, 2020 many assumptions were updated in this valuation as mentioned above.

Pension and OPEB Deferred Inflows of Resources

Deferred inflows of resources increased by $4,222,484 from $1,508,093 in fiscal year 2018 to $5,730,577 in fiscal year 2019 due to the changes of assumptions for the OPEB liability as mentioned above.

Interest/(loss) on Investment held by Bond Trustees

Interest/(loss) on Investment Held by Bond Trustees increased by $81,043 from a loss of $28,323 in fiscal year 2018 to a gain of $52,720 in fiscal year 2019. The increase is due to the decrease in in the market value in fiscal year 2018. The overall decrease in market value for fiscal year 2018 was $73,948 compared to an increase in market value of $8,313 in fiscal year 2019.

Rental Income

Rental Income increased by $113,679 or 15% due to the decrease in bad debts for tenant receivable. Bad debts decreased from $122,131 in fiscal year 2018 to $23,256 in fiscal year 2019. An amnesty program was offered in fiscal year 2019. The offer to the tenants was to pay half of the total rent due in three months and the other half will be written off after all payments were made. Twenty-three (23) tenants took advantage of the amnesty program in fiscal year 2019. The total write offs due to the amnesty program was $34,101. Due to the collection from the amnesty program the adjustment to the allowance for uncollectible at the end of the fiscal year 2019 was a decrease in allowance of $10,845.

Miscellaneous Revenues

Miscellaneous Revenues decreased by $17,168 or 19% from $89,783 in fiscal year 2018 to $72,615 in fiscal year 2019. The decrease is due to the decrease in late fee collected and decrease in administrative fee. The decrease in late fee is due to the decrease in delinquency. The decrease in administrative fee was due to the decrease in the number of grants disbursed in fiscal year 2019. Some of the funds received in fiscal year 2019 was disbursed in fiscal year 2020.

Gain/(Loss) on Sale of Assets

In fiscal year 2019 one foreclosed property was sold at a gain of $57,188. GHC received several offers for this property in Piti and accepted the highest offer at $234,398. In fiscal year 2018, one foreclosed property was sold at a loss of $38,098. This property had been a foreclosed property since 1999 and had issues which made it hard to sell.

Interest Income on Bank Deposit

Interest income on bank deposit increased by 37% from $35,341 in fiscal year 2018 to $48,261 in fiscal year 2019 due to the increase in the weighted average interest rate on bank accounts.

Retirement and Medicare Contributions

Retirement and Medicare Contributions increased by $443,897 from a credit balance of $85,165 in fiscal year 2018 to $358,732 in fiscal year 2019 due to the big decrease in the pension liability in fiscal year 2018 and an increase in the pension liability in fiscal year 2019. The increase in pension liability during fiscal year 2019 was due to the transfer of eleven (11) employees from the DCRS plan to the DB 1.75 plan during fiscal year 2018 which is reported in fiscal year 2019.

Professional Services

Professional Services decreased by $26,427 or 18% from $149,963 in fiscal year 2018 to $123,536 in fiscal year 2019 due to the decrease in information technology (IT) expenses. There was an increase in IT expenses in fiscal year 2018 due to a project to implement a new software for the Rental Division and in June 2019 the IT contract expired.

Employee benefits, other than retirement

Employee benefit, other than retirement increased by $10,825 or 15% from $70,064 in fiscal year 2018 to $80,889 in fiscal year 2019. More employees opted to have medical and dental insurance in fiscal year 2019.

Maintenance Expense

Maintenance Expense increased by $17,785 or 34% from $52,467 in fiscal year 2018 to $70,252 in fiscal year 2019 due to the increase in the issuance of materials.

Impairment Loss on Foreclosed Assets

The appraised values that were taken in fiscal year 2019 for the three (3) foreclosed properties were higher than the book value as such there was no impairment loss in fiscal year 2019. Impairment loss on foreclosed assets totaling $66,271 was recorded in fiscal years 2018 to reduce the book value of three foreclosed properties in fiscal year 2018 to the appraisal value.

Retiree Supplemental and Health Benefits

Retiree Supplemental and Health Benefits decreased by $1,415,955 from $792,099 in fiscal year 2018 to a credit balance of $623,856 in fiscal year 2019 due to the decrease in the OPEB liability.

E. FUTURE EVENTS

GHC continues to pursue its mission with numerous challenges. GHC's ability to secure lending capital at affordable rates would be its immediate concern to achieve many of its goals. GHC has made numerous efforts in educating both the executive and legislative branches, as well as private sector housing partners with respect to the "Trust Fund" initiative which addresses the funding of various programs and projects. There is proposed legislation for consideration on funding opportunities intended for the Housing Trust Fund.

GHC will continue its pursuit of Governor Lou Leon Guerrero's Affordable Housing Initiatives, including addressing the homelessness needs on Guam. GHC provides direction, cooperation, coordination and leveraging of federal agencies, programs, and grants, with Government of Guam agencies, and the participation and investment of the private industry. With these efforts, the dream of homeownership for the people of Guam will become a reality for many, and an opportunity to provide a safe and sanitary housing for many more in the future.

The homeless population on Guam is growing at an alarming rate. Once again, GHC under the leadership of President, Alice Taijeron, is tasked to lead the housing agencies and partnering industries to address this concern. Funding from federal grants and programs and local initiatives must be secured to alleviate the increased need for adequate safe and sanitary housing for those in need. A homeless task force has been convened to deal with the many social and economic distress facing this segment of the community.

Guam Housing Corporation has established the following goals to complete in 2020:

1. Continued work with the 35th Guam Legislature and the Leon Guerrero/Tenorio Administration to introduce and ratify legislation to fund the existing "Housing Trust Fund" and all provisions attached thereto.

2. Continued pursuit and promotion of alternative building materials, structure, and design to lessen the cost of constructing safe, sanitary, and very affordable, low cost housing.

3. Ongoing coordination with partnering Government of Guam agencies (DLM, Chamorro Land Trust Commission, Guam Ancestral Land Commission) to provide available, developable land to recipients that qualify for homeownership financing and programs (VA, USDA, Substantially Underserved Trust Areas).

4. Continued work with GHURA and federal agencies with funding sources and layering of grants and programs in development of affordable housing.

5. Statutory authority to finance the building of new homes by funding "Housing Trust Fund" for GHC programs & initiatives (i.e., FTHAP and CAHAT loan program).

6. Sagan Linahyan – Development of 59 unused lots with available infrastructure for affordable housing (rental & home ownership)

7. Source funding to provide emergency housing shelters and homes for the needy through various programs. Federal, local, private sector and NGO's have expressed the need and desire to participate in funding and managing programs to assist the homeless population.

8. Renovate rental units at Lada & As Atdas as funds are available.

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

Doc. No. 35GL-20-1828.*

F. CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

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

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

Statements of Net Position

	September 30, 2019	2018
Assets		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents *(Note 2)*	$ 4,181,189	$ 3,596,744
Self-insurance fund *(Notes 2 and 9)*	1,156,703	1,132,357
Loans receivable, net *(Note 3)*	1,050,858	1,111,545
Tenants receivable, net	15,384	11,652
Accrued interest receivable	40,906	67,176
Prepaid expenses and other	44,134	73,714
Foreclosed assets held for resale *(Note 6)*	535,541	477,450
Total unrestricted assets	7,024,715	6,470,638
Restricted assets:		
Cash and cash equivalents *(Note 2)*	3,588,200	2,971,478
Investments *(Note 2)*	1,868,261	2,251,317
Total restricted assets	5,456,461	5,222,795
Total current assets	12,481,176	11,693,433
Loans receivable, net *(Note 3)*	24,034,480	25,154,593
Restricted other receivables *(Note 4)*	2,047,729	1,868,520
Depreciable capital assets *(Note 5)*	3,095,776	3,281,812
Non-depreciable capital assets *(Note 5)*	2,934,227	2,934,227
Total assets	44,593,388	44,932,585
Deferred outflows of resources		
Pension *(Note 8)*	561,499	449,481
Other postemployment benefits (*Note 8*)	568,751	998,858
Total deferred outflows of resources	1,130,250	1,448,339
Total assets and deferred outflows of resources	45,723,638	46,380,924

See accompanying notes.

