

*Financial Statements and Required Supplementary
Information*

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

*Years Ended September 30, 2024 and 2023
with Report of Independent Auditors*



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

Financial Statements and Required Supplementary Information

Years Ended September 30, 2024 and 2023

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Report of Independent Auditors

Board of Commissioners
Guam Housing and Urban Renewal Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Guam Housing and Urban Renewal Authority (GHURA), a component unit the Government of Guam, as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise GHURA's basic financial statements as listed in the table of contents (collectively referred to as the "basic financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of GHURA at September 30, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

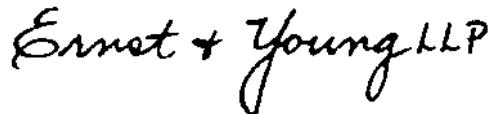
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2025, on our consideration of GHURA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GHURA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GHURA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is fluid and cursive, with "Ernst & Young" on the top line and "LLP" on the bottom line.

August 15, 2025

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

Management's Discussion and Analysis

Years Ended September 30, 2024 and 2023

As the management of the Guam Housing and Urban Renewal Authority (GHURA or the Authority), a component unit of the Government of Guam (GovGuam), we offer readers of this narrative overview and analysis of the financial activities of GHURA for the fiscal year ended September 30, 2024.

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

PROFILE OF THE AUTHORITY

Our Mission

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

General Information

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

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

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

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

Overview of the Financial Statements

The management discussion and analysis is intended to serve as an introduction to GHURA's basic financial statements. GHURA's basic financial statements are comprised of two components: 1) authority-wide financial statements; and 2) notes to the financial statements. This report also contains the Schedule of Expenditures of Federal Awards as supplementary information in addition to the basic financial statements themselves.

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

Authority-Wide Financial Statements

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

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

The focus of the Statement of Net Position (the "*Unrestricted Net Position*") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly net assets) is reported in three broad categories:

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

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

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

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

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

Notes to the Financial Statements

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

Fund Financial Statements

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

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

Management's Discussion and Analysis, continued

GHURA's Funds

PUBLIC HOUSING – ASSET MANAGEMENT PROPERTIES

The Mission of the GHURA is to provide safe, decent, and affordable housing for lower-income families, elderly, and persons with disabilities; and to foster among the residents we serve, economic self-sufficiency, a sense of community, and pride in the neighborhood where they reside.

GHURA owns and operates 750 Public Housing units consisting of four Asset Management Properties (AMP), as follows:

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

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

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

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

To further the Authority's mission, GHURA established a list of Goals and Objectives for 2024 in its PHA Five-Year and Annual Plans. The following report reflects GHURA's progress in some of its Goals and Objectives from October 1, 2023 through September 30, 2024.

Goal 1: Maximize the current resources for housing programs

- Goal 1: Pursue funding to address the modernization of public housing units and other projects needed within the development.

Our housing inventory, although in good condition for its age, needs ongoing maintenance and capital improvements. Therefore, the Property Site Managers continue to submit their vacant units to the MOD Division, requesting that units be placed under the Capital Fund Program for modernization upgrades. The AMP maintenance staff and local contractors continued the process of making much-needed capital improvements in both vacant and occupied GHURA properties.

- Goal 2: Maintain occupancy at no less than 97% (adjusted for units in modernization) each fiscal year for Public Housing.

FY2024 was a year where each AMP worked hard to accomplish our mission of housing individuals and families in safe, quality, and affordable housing. The AMP staff faced the challenges of maintaining a high occupancy rate while addressing the ongoing problem of the increasing number of participants having difficulty with maintaining rental payments.

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

GHURA's Funds, continued

PUBLIC HOUSING – ASSET MANAGEMENT PROPERTIES, continued

Goal 1: Maximize the current resources for housing programs, continued

At the end of FY 2024, GHURA had an actual occupancy rate of 93.87% with 704 units occupied, and an adjusted occupancy rate of 96% with 26 units under modernization. For the fiscal year ended September 30, 2024, GHURA received \$4.3M in Operating Subsidy funds.