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

Statements of Net Position, continued

	September 30, 2019	2018
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued expenses	$ 119,379	$ 164,740
Current portion of accrued compensated absences *(Notes 8 and 10)*	86,468	91,913
Unearned revenue	105,692	150,132
Total payable from unrestricted assets	311,539	406,785
Payable from restricted assets:		
Accounts payable	411,113	115,425
Bonds payable *(Notes 7 and 10)*	230,000	220,000
Accrued interest payable	16,340	17,202
Security deposits	49,945	47,557
Deposits by borrowers - insurance premiums and real estate taxes	485,923	606,606
Rebate liability *(Note 7)*	80,408	78,015
Total payable from restricted assets	1,273,729	1,084,805
Total current liabilities	1,585,268	1,491,590
Non-current liabilities:		
Payable from unrestricted assets:		
Non-current portion of accrued compensated absences *(Notes 8 and 10)*	67,937	153,770
Net pension liability *(Notes 8 and 10)*	3,625,960	3,444,753
Total collective other postemployment benefit liability *(Notes 8 and 10)*	5,676,959	11,223,930
Payable from restricted assets:		
Bonds payable *(Notes 7 and 10)*	3,265,000	3,495,000
Loans held in trust *(Notes 4 and 10)*	147,408	166,738
Total non-current liabilities	12,783,264	18,484,191
Total liabilities	14,368,532	19,975,781
Deferred inflows of resources		
Pension *(Note 8)*	157,960	209,703
Other postemployment benefits (Note 8)	5,572,617	1,298,390
Total deferred inflows of resources	5,730,577	1,508,093
Commitments and contingencies *(Notes 9)*		
Net position:		
Net investment in capital assets	6,030,003	6,216,039
Restricted for lending activities	4,541,540	3,903,672
Unrestricted	15,052,986	14,777,339
Total net position	$ 25,624,529	$ 24,897,050

See accompanying notes.

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

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30, 2019	2018
Operating revenues:		
Interest income on loans receivable	$ 1,534,866	$ 1,563,068
Rental income	867,991	754,312
Miscellaneous revenues	72,615	89,783
Interest income on deposits	48,261	35,341
Interest (expense) income on investments held by bond trustees	52,720	(28,323)
Gain (loss) on sale of foreclosed asset	57,188	(38,098)
Total operating revenues	2,633,641	2,376,083
Operating expenses:		
Salaries	1,240,263	1,233,093
Retirement and Medicare contributions *(Note 8)*	358,732	(85,165)
Interest expense on borrowings	202,973	213,197
Depreciation and amortization *(Note 5)*	186,037	179,452
Professional services	123,536	149,963
Rent *(Note 9)*	105,054	105,054
Contractual services	82,067	80,943
Employee benefits, other than retirement	80,889	70,064
Maintenance	70,252	52,467
Other	61,229	69,811
Bond trustee fees	16,036	16,135
Director fees	2,950	2,000
Retiree supplemental and health benefits *(Note 8)*	(623,856)	792,099
Impairment loss on foreclosed assets	---	66,271
Total operating expenses	1,906,162	2,945,384
Increase (decrease) in net position	727,479	(569,301)
Net position at beginning of year	24,897,050	25,466,351
Net position at end of year	$ 25,624,529	$ 24,897,050

See accompanying notes.

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

Statements of Cash Flows

	Year ended September 30, 2019	Year ended September 30, 2018
Cash flows from operating activities:		
Cash received from customers	2,991,195	$ 3,271,431
Others	418,952	113,341
Cash paid to suppliers for goods and services	(457,919)	(468,307)
Cash paid to employees	(1,975,447)	(1,958,412)
Net cash provided by operating activities	976,781	958,053
Cash flows from investing activities:		
Decrease in investments	383,056	443,344
Proceeds from sale of foreclosed assets	234,398	121,819
Interest received on cash and investments with trustees	52,720	(28,323)
Increase in self-insurance fund	(24,346)	(11,778)
Net cash provided by investing activities	645,828	525,062
Cash flows from noncapital financing activities:		
Repayment of bonds payable	(220,000)	(190,000)
Increase of rebate liability	2,393	2,298
Interest paid on bonds payable	(203,835)	(214,044)
Net cash used in noncapital financing activities	(421,442)	(401,746)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	---	(59,498)
Net increase in cash and cash equivalents	1,201,167	1,021,871
Cash and cash equivalents at beginning of year	6,568,222	5,546,351
Cash and cash equivalents at end of year	$ 7,769,389	$ 6,568,222
Consisting of:		
Unrestricted	$ 4,181,189	$ 3,596,744
Restricted	3,588,200	2,971,478
	$ 7,769,389	$ 6,568,222

See accompanying notes.

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

Statements of Cash Flows, continued

	Year ended September 30, 2019	2018
Reconciliation of change in net position to net used in operating activities:		
Increase (decrease) in net position	$ 727,479	$ (569,301)
Adjustments to reconcile increase (decrease) in net position to net cash provided by operating activities:		
Non-cash pension costs	361,983	(65,346)
Non-cash other postemployment benefit cost	(554,327)	808,283
Interest expense on borrowings reported as operating expenses	202,973	213,197
Depreciation and amortization	186,037	179,452
Provision for doubtful rental receivables	10,844	224,033
(Gain) loss on sale of foreclosed asset	(57,188)	38,098
Reversal of loan losses	(20,441)	(25,347)
Interest (income) expense on investments held by bond trustees reported as non-operating expenses	(52,720)	28,323
Impairment loss on foreclosed assets	---	66,271
Decrease (increase) in assets:		
Loans receivable, net	965,940	1,022,977
Tenants receivable, net	(14,577)	(220,991)
Other receivables	(179,209)	46,369
Accrued interest receivable	26,270	(2,393)
Prepaid expenses and other assets	29,580	(2,582)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	250,327	(8,959)
Accrued compensated absences	(91,278)	(61,723)
Unearned revenue	(44,440)	(1,286)
Security deposits	2,388	(10,311)
Deposits by borrowers - insurance premiums and real estate taxes	(120,683)	(48,453)
Loans held in trust	(19,330)	(24,723)
Net pension liability	(344,537)	(383,167)
Total collective other postemployment benefit liability	(288,310)	(244,368)
Net cash provided by operating activities	$ 976,781	$ 958,053
Supplemental disclosure of cash flow information:		
Cash paid for interest expense during the year	$ 203,835	$ 214,044

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

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

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

Basis of Accounting

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

Net Position

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

Net investment in capital assets

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

1. Organization and Summary of Significant Accounting Policies, continued

Net Position, continued

Restricted for lending activities

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

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

All of the Corporation's restricted net position at September 30, 2019 and 2018 is expendable.

Unrestricted

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

Cash and Cash Equivalents

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

Loans Receivable

The Corporation is permitted to make loans for the purchase, construction, or purchase of land and construction of homes not to exceed the loan limit established by the U.S. Department of Housing and Urban Development. The loan limit for FY2019 is $314,827 for single-unit dwellings.

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

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

1. Organization and Summary of Significant Accounting Policies, continued

Loans Receivable, continued

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

Capital Assets

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

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

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

Impairment of Capital Assets

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

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

1. Organization and Summary of Significant Accounting Policies, continued

Investments

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

Compensated Absences

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

1. One-half day (4 hours) for each full bi-weekly pay period in the case of employees with less than five (5) years of service.

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

3. One (1) day (8 hours) for each full bi-weekly pay period in the case of employees with fifteen (15) years or more service.

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

Pensions

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

1. Organization and Summary of Significant Accounting Policies, continued

Other Post-employment Benefits

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

Deferred Outflows/Inflows of Resources

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

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

Operating and Non-operating Revenue and Expenses

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

1. Organization and Summary of Significant Accounting Policies, continued

Risk Management

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

Recently Adopted Accounting Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance of this statement.