Goal 2: Improve the Public Housing Assessment System Score to achieve a high performer score

- Increase the Score under the Physical Assessment Subsystem (PASS), Financial Assessment Subsystem (FASS), Management Assessment Subsystem (MASS), and Capital Fund Subsystems (CFSS) of the PHAS.

For FY2024, GHURA has yet to be rated, as some of its indicators have not yet been completed.

Goal 3: Improve the Quality of Assisted Housing

- Objective 1: Annually assess and update the policies regarding the Public Housing Admissions and Continued Occupancy Policy (ACOP) to implement any new statutory or regulatory requirements.

GHURA updated its ACOP to reflect Housing Opportunity Through Modernization Act (HOTMA) changes in policy. The GHURA Board of Commissioners adopted the November 2023 ACOP on February 13, 2024.

- Objective 2: Conduct a Green Physical Needs Assessment and Energy Audit every five years to evaluate the existing conditions of the housing stock, including a random selection of units, common areas, offices, site improvements, and program areas.

The company, Dominion Due Diligence Group, was awarded the contract to conduct a Physical Needs Assessment and Energy Audit. The reports will be submitted by July 2025.

Goal 4: Encourage Self-Sufficiency

- Objective 1: Establish and maintain relationships with community partners for educational, child care, health care, homeownership, financial literacy/management, budgeting, and other services for opportunities to promote self-sufficiency.

Change happens when individuals have access to things such as education, basic needs, childcare, self-sufficiency resources, community support, quality of life services, job training, transportation, and other catalytic services. It's more than just housing.

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

GHURA's Funds, continued

PUBLIC HOUSING – ASSET MANAGEMENT PROPERTIES, continued

Goal 4: Encourage Self-Sufficiency, continued

GHURA reinstated the Resident Services Program. A Program Coordinator was employed to work with nonprofit organizations and government agencies in offering programs, wrap-around services, and resources to empower our residents to move forward and lift themselves out of poverty. The Resident Services Program focused on priority areas to create a comprehensive network of support services for all individuals in GHURA's public housing.

Such programs included the Renter's 101, Financial Literacy, Public Health services, and summer break activities, to name a few.

CAPITAL FUND PROGRAM

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

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

As of September 30, 2024, GHURA's Public Housing program maintained an occupancy rate of 97% (adjusted for units under modernization). Vacant units that are beyond the capabilities of maintenance and require extensive work were deferred to modernization. Such modernization work included upgrades to electrical panel boxes, bathroom, kitchen, replacing sewer lines and water lines, and replacing exterior doors with aluminum, to name a few. About 57 units are currently under MOD.

In addition, CFP supports additional projects such as Radon, Mold and Moisture and Lead Base Paint testing and mitigation, upgrade of basketball court with generator in AMP 4, upgrade of above ground drainage correction, obtaining Physical Needs Assessment (PNA) and Energy Audits for AMPs, roof coating and concrete roof repairs, priority replacement of window shutters, replacement of bollard and chain link fence, and the development of parking stalls.

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

CAPITAL FUND PROGRAM, continued

GHURA applied for the Emergency Safety and Security Grant (ESSG) and the Housing Related Hazards Capital Fund Program (HRHCFP). Both grants are part of the Public Housing Capital Fund Program.

- GHURA received \$250,000 from the ESSG grant. CalPac, Inc. was awarded the contract to install high-definition/LPR cameras and equipment at AMP1 sites with high crime areas.
- GHURA received \$5 million from the HRHCFP grant. Funds will address the education, training, testing, and mitigation of radon, mold, and moisture in GHURA's public housing units.

THE SECTION 8 HOUSING CHOICE VOUCHER PROGRAM (HCV)

GHURA administers the federally-funded Section 8 Housing Choice Voucher (HCV) Program. The program provides rental assistance to very low-income families, the elderly, and disabled participants to help them afford decent, safe, and sanitary housing in the private market. The HCV Program forged four-way partnerships between the U.S. Department of Housing and Urban Development (HUD), the Housing Authority, the owner, and the family to ensure consistency and smooth delivery of services. HUD is responsible for developing the rules and regulations of the program, allocating the funds for the PHA to administer the HCV program, providing technical assistance to the PHA, and monitoring and enforcing compliance.

The PHA is responsible for implementing the HCV Program by HUD regulations and the established Administrative Plan, processing and paying out the rental assistance on time, ensuring the family complies with program requirements, and ensuring the owner maintains the housing quality standards of the unit. The owner is responsible for screening and selecting the tenant, maintaining the assisted unit, and enforcing the lease agreement. The Section 8 participant is responsible for keeping their obligations as tenants and as a Section 8 participant and paying their share of the rent. In most cases, GHURA pays approximately 70 percent of rental assistance to the owner on behalf of the eligible family, and the participant pays 30 percent based on the family's monthly adjusted income.

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

THE SECTION 8 HOUSING CHOICE VOUCHER PROGRAM (HCV), continued

GHURA administers a combined total of 2,723 HCV and special voucher programs; in 2024, the average utilization rate of vouchers is 96%, and the Housing Assistance funding utilization rate is 102%. GHURA administers the following vouchers:

- 2,113 regular Housing Choice Vouchers
- 112 Project-based Vouchers
- 30 Mainstream Vouchers
- 175 Non-elderly Disabled Vouchers
- 130 Family Unification Program Vouchers (FUP)
- 76 Veteran Affair Supportive Housing Voucher
- 87 Emergency Housing Vouchers (76 remaining housed)

GHURA established a waiting list for the HCV program in July 2020 using a lottery system. Over 64 percent of 1,800 applicants on the wait list have been served, and the remaining 36 percent will be served before 2024. As required, GHURA must select families off the waiting list per GHURA's selection policy. After everyone is selected off the waiting list, GHURA must re-establish a new waiting list. Selection of families is dependent on the availability of vouchers. At the end of October 2024, the annualized attrition rate of families leaving the HCV program is 9.90 percent. As families leave the program, GHURA re-issues vouchers to maintain the required leasing of vouchers. Consequently, a total of 594 vouchers were issued to families throughout the year, with only 84 percent successfully finding suitable rental units. Families have reported difficulty finding a unit, particularly one-bedroom units, due to the limited availability of units on the island. GHURA selected all families on the previous waiting lists and anticipates to open the Section 8 waiting list in January 2025 to establish a new waiting list through the HCV lottery system.

Participant Demographics

The Section 8 Housing Choice Voucher Program housed about 10,216 individuals. The demographic breakdown of those assisted in CY2024 is as follows:

- 2,009 families with female head of households
- 529 families with male head of households
- 2,276 identified as Native Hawaiian or Pacific Islanders, 214 were Asians, 35 were White/Caucasian, 9 were Black/African American, and 3 were American Indian.
- 1,843 of those assisted are a family unit, 354 are couples, and 341 are single occupants
- Predominantly, heads of households are between the ages of 25 and 44 of age; 62 are between the ages of 18 and 24; 1,302 are between the ages of 25 and 44 of age; 881 are between the ages of 45 and 64; 229 are between the ages of 65 and 75; and 71 are over the age of 75 years old

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

THE SECTION 8 HOUSING CHOICE VOUCHER PROGRAM (HCV), continued

Participant Demographics, continued

- 1,213 assisted pay a share of \$0 to \$50; 329 pay a share between \$51 to \$200; 485 pay a share of \$201 to \$500; 314 pay a share between \$500 to \$1,000; 80 pay a share between \$1,001 and \$2,000; and 1 pay over \$2,000.
- The average family income is \$21,036.