In April 2018, GASB issued Statement no. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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

Upcoming Accounting Pronouncements

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. GASB Statement No. 84 will be effective for fiscal year ending September 30, 2020.

In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 will be effective for fiscal year ending September 30, 2021.

1. Organization and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for fiscal year ending September 30, 2021.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. GASB Statement No. 90 will be effective for fiscal year ending September 30, 2020.

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. GASB Statement No.91 will be effective for fiscal year ending September 30, 2022.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. This Statement addresses a variety of topics and includes specific provisions about leases; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; applicability of Statement no. 73 and 84 for postemployment benefits, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. GASB Statement No. 92 will be effective for fiscal year ending September 30, 2020.

1. Organization and Summary of Significant Accounting Policies, continued

In April 2020, GASB issued Statement No. 93 Replacement of Interbank Offered Rates. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. GASB Statement No. 93 will be effective for fiscal year ending September 30, 2021

The Corporation is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the Corporation's financial statements.

Subsequent Events

The Corporation has evaluated subsequent events through April 24, 2020, which is the date the financial statements were available to be issued.

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

As of September 30, 2019, and 2018, the Corporation's deposits had a total bank balance of $8,926,092 and $7,700,579 respectively. These deposits were insured up to $250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). The Corporation does not require collateralization of its cash deposits. At September 30, 2019 and 2018, deposits were comprised of the following:

	2019	2018
FDIC Insured	$ 2,931,541	$ 2,609,459
Uncollateralized	5,994,551	5,091,120
Total deposits	$ 8,926,092	$ 7,700,579

Cash and cash equivalents, and investments at September 30, 2019 and 2018 are restricted as follows:

	2019	2018
Restricted cash and cash equivalents:		
Revolving Loan Fund	$1,824,980	$1,181,971
Trust fund and borrower's deposits	451,951	576,220
Foreclosure Protection Fund	519,939	508,789
Community Affordable Housing Action Trust (CAHAT)	51,636	290,058
Hazard Mitigation Program	163,258	163,241
Tenant security deposits	162,886	133,740
First-time Homeowner Assistance Program (FTHAP)	413,550	117,459
Total restricted cash and cash equivalents	3,588,200	2,971,478
Restricted investments - cash with Bond Trustees	1,868,261	2,251,317
Total restricted cash, cash equivalents and investments	$5,456,461	$5,222,795

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

The restricted cash, cash equivalents and investments are restricted for specific uses from enabling Public Law 26-123, Public Law 31-166 and 12 GCA Chapter 4 §4209 for Revolving Loan Fund and related trust funds, the FTHAP and the CAHAT, respectively, the Mortgage Revenue Bonds and self-imposed restrictions on tenant security deposits for the Corporation's rental units.

The Corporation also maintains restricted investments for its Foreclosure Protection Fund. The Foreclosure Protection Fund is used by the Corporation to protect the interest of Guam's CAHAT program as holder of the second mortgage and is used exclusively for the purpose of paying off the first mortgage upon foreclosure.

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

At September 30, 2019 and 2018, the Corporation's restricted investments held by trustee are as follows:

	Moody's Credit Rating	2019	2018
Federal Home Loan Mortgage Corporation	Aaa	$ 737,613	$ 810,850
Blackrock Liquidity T-Fund	Aaa	1,130,648	1,440,467
		$1,868,261	$2,251,317

The maturities of the Corporation's restricted investments at September 30, 2019 were:

	Investment Maturities (In Years)				
	Less than 1	1 to 5	6 to 10	Greater than 10	Total
Federal Home Loan Mortgage Corporation	$ ---	$ ---	$ ---	$ 737,613	$ 737,613
Blackrock Liquidity T-Fund	1,130,648	---	---	---	1,130,648
	$1,130,648	$ ---	$ ---	$ 737,613	$1,868,261

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

The maturities of the Corporation's restricted investments at September 30, 2018 were:

	Investment Maturities (In Years)				
	Less than 1	1 to 5	6 to 10	Greater than 10	Total
Federal Home Loan Mortgage Corporation	$ ---	$ ---	$ ---	$ 810,850	$ 810,850
Blackrock Liquidity T-Fund	1,440,467	---	---	---	1,440,467
	$1,440,467	$ ---	$ ---	$ 810,850	$2,251,317

Custodial credit risk is the risk that the Corporation will not be able to recover the value of investments or collateral securities held by a third-party custodian, in the event that the custodian defaults. Based on negotiated trust and custody contracts, all of these investments were held in the Corporation's name by the Corporation's custodial financial institutions at September 30, 2019 and 2018.

The deposits and investment policies of the Corporation are governed by 5 GCA 21, *Investments and Deposits*, in conjunction with the applicable mortgage revenue bond indenture. Legally authorized investments include securities issued or guaranteed by the U.S. Treasury or agencies of the United States government; demand and time deposits in or certificates of, or bankers' acceptances issued by, any eligible financial institution; corporate debt obligations, including commercial paper; certain money market funds; state and local government securities, including municipal bonds; and repurchase and investment agreements. With the exception of investments in U.S. government securities, where explicitly guaranteed by the United States government, all other investments must be rated Aal/P-1 by Moody's.

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

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

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

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

Investments Measured at Fair Value

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

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

		At September 30, 2019		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt security - Federal Home Loan Mortgage Corporation (FHLMC)	$ 737,613	$ ---	$ 737,613	$ ---
Equity security - Blackrock Liquidity T-Fund	1,130,648	1,130,648	---	---
Total investments by fair value level	$ 1,868,261	$ 1,130,648	$ 737,613	$ ---

		At September 30, 2018		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt security - Federal Home Loan Mortgage Corporation (FHLMC)	$ 810,850	$ ---	$ 810,850	$ ---
Equity security - Blackrock Liquidity T-Fund	1,440,467	1,440,467	---	---
Total investments by fair value level	$ 2,251,317	$ 1,440,467	$ 810,850	$ ---

3. Loans Receivable

At September 30, 2019 and 2018, loans receivable are as follows:

	2019	2018
Unrestricted	$25,639,074	$26,840,315
Less: Allowance for loan and lease losses	553,736	574,177
	25,085,338	26,266,138
Less: Current portion	1,050,858	1,111,545
	$24,034,480	$25,154,593

Loans to employees totaled $464,726 and $481,484 at September 30, 2019 and 2018, respectively. These loans meet the same criteria as all real estate loans made to non-related individuals by the Corporation. At September 30, 2019 and 2018, loans and other receivables in arrears three months or more or referred to an attorney for collection totaled $1,582,992 and $2,585,738, respectively.

4. Other Receivables

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

As of September 30, 2019 and 2018, other receivables due from borrowers for the aforementioned loans consisted of the following:

	2019	2018
CAHAT	$1,901,440	$1,702,725
CPCCA	146,289	165,795
	$2,047,729	$1,868,520

The Corporation recorded a corresponding liability on the DPCCA Program totaling $147,408 and $166,738 as of September 30, 2019 and 2018, respectively, which is reported as loans held in trust in the accompanying statements of net position. The DPCCA program was funded by the Guam Housing and Urban Renewal Authority (GHURA) with monies received from the U.S. Department of Housing and Urban Development.

The CAHAT and Foreclosure Protection Fund programs were funded by appropriations received from the Government of Guam (GovGuam) through Public Law 21-99. The DPCCA program, which was administered by the Corporation under a sub-recipient agreement with GHURA, was terminated on October 23, 2003. The repayments received by the Corporation from its borrowers are program income of GHURA and are remitted monthly.