Voucher Leasing Challenges

Commonly, many Section 8 families looking for a decent, safe, and sanitary rental within the first 60 days had trouble due to the limited inventory of available units in the private market. Those requiring one-bedroom units have a tough time finding a unit to rent. Individuals with a disability and single occupants take more than 60 days to find a unit. In CY2024, the rental breakdown per unit size is summarized below:

- 328 participants are renting a studio or one-bedroom unit
- 631 participants are renting two-bedroom units
- 971 participants are renting three-bedroom units
- 443 participants are renting four-bedroom units
- 112 participants are renting five-bedroom units, and
- Only 18 participants are renting six-bedroom units

For a person with a disability, finding a unit to rent includes the limited number or lack of ADA-compliant units. The Section 8 Program has reportedly assisted at least 336 families with a disability or handicap and 378 elderly adults (over 62). Most require additional time of more than 120 days to find a unit to rent.

Other challenges reported by the families searching for a unit included the inability to hook up or maintain the connection to utilities due to the rising cost of utilities. Families must pay the connection or re-connection fees on top of a deposit and monthly usage billing. Additionally, most landlords require a security deposit, which families do not have or cannot raise immediately. Some landlords who understand the plight of the families, often work out a plan for the families to pay the deposit through installments on top of their monthly share.

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

FAMILY SELF-SUFFICIENCY PROGRAM

The Family Self-Sufficiency (FSS) Program is designed to support both Section 8 Housing Choice Voucher (HCV) and Public Housing families to increase their earned income and reduce reliance on public assistance and rental subsidies. In partnership with its Program Coordinating Committee (PCC), the FSS Program connects participating families with a range of services and resources offered by both public and private sector organizations. Participation is voluntary and is formalized through a Contract of Participation (COP), which typically spans up to five years, with an option for a two-year extension. This COP outlines the family's goals, the services to be provided to achieve them, and the rights and responsibilities of both the participant and the housing authority.

To achieve its goals and support participants in achieving economic self-sufficiency, the FSS Program focuses on two core service areas: Case Management and Financial Coaching, paired with a financial incentive through escrow savings. FSS Program Coordinators work directly with participants to identify individualized financial and employment-related goals, and link them with services and community resources to support their progress toward these objectives. Examples of the services coordinated through the program include: financial literacy, job-training, employment counseling, education, child-care, transportation, and homeownership counseling, among others.

As part of the financial incentive component, the PHA (on behalf of participating families) deposits funds into a dedicated, interest bearing FSS escrow savings account. Deposits generally correspond to increases in the family's rent resulting from higher earned income. This structure enables participants to build savings automatically as their household income grows. The accumulated escrow funds are disbursed to the family upon successful completion of their COP, providing a financial boost as they transition toward greater economic independence.

FSS Coordinators implement a variety of innovative strategies to ensure consistent and comprehensive support for its families. Services provided include case management, financial coaching, educational support, job search assistance, and career development workshops, along with referrals to additional community resources as needed. The program has maintained a strong virtual service delivery model, offering one-to-one coaching, orientations, presentations, enrollments, assessments, and progress-based check-ins through online platforms.

To further strengthen engagement, Coordinators lead ongoing outreach campaign utilizing virtual tools, phone calls, email communications, and quarterly newsletters. These initiatives ensure that families stay motivated, informed and connected to essential services, supports, and opportunities year-round. Additionally, families have access to no-cost training programs, offered both virtually and in person, that provide professional certifications and direct pathways to job placement. These partnerships are vital in helping participants develop skills, improve employability, and achieve their career and financial goals.

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

Management's Discussion and Analysis, continued

FAMILY SELF-SUFFICIENCY PROGRAM, continued

By the end of the reporting year, the FSS Program served approximately 130 families, comprising of 100 Section 8 Housing Choice Voucher (HCV) participants and 30 Public Housing residents. Over the course of the year, the program processed 255 addendums and enrolled 32 new families. Among those served, approximately 67% of Section 8 HCV families and 57% of Public Housing families maintained active escrow balances, reflecting steady progress toward financial self-sufficiency.

The program proudly celebrated the graduation of seven (7) families who successfully fulfilled all requirements of their Individual Training and Services Plans (ITSPs), including achievement of their personal and financial goals. These graduates collectively received approximately \$39,500 in escrow disbursements, with an average payout of \$5,600 per household.