5. Capital Assets

A summary of changes in net capital assets for the year ended September 30, 2019 is as follows:

	Beginning Balance October 1, 2018	Transfers-in and Additions	Transfers-out and Disposals	Ending Balance September 30, 2019
Capital assets depreciated and amortized:				
Buildings and improvements	$6,993,559	$ ---	$ ---	$6,993,559
Office furniture and equipment	322,299	---	(6,409)	315,890
Vehicles	157,615	---	---	157,615
Land improvements	64,749	---	---	64,749
Leasehold improvements	29,445	---	---	29,445
Total capital assets depreciated and amortized	7,567,667	---	---	7,561,258
Less accumulated depreciation and amortization	(4,285,855)	(186,036)	6,409	(4,465,482)
Net capital assets depreciated and amortized	3,281,812	(186,036)	---	3,095,776
Capital asset not depreciated and amortized · land	2,934,227	---	---	2,934,227
	$6,216,039	$(186,036)	$ ---	$6,030,003

A summary of changes in net capital assets for the year ended September 30, 2018 is as follows:

	Beginning Balance October 1, 2017	Transfers-in and Additions	Transfers-out and Disposals	Ending Balance September 30, 2018
Capital assets depreciated and amortized:				
Buildings and improvements	$6,993,559	$ ---	$ ---	$6,993,559
Office furniture and equipment	318,069	4,230	---	322,299
Vehicles	102,347	55,268	---	157,615
Land improvements	64,749	---	---	64,749
Leasehold improvements	29,445	---	---	29,445
Total capital assets depreciated and amortized	7,508,169	59,498	---	7,567,667
Less accumulated depreciation and amortization	(4,106,403)	(179,452)	---	(4,285,855)
Net capital assets depreciated and amortized	3,401,766	(119,954)	---	3,281,812
Capital asset not depreciated and amortized · land	2,934,227	---	---	2,934,227
	$6,335,993	$(119,954)	$ ---	$6,216,039

6. Foreclosed Assets Held for Resale

A summary of the activities in the foreclosed assets held for resale as of September 30, 2019 and 2018 is as follows:

	2019	2018
Foreclosed assets held for resale at beginning of year	$477,450	$505,638
Foreclosures during the year	235,301	198,000
Impairment loss	---	(66,271)
Foreclosed assets sold during the year	(177,210)	(159,917)
	$535,541	$477,450

At September 30, 2019 and 2018, foreclosed assets held for resale represent three residential units acquired by the Corporation due to the borrowers' default on their mortgages, respectively.

7. Mortgage Revenue Bonds Payable

	October 1, 2018	Payments	September 30, 2019	Due Within One Year
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 4.70% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2021. Semi-annual principal installments totaling from $110,000 to $120,000	$ 685,000	$ 220,000	$ 465,000	$ 230,000
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 5.75% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2031. Semi-annual principal installments totaling from $115,000 to $190,000	3,030,000	---	3,030,000	---
	$ 3,715,000	$ 220,000	$ 3,495,000	$ 230,000

7. Mortgage Revenue Bonds Payable, continued

	October 1, 2017	Payments	September 30, 2018	Due Within One Year
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 5.35% per annum payable semi-annually on March 1 and September 1 and matured on September 1, 2018. Semi-annual principal installments totaling $95,000	$ 190,000	$(190,000)	$ ---	$ ---
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 4.70% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2021. Semi-annual principal installments totaling from $110,000 to $120,000	685,000	---	685,000	220,000
Single Family Mortgage Revenue Bonds 1998 Series A, with interest rate of 5.75% per annum payable semi-annually on March 1 and September 1 and matures on September 1, 2031. Semi-annual principal installments totaling from $115,000 to $190,000	3,030,000	---	3,030,000	---
	$ 3,905,000	$(190,000)	$ 3,715,000	$ 220,000

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

7. Mortgage Revenue Bonds Payable, continued

The Corporation is required to calculate rebatable arbitrage as of the last day of any Bond year pursuant to the provisions of the U.S. Department Treasury Regulation Section 1.148. The arbitrage provisions require the Corporation to rebate excess arbitrage earnings from bond proceeds to the federal government. As provided for by the bond indenture, this amount has been recorded as "Rebate Liability" for the benefit of the federal government and will be paid as required by applicable regulations. As of September 30, 2019 and 2018, the rebate liability totaled $80,408 and $78,015, respectively, as reported in the accompanying statements of net position. The bonds are limited obligations of the Corporation payable from the revenues and other assets pledged for the payment thereof and are not a lien or charge upon the funds of the Corporation, except to the extent of the pledge and assignment set forth in the Indenture and in the bonds. The bonds do not constitute indebtedness or a loan of credit of the GovGuam or the United States of America, within the meaning of the Organic Act of Guam or statutory provisions. Neither the faith and credit nor the taxing power of the GovGuam is pledged to the payment of the principal of, or interest on the bonds. The Corporation has no taxing authority.

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

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

The Bond Indenture contains certain restrictive covenants, including restrictions on the use of bond funds. Management of the Corporation is of the opinion that the Corporation is in compliance with all significant covenants of the mortgage revenue bonds as of September 30, 2019 and 2018.

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

Year ending September 30,	Principal	Interest	Total
2020	$ 230,000	$ 193,378	$ 423,378
2021	235,000	182,450	417,450
2022	235,000	170,919	405,919
2023	245,000	157,263	402,263
2024	260,000	142,888	402,888
2025 to 2029	1,545,000	468,625	2,013,625
2030 to 2032	745,000	54,050	799,050
	$ 3,495,000	$ 1,369,573	$ 4,864,573

8. Employee Benefits

General Pension Plan Descriptions

Defined Benefit Plan (DB Plan)

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

The Guam Retirement Security Plan (GRSP) is the primary retirement plan for new employees beginning January 1, 2018, unless the employee elects to participate in the DCRS within 60 days of the employee's hire date. Certain existing and reemployed employees are also provided limited opportunity to participate in the GRSP. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 6.2% of the employee's base salary. The employer makes matching contributions at the same rate of 6.2% of the employee's base salary.

In September 2016, Public Law 33-186 was enacted to create two benefits under the DB Plan. Beginning January 2018, the DB 1.75 Plan and GRSP are to become the primary retirement systems for all new hires. Members of the DB 1.75 Plan also automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution.

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

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

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

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

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

The Corporation's statutory contribution rates were 26.56% and 27.83%, respectively, for the years ended September 30, 2019 and 2018. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2019 and 2018.

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

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

Actuarial cost method:	Entry age normal
Valuation of assets:	3-year phase in of gain/losses relative to interest rate assumption.
Investment income:	7.0% per year
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Return of contributions:	100% withdrawing before retirement with less than 20 years of service assumed to elect a return of contributions. All those who have previously withdrawn assumed to elect a return of contributions. Contributions earn 4.5% interest.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.
Remaining amortization period:	At September 30, 2019, the remaining period is 15.58 years.

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

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

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

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

Asset Class	Target Asset Allocation	Expected Nominal Return	Component Return
U.S. Equities (large cap)	29%	7.47%	2.17%
U.S. Equities (small cap)	7%	8.73%	0.61%
Non-U.S. Equities	16.5%	9.27%	1.53%
Non-U.S. Equities (emerging markets)	2%	11.09%	0.22%
U.S. Fixed Income (aggregate)	21.5%	4.67%	1.00%
Risk Parity	8%	6.50%	0.52%
High Yield Bonds	8%	6.59%	0.53%
Global Real Estate (REITs)	5%	8.60%	0.43%
Master Limited Partnerships	3%	6.56%	0.20%
Expected average return for one year			7.21%
Expected geometric mean (30 years)			6.69%

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

The assumption used in the actuarial valuation (7.0%) is slightly lower than the expected geometric average return over the next 30 years. If the investments do not return the expected results, future pension expense will increase.

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

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

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

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

The COLA payment is $2,000 per DB retiree.

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

The Corporation's contribution to the COLA payment of the Plan is $2,000 per DB retiree.

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

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.
Remaining Amortization period:	At September 30, 2019, the remaining period is 15.58 years.