SUPPORTIVE HOUSING FOR THE ELDERLY (Guma Trankilidat Project)

The Guma Trankilidat Project is an elderly housing rental program, consisting of 50 dwelling units (49 one-bedroom and 1 two-bedroom unit). Construction of Guma Trankilidat Project was financed through a loan from the U.S. Department of Agriculture Section 515 Rural Rental Housing Program for \$2 Million and amortized for a 50-year period beginning March 26, 1980. Annual rental subsidies of approximately \$700 thousand are provided through project-based vouchers through HUD's Multifamily Housing Program. These subsidies cover both the annual operating expenses and mortgage payments.

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

Of the 50 dwelling units, a total of 28 units have been upgraded and completed to date for a total cost of \$778,460. Phase VI is in process to renovate another (4) four units.

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

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

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

Phase IV – 8 units completed on February 18, 2022; total cost \$210,800

Phase V – 8 units completed on March 29, 2024; total cost \$238,060

Phase VI – 4 units were budgeted for Fiscal Year 2025; Upgrade to be completed in FY2026 total cost \$211,005.

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

Management's Discussion and Analysis, continued

COMMUNITY DEVELOPMENT FUNDS

Guam continues to support and expand access to affordable housing through a comprehensive range of initiatives, including homebuyer assistance, rental housing development, and homeowner rehabilitation programs. These efforts are supported through multiple federal funding sources, including the HOME Investment Partnerships Program (HOME), the Housing Trust Fund (HTF), and the HOME-American Rescue Plan (HOME-ARP).

Through these programs, Guam works to address housing needs across the continuum—from assisting first-time homebuyers to increasing the availability of safe and affordable rental units, and supporting vulnerable populations at risk of homelessness. The Territory actively collaborates with local lenders and a community-based nonprofit organization to implement these initiatives effectively. These partnerships enhance outreach, streamline access to financing, and deliver services.

Guam reports the following for this period:

HOME Investment Partnerships Program (HOME)

• ***Renewal Affordable Homes - First Time Homebuyer Program***

Rising housing market conditions have led to increased prices, placing many homes beyond the financial limits of the program. In response, Guam has met with local lenders to promote the program and discuss leverage funding designs to maintain access and affordability for eligible participants.

Guam has conducted an outreach campaign by distributing informational flyers at various businesses as well as a social media campaign. These efforts are aimed at increasing awareness and access among populations that are least likely to be aware of or apply for these housing programs.

This program implemented a web-based application process this period and reviewed 209 applications. A total of 10 households being referred to USDA for a loan leveraging program design. Four of the 10 households are processing for the purchase of newly constructed units.

The program maintains an annual compliance certification process for all HOME assisted units. One Deed in Lieu of Foreclosure was processed this period.

• ***Habitat for Humanity of Guam***

Habitat for Humanity of Guam has been funded through the years with HOME funding. For reasons unknown, the Habitat Guam Chapter closed. Guam was able to transfer the ownership and servicing of 22 mortgages that were HOME assisted. Guam continues to work with the lender who is servicing these accounts for the final transfer of funds. Two foreclosures are in process under this program.

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

COMMUNITY DEVELOPMENT FUNDS, continued

HOME Investment Partnerships Program (HOME), continued

• ***Rental***

HOME funds have been successfully leveraged to acquire a four-unit property in Agana Heights and a 21-unit complex in Yigo to support the expansion of affordable rental housing. Both properties are currently undergoing processing for renovation to ensure they meet program standards and provide safe, quality housing for eligible tenants.

• ***Homeowner Rehabilitation***

Guam has marketed this program and met with the Chamorro Land Trust Commission to promote the program for eligible Land Trust recipients. The program is currently reviewing 5 applications.

• ***HOME American Rescue Program (HOME-ARP)***

The project plans have been finalized to include the site. Phase I plans will be defined early next fiscal year. The program has partnered with WestCare Pacific Islands to provide an affordable rental program with Veterans as a preference for the qualifying population. The location is in Dededo and will feature duplex and multi-family type designs for households less than 30% area median income.

Community Development Block Grant – Affordable Rental

• ***Renaissance Affordable Rental***

The Program maintains units in Maesso and Talofofo which are fully occupied. Plans to renovate the Maesso units are underway. The newly acquired complexes will increase the affordable rental inventory.

• ***Urban Renewal Oversight***

Guam continues to address longstanding Urban Renewal challenges, particularly in the Asan area, where the effects of past development resulted in some developments to be unresolved. However, no funding has been made available to conduct a comprehensive review or assessment of the entire area. Reviews for resolution or completion are processed on demand.

Housing Trust Fund (HTF)

Guam is partnering with WestCare Pacific Islands in support of affordable rental. This funding will be utilized to renovate the newly acquired 4 plex and duplex in the Agana Height areas. This program will be open to households less than 30% area median.

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

Management's Discussion and Analysis, continued

COMMUNITY DEVELOPMENT FUNDS, continued

Housing Counseling

Guam has certified another housing counselor who will be the lead for all programs related to housing counseling. A case management system is currently in procurement process. Program documents are being drafted for final review.

RESEARCH PLANNING AND EVALUATION FUNDS

Hearth Emergency Solutions Grant (HESG)

In FY2024, HESG funded activities serving homeless populations and those individuals and families at or below 30% of Area Median Income, identified by HUD as extremely-low-income. HESG funds were used to provide homeless prevention or rapid re-housing services, homeless street outreach, support services, and program administration.

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

Covid CARES Act funds were provided to eligible jurisdictions to prepare, prevent, and respond to the Coronavirus Pandemic. These funds continued to be utilized through the FY2024 period in support of vulnerable populations eligible under the CDBG-CV and HESG-CV programs under program-specific Covid waivers.

Guam uses CARES Act Funds to address the needs of eligible individuals and households negatively impacted by the Pandemic. CDBG-CV and HESG-CV funds were used for such activities as job training and re-training services, street outreach, rapid-rehousing and homeless prevention activities, the lease of a non-congregate shelter, case management services, homeless management information system support and program administration.

Continuum of Care Grant Funds

In FY2024, GHURA received competitive grant funds for the support of homeless persons with disabilities.

Projects funded for the current fiscal year are:

1. Anchor of Hope. Funds are used to provide rental assistance and support services to homeless individuals with disabilities.

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

Management's Discussion and Analysis, continued

RESEARCH PLANNING AND EVALUATION FUNDS, continued

Continuum of Care Grant Funds, continued

2. Coordinated Entry System. Funds used to develop and implement the Coordinated Entry System utilizing the Homeless Management Information System (HMIS). Coordinated entry is a process developed to ensure that all people experiencing a housing crisis have fair and equal access and are quickly identified, assessed for, referred, and connected to housing and assistance based on their strengths and needs. Continuum of Care Planning Costs. GHURA is designated to administer HUD funds on behalf of GovGuam. As the designated Collaborative Applicant, GHURA coordinates CoC activities, conducts monitoring of CoC for program performance and compliance, and provides guidance and assistance to address homelessness.
3. Planning. The Guam CoC received funds to strengthen their planning capabilities in support of the delivery of services by the recipients of CoC funds.
4. Homeless Management Information System (HMIS). HMIS is the data repository to record the provision of services and track participants receiving assistance for homelessness. The service is intended as a tool to improve the provision of services by the numerous service providers.
5. Housing First Rental Assistance Program-provides rental voucher assistance to homeless individuals. To qualify for assistance, participants must be homeless and disabled by chronic alcohol or drug problems, serious mental illness, or other disabilities. In addition to receiving a rental subsidy, participants receive support services through a network of local service agencies.
6. Manhali' Project The Manhali' Project is a new project. Manhali' will assist individuals to obtain and maintain permanent housing. The Manhali' Project to be operated by WestCare Pacific Islands (WPI). WPI will provide permanent supportive housing services to clients enrolled WPI homeless support services programs. WPI will use Manhali' Project funds to provide tenant based rental assistance and supportive case management.
7. Y Jahame Permanent Housing Program is an 8-unit project-based permanent housing program for homeless persons with disabilities.