Discount Rate: The discount rate used to measure the Ad Hoc COLA/SA was a municipal bond rate of 4.18% and 3.64% for the years ended September 30, 2019 and 2018, respectively. This rate was used as the benefits are not funded with the accumulated assets; they are funded historically through appropriations from the Government of Guam.

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

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

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

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

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

Contributions: The Corporation's contribution to the COLA payment of the Plan is $2,000 per DCRS retiree.

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	5% per year from age 55 to 64, 10% per year from age 65 to 74, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.
Remaining Amortization period:	At September 30, 2019, the remaining period is 15.58 years.

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

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

8. Employee Benefits, continued

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

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

Reporting date	September 30, 2019	September 30, 2018
Measurement date:	September 30, 2018	September 30, 2017
Valuation date:	September 30, 2017	September 30, 2016

Net pension liability as of September 30, 2019 and 2018 for the aforementioned plans are as follows:

	2019	2018
DB Plan	$2,823,658	$2,616,172
Ad hoc COLA/SA Plan for DB Participants	644,322	600,954
Ad hoc COLA Plan for DCRS Participants	157,980	227,627
	$3,625,960	$3,444,753

Proportionate share of net pension liabilities at September 30, 2019 and 2018 for the aforementioned plans are as follows:

	2019	2018
DB Plan	0.24%	0.23%
Ad hoc COLA/SA Plan for DB Participants	0.22%	0.21%
Ad hoc COLA Plan for DCRS Participants	0.32%	0.36%

Pension expense for the years ended September 30, 2019 and 2018 for the aforementioned Plans are as follows:

	2019	2018
DB Plan	$335,705	$(228,189)
Ad hoc COLA/SA Plan for DB Participants	70,990	143,878
Ad hoc COLA Plan for DCRS Participants	(44,712)	18,965
	$361,983	$(65,346)

8. Employee Benefits, continued

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

As of September 30, 2019 and 2018, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2019					
	DB Plan		Ad Hoc COLA/SA Plan for DB Participants		Ad Hoc COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,969	$ ---	$ 9,533	$ ---	$ 22,698	$((1,444))
Net difference between projected and actual earnings on pension plan investments	---	(50,619)	---	---	---	---
Corporation's contributions subsequent to the measurement date	293,201	---	55,191	---	6,000	---
Changes in assumption	---	---	---	(21,386)	18,815	(21,085)
Changes in proportion and difference between the Corporation's contributions and proportionate share of contributions	84,779	---	26,775	---	36,538	(63,426)
	$ 385,949	$(50,619)	$ 91,499	$(21,386)	$ 84,051	$(85,955)

	September 30, 2018					
	DB Plan		Ad Hoc COLA/SA Plan for DB Participants		Ad Hoc COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ ---	$ ---	$ ---	$ ---	$ 10,342	$(1,768)
Net difference between projected and actual earnings on pension plan investments	---	(127,143)	---	---	---	---
Corporation's contributions subsequent to the measurement date	313,792	---	57,190	---	6,000	---
Changes in assumption	---	---	---	---	22,990	(15,139)
Changes in proportion and difference between the Corporation's contributions and proportionate share of contributions	---	(28,156)	---	(9,253)	39,167	(28,244)
	$ 313,792	$(155,299)	$ 57,190	$(9,253)	$ 78,499	$(45,151)

Deferred outflows of resources at September 30, 2019 and 2018, resulting from the Corporation's employer contributions for the following plans are as follows:

	2019	2018
DB Plan	$293,201	$313,792
Ad hoc COLA/SA Plan for DB Participants	55,191	57,190
Ad hoc COLA Plan for DCRS Participants	6,000	6,000
	$354,392	$376,982

8. Employee Benefits, continued

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

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

2020	$90,733
2021	(42,877)
2022	(24,447)
2023	13,982
2024	836
Thereafter	10,920
	$49,147

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

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

DB Plan

	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Net pension liability	$3,608,638	$2,823,658	$2,161,745

Ad Hoc COLA/SA for DB Participants

	1% Decrease 3.18%	Current Discount 4.18%	1% Increase 5.18%
Total collective pension liability	$ 697,650	$ 644,322	$ 585,935

Ad Hoc COLA for DCRS Participants

	1% Decrease 3.18%	Current Discount 4.18%	1% Increase 5.18%
Total collective pension liability	$ 177,629	$ 157,980	$ 141,041

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

8. Employee Benefits, continued

DCRS

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

Statutory employer contributions into the DCRS for the years ended September 30, 2019 and 2018 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 6.2% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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

During the years ended September 30, 2019 and 2018, contributions made and amounts accrued under the DCRS amounted to $143,499 and $157,340, respectively.

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

Other Post-employment Benefit (OPEB) Plan

OPEB Plan Description

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

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

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

8. Employee Benefits, continued

OPEB Plan, continued

OPEB Plan Description, continued

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

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

Inflation:	2.75%
Healthcare cost trend rate:	Non-Medicare 13.5%, Medicare -25% and Part B 5.33%. For the second year, 6.75% then reducing 0.25% anually to an ultimate rate of 4.25% for 2029 and later years.
Health retiree mortality rates:	RP-2000 Combined Health Mortality Table, set forward 3 years and 2 year for males and females, respectively.
Disabled retiree mortality rates:	RP-2000 Disabled Mortality Table set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB.

Discount Rate: The discount rate used to measure the total OPEB liability was 4.18% and 3.63% for the years ended September 30, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefits of current plan members. Therefore, the municipal bond rate at each year end was applied to all periods to determine the total OPEB liability.

Expected Remaining Service Lives: Under GASB Statement No. 75, gains and losses that are deferred and amortized over future periods are presented as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining services lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period was calculated at 5.57 years. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

8. Employee Benefits, continued

OPEB Plan, continued

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

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

Reporting date:	September 30, 2019	September 30, 2018
Measurement date:	September 30, 2018	September 30, 2017
Valuation date:	September 30, 2018	September 30, 2016

Total OPEB liability as of September 30, 2019 and 2018 is $5,676,959 and $11,223,930, respectively.

Proportionate share of total OPEB liability at September 30, 2019 and 2018 is 0.30% and 0.46%, respectively.

OPEB benefit and expense for the years ended September 30, 2019 and 2018 is $554,327 and $808,283, respectively.

As of September 30, 2019 and 2018, the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ ---	$(1,297,629)	$ ---	$ ---
Corporation's contributions subsequent to the measurement date	157,591	---	164,294	---
Changes in assumption	411,160	(942,172)	834,564	(961,803)
Changes in proportion and difference between the Corporation's contributions and proportionate share of contributions	---	(3,332,816)	---	(336,587)
	$ 568,751	$(5,572,617)	$ 998,858	$(1,298,390)

Deferred outflows of resources at September 30, 2019 and 2018, resulting from the Corporation’s employer contributions totaled $157,591 and $164,294, respectively.

8. Employee Benefits, continued

OPEB Plan, continued

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

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

2020	$(1,121,413)
2021	(1,121,413)
2022	(1,121,413)
2023	(1,194,386)
2024	(602,832)
	$(5,161,457)

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

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

		2019	
	1% Decrease 3.18%	Current Discount 4.18%	1% Increase 5.18%
Total OPEB liability	$ 6,694,955	$ 5,676,959	$4,859,220

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

		2019	
	1% Decrease	Current Discount	1% Increase
Total OPEB liability	$4,733,997	$5,676,959	$6,897,578

8. Employee Benefits, continued

Accrued Sick Leave

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. As of September 30, 2019 and 2018, The Corporation has accrued an estimated liability of $35,389 and $92,819, respectively, which is reported as a component of accrued compensated absences in the accompanying statements of net position. However, this amount is an estimate and actual payout could differ from those estimates.

9. Commitments and Contingencies

Commitments

As of September 30, 2019 and 2018, the Corporation has loan commitments totaling $2,205,617, and $1,619,498 respectively.