Low-Income Housing Tax Credit Program

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

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

Management's Discussion and Analysis, continued

RESEARCH PLANNING AND EVALUATION FUNDS, continued

Low-Income Housing Tax Credit Program, continued

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

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

In this latest application cycle, the GHURA Board of Commissioners awarded credits totaling \$1,793,120 to one of the five projects applying for credits.

Authority-Wide Financial Statements

Statements of Net Position

The following summary presented below reflects the condensed 2022 to 2024 Statement of Net Position. GHURA is engaged only in Business-Type Activities.

GHURA's Net Position

As of September 30

Table 1

	2024	2023	FY2024	\$ Change FY2023	% Change FY2023	FY2024	2022
Current and Other Assets	\$ 42,116,393	\$ 43,861,314	\$ (1,744,921)	-3.98%	\$ 45,822,595		
Capital Assets	24,330,647	18,989,486	5,341,161	28.13%	18,737,414		
Other Real Estate	<u>2,254,969</u>	<u>2,462,887</u>	<u>(207,918)</u>	<u>-8.44%</u>	<u>2,462,887</u>		
Total Assets	68,702,009	65,313,687	3,388,322	5.19%	67,022,896		
Deferred Outflows of Resources	9,855,674	10,668,510	(812,836)	-7.62%	8,124,156		
	\$ 78,557,683	\$ 75,982,197	\$ 2,575,486	3.39%	\$ 75,147,052		
Current and Other Liabilities	\$ 40,818,765	\$ 38,533,047	\$ 2,285,718	5.93%	\$ 36,828,281		
Long-Term Debt	<u>11,377,374</u>	<u>11,948,705</u>	<u>(571,331)</u>	<u>-4.78%</u>	<u>11,996,098</u>		
Total Liabilities	52,196,139	50,481,752	1,714,387	3.40%	48,824,379		
Deferred Inflows of Resources	6,351,704	7,377,598	(1,025,894)	-13.91%	5,355,290		
Net Position:							
Net Investment in Capital Assets	26,585,616	22,021,078	4,564,538	20.73%	20,542,203		
Restricted	25,456,118	26,247,946	(791,828)	-3.02%	29,745,730		
Unrestricted	<u>(32,031,894)</u>	<u>(30,146,177)</u>	<u>(1,885,717)</u>	<u>6.26%</u>	<u>(29,320,550)</u>		
Total Net Position	20,009,840	18,122,847	1,886,993	10.41%	20,967,383		
	\$ 78,557,683	\$ 75,982,197	\$ 2,575,486	3.39%	\$ 75,147,052		

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

Management's Discussion and Analysis, continued

Statements of Net Position, continued

Total assets and deferred outflows of resources of GHURA as of September 30, 2024 amounted to \$78,557,683 an increase of \$2,575,486 or 3.39% as compared to \$75,982,197 as of September 30, 2023. Cash and cash equivalents as of September 30, 2024 totaled \$24,306,052 an increase of \$838,983 or approximately 3.6% as compared to \$23,467,069 as of September 30, 2023.

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

Table 2 presents details on the change in Unrestricted Net Position for the fiscal years ended September 30, 2022 to 2024. (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.