The Corporation leases office space from the Guam Economic Development Authority (GEDA) under an operating lease which expired on February 28, 2020. The Corporation is currently renegotiating to renew its lease agreement. The lease agreement calls for a monthly rental payment of $8,312. For each of the years ended September 30, 2019 and 2018, rental expense totaling $99,744 was paid to GEDA, which is reported as a component of rent expense in the accompanying statements of revenues, expenses and changes in net position.

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

Year ending September 30,	
2020	$41,560

Litigation

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

The Corporation has claims under legal procedures for approximately $1.1 million in which foreclosure, litigation or bankruptcy is involved. These claims are at various stages and the ultimate outcome is uncertain. Therefore, no additional provision for any potential liability that may result from these claims has been made in the accompanying financial statements.

9. Commitments and Contingencies, continued

Self-Insurance

The Corporation self-insures for all risks to Lada Gardens and Guma As-Atdas. A separate account was established to fund any damages that may arise in the future, to be increased on a monthly basis by the weighted-average yield of the Corporation's checking account. This amount is primarily invested in time certificate of deposits with original maturities greater than 90 days. Excess of losses over the fund is recognized in the year realized. At September 30, 2019 and 2018, the self-insurance fund totaled $1,156,703 and $1,132,357, respectively, as reported in the accompanying statements of net position.

10. Long-Term Liabilities

A summary of changes in long-term liabilities during fiscal years 2019 and 2018 is as follows:

	October 1, 2018	Increases	Decreases	September 30, 2019	Current	Noncurrent
Accrued compensated absences	$ 245,683	$ 124,199	$ 215,477	$ 154,405	$ 86,468	$ 67,937
Net pension liability	3,444,753	181,207	---	3,625,960	---	3,625,960
Total collective other postemployment benefit liability	11,223,930	---	5,546,971	5,676,959	---	5,676,959
Bonds payable	3,715,000	---	220,000	3,495,000	230,000	3,265,000
Loans held in trust	166,738	---	19,330	147,408	---	147,408
	$ 18,796,104	$ 305,406	$ 6,001,778	$ 13,099,732	$ 316,468	$ 12,783,264

	October 1, 2017	Increases	Decreases	September 30, 2018	Current	Noncurrent
Accrued compensated absences	$ 307,406	$ 42,017	$ 103,740	$ 245,683	$ 91,913	$ 153,770
Net pension liability	4,035,146	---	590,393	3,444,753	---	3,444,753
Total collective other postemployment benefit liability	11,881,411	---	657,481	11,223,930	---	11,223,930
Bonds payable	3,905,000	---	190,000	3,715,000	220,000	3,495,000
Loans held in trust	191,461	---	24,723	166,738	---	166,738
	$ 20,320,424	$ 42,017	$ 1,566,337	$ 18,796,104	$ 311,913	$ 18,484,191

Required Supplementary Information

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

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

Defined Benefit Plan

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014
Corporation's proportion of the net pension liability	0.24%	0.23%	0.24%	0.24%	0.24%	0.26%
Corporation's proportionate share of the net pension liability	$ 2,823,658	$ 2,616,172	$ 3,256,011	$ 3,472,473	$ 2,948,762	$ 3,330,515
Corporation's covered payroll	$ 805,614	$ 1,197,094	$ 1,266,692	$ 1,354,686	$ 1,284,400	$ 1,260,920
Corporation's proportionate share of the net pension liability as a percentage of its covered payroll	350.50%	219.00%	257.00%	256.00%	230.00%	264.00%
Plan fiduciary net position as a percentage of total pension liability	63.28%	60.63%	54.62%	52.32%	56.60%	53.94%

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

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

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

Defined Benefit Plan

Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 352,971	$ 251,090	$ 337,983	$ 357,522	$ 405,266	$ 380,600	$ 361,800	$ 330,901	$ 288,917	$ 258,253
Contribution in relation to the contractually required contribution	$ 354,391	$ 257,874	$ 336,166	$ 356,654	$ 417,357	$ 373,951	$ 357,826	$ 339,454	$ 279,922	$ 249,159
Contribution excess (deficiency)	$ 1,420	$ 6,784	$ (1,817)	$ (868)	$ 12,091	$ (6,649)	$ (3,974)	$ 8,553	$ (8,995)	$ (9,094)
Corporation's covered payroll	$ 1,224,691	$ 805,614	$ 1,197,094	$ 1,266,692	$ 1,354,686	$ 1,284,400	$ 1,260,920	$ 1,187,344	$ 1,067,363	$ 1,102,909
Contribution as a percentage of the covered payroll	28.94%	32.01%	28.08%	28.16%	30.81%	29.11%	28.38%	28.59%	26.23%	22.59%

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

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants

Last 10 Fiscal Years*

	2019	2018	2017	2016
Corporation's proportionate share of the collective total pension liability	$ 644,322	$ 600,954	$ 518,756	$ 522,556
Corporation's proportion of the collective total pension liability	0.22%	0.21%	0.23%	0.22%

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

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

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants

Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$54,981	$57,400	$53,879	$54,078	$54,198	$51,198	$40,278	$40,478	$36,442	$40,880
Contribution in relation to the contractually required contribution	$55,191	$57,190	$53,879	$54,078	$54,198	$51,198	$40,278	$40,478	$36,442	$40,880
Contribution excess (deficiency)	$ 210	$ (210)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

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

Ad Hoc COLA Plan for DCRS Participants

Last 10 Fiscal Years*

	2019	2018	2017	2016
Corporation's proportionate share of the collective total pension liability	$ 157,980	$ 227,627	$ 260,379	$ 173,951
Corporation's proportion of the collective total pension liability	0.32%	0.36%	0.42%	0.33%

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

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

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

Ad Hoc COLA Plan for DCRS Participants

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 4,000	$ 3,600	$ 2,200	$ 1,100	$ 1,100
Contribution in relation to the contractually required contribution	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 4,000	$ 3,600	$ 2,200	$ 1,100	$ 1,100
Contribution excess (deficiency)	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---

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

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

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

Last 10 Fiscal Years*

	2019	2018	2017
Corporation's proportion of the collective total other postemployment benefit liability	0.30%	0.46%	0.47%
Corporation's proportionate share of the collective total other postemployment benefit liability	$ 5,676,959	$ 11,223,930	$ 11,881,411

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

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

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

Other Postemployment Benefit Plan

Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 157,591	$ 164,294	$ 172,595	$ 172,046	$ 166,763	$ 114,056	$ 121,439	$ 126,018	$ 147,806	$ 112,872
Contribution in relation to the contractually required contribution	$ 157,591	$ 164,294	$ 172,595	$ 172,046	$ 166,763	$ 114,056	$ 121,439	$ 126,018	$ 147,806	$ 112,872
Contribution excess (deficiency)	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---

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

Note to Required Supplementary Information
(Unaudited)

Last 10 Fiscal Years

Changes in Assumptions – Pension Plans

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

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

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

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

Supplementary Information

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

Combining Statement of Net Position

September 30, 2019

	Housing	Rental	Combined Total
Assets			
Current assets:			
Unrestricted assets:			
Cash and cash equivalents	$ 3,617,579	$ 563,610	$ 4,181,189
Self-insurance fund	---	1,156,703	1,156,703
Loans receivable, net	1,050,858	---	1,050,858
Tenants receivable, net	2,899	12,485	15,384
Accrued interest receivable	37,220	3,686	40,906
Prepaid expenses and other	1,814	42,320	44,134
Foreclosed assets held for resale	535,541	---	535,541
Interdivision	(308,226)	308,226	---
Total unrestricted assets	4,937,685	2,087,030	7,024,715
Restricted assets:			
Cash and cash equivalents	3,425,314	162,886	3,588,200
Investments	1,868,261	---	1,868,261
Total restricted assets	5,293,575	162,886	5,456,461
Total current assets	10,231,260	2,249,916	12,481,176
Loans receivable, net	24,034,480	---	24,034,480
Restricted other receivables	2,047,729	---	2,047,729
Depreciable capital assets	---	3,095,776	3,095,776
Non-depreciable capital assets	---	2,934,227	2,934,227
Total assets	36,313,469	8,279,919	44,593,388
Deferred outflows of resources			
Pension	340,530	220,969	561,499
Other postemployment benefits	337,550	231,201	568,751
Total deferred outflow of resources	678,080	452,170	1,130,250
Total assets and deferred outflows of resources	36,991,549	8,732,089	45,723,638

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

Combining Statement of Net Position, continued

September 30, 2019

	Housing	Rental	Combined Total
Liabilities			
Current liabilities:			
Payable from unrestricted assets:			
Accounts payable and accrued expenses	$ 80,892	$ 38,487	$ 119,379
Current portion of accrued compensated absences	43,132	43,336	86,468
Unearned revenue	98,330	7,362	105,692
Total payable from unrestricted assets	222,354	89,185	311,539
Payable from restricted assets:			
Accounts payable	411,113	---	411,113
Bonds payable	230,000	---	230,000
Accrued interest payable	16,340	---	16,340
Security deposits	900	49,045	49,945
Deposits by borrowers - insurance premiums and real estate taxes	485,923	---	485,923
Rebate liability	80,408	---	80,408
Total payable from restricted assets	1,224,684	49,045	1,273,729
Total current liabilities	1,447,038	138,230	1,585,268
Non-current liabilities:			
Payable from unrestricted assets:			
Non-current portion of accrued compensated absences	30,534	37,403	67,937
Net pension liability	2,051,568	1,574,392	3,625,960
Total collective other postemployment benefit liability	3,211,941	2,465,018	5,676,959
Payable from restricted assets:			
Bonds payable	3,265,000	---	3,265,000
Loans held in trust	147,408	---	147,408
Total non-current liabilities	8,706,451	4,076,813	12,783,264
Total liabilities	10,153,489	4,215,043	14,368,532
Deferred inflows of resources			
Pension	89,374	68,586	157,960
Other postemployment benefits	3,152,906	2,419,711	5,572,617
Total deferred outflow of resources	3,242,280	2,488,297	5,730,577
Net position			
Net investment in capital assets	---	6,030,003	6,030,003
Restricted for lending activities	4,427,699	113,841	4,541,540
Unrestricted	19,168,081	(4,115,095)	15,052,986
Total net position	$ 23,595,780	$ 2,028,749	$ 25,624,529

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

Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2019

	Housing	Rental	Combined Total
Operating revenues:			
Interest income on loans receivable	$ 1,534,866	$ ---	$ 1,534,866
Rental income	---	867,991	867,991
Miscellaneous revenues	68,204	4,411	72,615
Interest income on deposits	22,355	25,906	48,261
Interest income on investments held by bond trustees	52,720	---	52,720
Gain on sale of foreclosed assets	57,188	---	57,188
Total operating revenues	1,735,333	898,308	2,633,641
Operating expenses:			
Salaries	680,047	560,216	1,240,263
Retirement and Medicare contributions	32,336	326,396	358,732
interest expense on borrowings	202,973	---	202,973
Depreciation and amortization	---	186,037	186,037
Professional services	90,417	33,119	123,536
Rent	105,054	---	105,054
Contractual services	36,874	45,193	82,067
Employee benefits, other than retirement	50,551	30,338	80,889
Maintenance	---	70,252	70,252
Other	18,299	42,930	61,229
Bond trustee fees	16,036	---	16,036
Director fees	2,950	---	2,950
Retiree supplemental and health benefits	(865,395)	241,539	(623,856)
Total operating expenses	370,142	1,536,020	1,906,162
Increase (decrease) in net position	1,365,191	(637,712)	727,479
Net position at beginning of year	22,230,589	2,666,461	24,897,050
Net position at end of year	$ 23,595,780	$ 2,028,749	$ 25,624,529

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

Salaries, Wages and Benefits

	Year ended September 30, 2019	2018
Salaries, wages and benefits:		
Salaries	$ 1,240,263	$ 1,233,093
Retirement and Medicare contributions	358,732	(85,165)
Retiree supplemental and health benefits	(623,856)	792,099
Employee benefits other than retirement	80,889	70,064
Total salaries, wages and benefits	$ 1,056,028	$ 2,010,091
Employees at end of year	22	25

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

First-time Homeowner Assistance Program

Year ended September 30, 2019

	Number of Grantees	Balance at September 30, 2018	Total Fund Allocated	Total Amount Disbursed	Interest Earned	Administration Fee	Balance at September 30, 2019
Guam Housing Corporation	---	$ 1,510	$ ---	$ ---	$ ---	$ ---	$ 1,510
Department of Administration	34	115,425	600,544	(276,991)	263	(28,488)	411,113
Total	34	$ 116,935	$ 600,544	$(276,991)	$ 263	$(28,488)	$ 412,623

Year ended September 30, 2018

	Number of Grantees	Balance at September 30, 2017	Total Fund Allocated	Total Amount Disbursed	Interest Earned	Administration Fee	Balance at September 30, 2018
Guam Housing Corporation	1	$ 9,042	$ ---	$(7,532)	$ ---	$ ---	$ 1,510
Department of Administration	53	116,896	473,461	(431,450)	585	(44,067)	115,425
Total	54	$ 125,938	$ 473,461	$(438,982)	$ 585	$(44,067)	$ 116,935

The Auditor's Communication With Those Charged With Governance

Guam Housing Corporation

(A Component Unit of the Government of Guam)

Year ended September 30, 2019



Building a better working world

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April 24, 2020

The Board of Directors
Guam Housing Corporation

We have performed an audit of the financial statements of Guam Housing Corporation, a component unit of the Government of Guam, as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated April 24, 2020.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated August 24, 2017 and at our audit planning meeting with management.

Auditor's responsibility under professional standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern

The financial statements, required supplementary information and supplementary information are the responsibility of management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States, as established by the American Institute of Certified Public Accountants, to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we will express no such opinion.

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An audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements.

Our responsibilities are included in our audit engagement letter.

The Adoption of, or a Change in Significant Accounting Policies

We determined that the Board is informed about the initial selection of, and any changes in significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.

Effective October 1, 2018, the Corporation implemented:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Borrowings and Direct Placements*

Auditor's Judgments about the Quality of the Corporation's Accounting Principles

We discussed our judgments about the quality, not just the acceptability, of the Corporation's accounting principles as applied in its financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.

Sensitive Accounting Estimates

A discussion of sensitive accounting estimates has been included in footnote 1 of the financial statements.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Determining the adequacy of the recorded valuation of loans receivable, including the need for any reserve.
- Preparing budgets that are used to administer and monitor the Corporation's operations. These budgets include determining how existing financial resources will be used in the Corporation's operations.
- Determining the valuation of investments.
- Determining the impairment loss on long-lived assets.
- Determining useful lives in the calculation of depreciation expense.
- Determining the assumptions utilized in measuring pension and other employee-related reserves and related costs for financial accounting purposes.

Our views about the qualitative aspects of the entity's significant accounting practices

We are not aware of any significant accounting policies used by the Corporation in controversial or emerging areas or for which there is a lack of authoritative guidance.

We are not aware of any significant unusual transactions recorded by the Corporation.

A discussion of significant accounting policies has been included in footnote 1 of the financial statements.

Material corrected misstatements, related to accounts and disclosures

Refer to "Summary of Corrected Misstatements" in Appendix A.

Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial

There were no uncorrected material misstatements identified.

Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements

Our auditor's report on the financial statements relates only to the financial statements and the accompanying notes.

We have reviewed the Management Discussion and Analysis and found the information presented to be consistent with the information in the audited financial statements.

Fraud and illegal acts

We are not aware of any matters that require communication.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

Representations from management

We have obtained from management a representations letter related to the audit and a copy of the management representations letter is included in Appendix B.

Changes to the terms of the audit with no reasonable justification for the change

We are not aware of any matters that require communication.

Significant findings and issues arising during the audit relating to related parties

We are not aware of any matters that require communication.

Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management

We are not aware of any matters that require communication. We have issued a report on compliance and internal control outlining a control deficiency.

Significant difficulties encountered during the audit

There were no serious difficulties encountered in dealing with management in performing the audit.

Disagreements with management

There were no material disagreements with the Corporation's management on financial accounting and reporting matters during the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

AICPA ethics ruling regarding third-party service providers

Our responsibilities are included in our audit engagement letter.

Other findings or issues regarding the oversight of the financial reporting process

There are no other findings or issues arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

****

This report is intended solely for the information and use of the Board of Directors and management. It is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Ernst + Young LLP

The Board of Directors
Guam Housing Corporation

Appendix

A – Summary of Corrected Misstatements

B – Management Representations Letter

Communication schedule for corrected misstatements

Entity: Guam Housing Corporation **Period ended:** 30-Sep-2019 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
AJE01	P0400	To adjust the balance of pension amounts based on the audited plan schedules for plan year ending September 30, 2017								
		Deferred outflow		51,743						
		Retirement and medicare contributions							17,446	
		Deferred inflow				112,018				
		Net pension liability				(181,207)				
AJE02	P0600	To adjust the OPEB balances based on the audited actuarial reports of KMS for Plan year ended September 30, 2018								
		Total collective OPEB liability				5,546,971				
		Deferred Inflow - OPEB				(430,107)				
		Deferred Outflow - OPEB		(4,274,227)						
		Retiree supplemental and health benefits							(842,637)	
Total of corrected misstatements before income tax			0	(4,222,484)	0	5,047,675	0	0	(825,191)	
Financial statement amounts			12,481,176	33,242,462	(1,585,268)	(18,513,841)	(25,624,529)		(727,479)	
Effect of corrected misstatements on F/S amounts			**0.0%**	**-12.7%**	**0.0%**	**-27.3%**	**0.0%**		**113.4%**	

Appendix B – Management Representations Letter

GHC
Kotporasion Ginima' Guåhan

GUAM HOUSING CORPORATION
P.O. Box 3457, Hagåtña, Guam 96932

April 24, 2020

Ernst & Young LLP
231 Ypao Road
Suite 201
Tamuning, Guam 96913

In connection with your audits of the basic financial statements of Guam Housing Corporation (the Corporation) as of September 30, 2019 and 2018 and for the years then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of Guam Housing Corporation in conformity with US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief.

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated August 24, 2018 for the preparation and fair presentation of the financial statements (including disclosures) in conformity with (US GAAP) applied on a basis consistent with that of the preceding periods.

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Corporation from whom you determined it necessary to obtain evidence

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Management's responsibilities, continued

- We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2019.

Minutes and contracts

The dates of meetings of shareholders, directors, committees of directors and important management committees from October 1, 2018 to March 31, 2020 are as follows:

October 29, 2018	January 25, 2019	May 31, 2019	August 28, 2019
November 19, 2018	March 7, 2019	June 28, 2019	October 29, 2019
December 28, 2018	March 29, 2019	July 4, 2019	December 6, 2019
January 15, 2019	April 26, 2019	August 2, 2019	February 7, 2020

We have made available to you all minutes of the meetings of shareholders, directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Significant assumptions

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and supportable.

We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to the COVID-19 pandemic.

Ownership and pledging of assets

There are no assets capitalized under capital leases. The Corporation has satisfactory title to all assets appearing in the statements of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged, except as disclosed in the financial statements. All assets to which the Corporation has satisfactory title appear in the statements of net position.

Loans and allowance for credit losses in the loan portfolio

Appropriate provision has been made for credit losses inherent in the Corporation's loan portfolio that has been incurred as of the statement of net position dates. Significant assumptions used by us in estimating the allowance for credit losses are reasonable and supportable.

The Corporation has no loans in the financial statements that should be classified as held for sale. The Corporation has the positive intent and ability to hold for the foreseeable future or until maturity or payoff all loans that are classified as held for investment.

Loans are correctly described in the financial statements, in all material respects, and represent valid claims against the debtors indicated arising on or before the dates indicated in the financial statements. Our disclosures related to the credit quality of financing receivables and the allowance for credit losses are complete and adequate.

Long-lived assets to be held and used, including amortizable intangible assets

No events or changes in circumstances have occurred that indicate the carrying amounts of long-lived assets to be held and used, including intangible assets that are subject to amortization, may not be recoverable.

Fair value measurements

We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation techniques have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of GASB Statement No. 72 as amended. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72 as amended.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56 – as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements
There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

Events of default under debt agreements

No events of default have occurred with respect to any of the Corporation's debt agreements.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in accordance with GASB Statement No. 62 as amended.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed GASB Statement No. 62 as amended, nor are there any accruals for loss contingencies included in the statements of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62 as amended.

Oral or written guarantees

There are no oral or written guarantees, including guarantees of the debt of others.

Purchase commitments

At September 30, 2019 and 2018, the Corporation had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2019 and 2018 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Appendix B – Management Representations Letter, continued

Fraud

We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Corporation's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed that there are no allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Corporation.

Independence

We are not aware of any capital lease, material cooperative arrangement or other business relationship between the Corporation and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the Corporation's audits.

Conflicts of interest

There are no instances where any officer or employee of the Corporation has an interest in a company with which the Corporation does business that would be considered a "conflict of interest."- Such an interest would be contrary to Corporation policy.

Effects of new accounting principles

As discussed in Note 1 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codifications provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 83
- GASB Statement No. 84
- GASB Statement No. 87
- GASB Statement No. 88
- GASB Statement No. 89
- GASB Statement No. 90
- GASB Statement No. 91
- GASB Statement No. 92

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Effects of new accounting principles, continued

The Corporation is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on the management's discussion and analysis on pages 4 through 18, schedule of proportionate share of net pension liability on pages 55, 57 and 59, the schedule of contributions on pages 56, 58, 60 and 62 and the schedule of proportionate share of other postemployment benefits liability on page 61, which have been measured and presented in conformity with the guidelines established by the GASB in its applicable GASB Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period. We are responsible for the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. We believe that the significant assumptions and interpretations used are reasonable.

Other Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the "supplementary information"):

- Schedule 9 – Combining Statement of Net Position
- Schedule 10 – Combining Statement of Revenues, Expenses and Changes in Net Position
- Schedule 11 – Salaries, Wages and Benefits
- Schedule 12 – First-time Homeowner Assistance Program

We believe the supplementary information, including its form and content, is fairly stated in all material respects in relation to the basic financial statements as a whole.

There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Going concern

The Corporation's ability to continue as a going concern was evaluated and appropriate disclosures are made in the financial statements as necessary under GASB requirements.

Pension benefits

We have disclosed to you all significant pension benefits promised and have made available to you all significant summary plan descriptions, benefit communications and all other relevant information, including plan changes, that constitute the plan.

Other Representations

We have identified and disclosed to you all provisions of laws, and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments.

All funds that meet the quantitative criteria in GASB Statement No. 34, as amended by GASB Statement No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

Components of net position (net investment in capital assets; restricted and unrestricted) are properly classified and, if applicable, approved.

Provisions for uncollectible receivables have been properly identified and recorded.

Special and extraordinary items are appropriately classified and reported.

Risk disclosures associated with deposits and investment securities are presented in accordance with GASB requirements.

Investments, and land and other real estate held are properly valued.

Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated.

Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available is appropriately disclosed and net assets were properly recognized under the policy.

The Corporation is in compliance with post issuance requirements as specified in the Internal Revenue Code, including but not limited to the areas of arbitrage and private business use, for each of its outstanding bond issues.

Subsequent events

Subsequent to September 30, 2019, no events or transactions, including events related to the COVID-19 pandemic, have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the Corporation's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, changes in financial position and cash flows of the Corporation.

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Appendix B – Management Representations Letter, continued

We understand that your audits were conducted in accordance with auditing standards generally accepted in the United States as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and were, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of the Corporation as a whole, and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

Ms. Alice Taijeron, President

Ms. Alysia Leon Guerrero, Accounting Manager

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