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

	2024	2023	FY2024	\$ Change FY2023 to FY2024	% Change FY2023 to FY2024	2022
Unrestricted Net Position, Beginning	\$ (30,146,177)	\$ (29,320,550)	\$ (825,627)	2.8%	\$ (26,579,933)	
Change in Net Position	1,886,993	(2,844,536)	4,731,529	-166.3%	9,053,122	
Adjustments:						
Depreciation	1,770,370	1,527,106	243,264	15.9%	1,458,548	
Adjusted Change in Net Position	3,657,363	(1,317,430)	4,974,793	-377.6%	10,511,670	
Change in Restricted Net Position	791,828	3,497,784	(2,705,956)	-77.4%	(10,553,355)	
Investment in Capital Assets, net	(6,239,577)	(2,916,588)	(3,322,989)	113.9%	(2,615,062)	
Repayment of Long-Term Debt	(95,331)	(89,393)	(5,938)	6.6%	(83,870)	
Net Change	(1,885,717)	(825,627)	(1,060,090)	128.4%	(2,740,617)	
Unrestricted Net Position	\$ (32,031,894)	\$ (30,146,177)	\$ (1,885,717)	6.3%	\$ (29,320,550)	

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

Management's Discussion and Analysis, continued

Statements of Revenues, Expenses and Change in Net Position

The following summary presented below reflects the condensed 2022 to 2024 Statement of Revenues, Expenses and Changes in Net Position.

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

	2024	2023	FY2024	Change FY2023 to FY2024	% Change FY2023 to FY2024	2022
Revenues:						
Operating and Capital Grants	\$ 70,173,967	\$ 62,334,117	\$ 7,839,850	12.58%	\$ 64,444,721	
Tenant Rental Revenue	1,746,851	1,408,780	338,071	24.00%	1,217,579	
Other Operating Revenues	1,071,458	973,984	97,474	10.01%	3,119,513	
Non-Operating Revenues	1,251,926	258,815	993,111	383.71%	1,088,905	
Total Revenues	74,244,202	64,975,696	9,268,506	14.26%	69,870,718	
Expenses:						
Housing Assistance Payments	47,908,051	46,674,141	1,233,910	2.64%	41,170,222	
Other Operating Expenses	23,767,433	20,461,136	3,306,297	16.16%	19,552,378	
Non-Operating Expenses	681,725	684,955	(3,230)	-0.47%	94,996	
Total Expenses	72,357,209	67,820,232	4,536,977	6.69%	60,817,596	
Change in Net Position	\$ 1,886,993	\$ (2,844,536)	\$ 4,731,529	-166.34%	\$ 9,053,122	

Table 3 presents the changes in GHURA's net position for the years ended September 30, 2022 to 2024. GHURA had total revenues of \$74,244,202 in 2024 and \$64,975,696 in 2023, an increase of \$9,268,506 or 14.26% while total expenses were \$72,357,209 in 2024 and \$67,820,232 in 2023, an increase of \$4,536,977 or 6.69%.

Tenant Revenue

Tenant revenue, which accounted for 2.35% of total current year revenues, increased by \$338,071 or approximately 24.00% from \$1,408,780 in 2023.

Other Revenue

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

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

Management's Discussion and Analysis, continued

Statements of Revenues, Expenses and Change in Net Position, continued

Expenses

Housing Assistance Payments

Housing assistance payments, which accounted for 66.21% of total current year expenses, increased by \$1,233,910 or approximately 2.64% from \$46,674,141 in 2023. The increase in the current year expenses is attributed to increase in Section 8 Housing Choice vouchers leased for the period and due to higher unit month leasing costs.

Other Operating Expenses

Other operating expenses, which accounted for 32.85% of total current year expenses, increased by \$3,306,297 or approximately 16.16% from \$20,461,136 in 2023.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2024, GHURA had \$24,330,647 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (net of additions and depreciation) of \$5,341,161, or approximately 28.13% from the end of last year.

GHURA's Capital Assets
As of September 30
Table 4

	2024	2023	2022
Depreciable Assets:			
Structures	\$ 103,507,321	\$ 100,999,490	\$ 99,774,579
Furnitures, Fixtures, and Equipment	5,280,342	5,034,146	5,033,941
Leasehold Improvements	<u>302,662</u>	<u>319,429</u>	<u>335,736</u>
	<u>109,090,325</u>	<u>106,353,065</u>	<u>105,144,256</u>
Accumulated Depreciation	<u>(93,888,444)</u>	<u>(92,195,464)</u>	<u>(90,668,429)</u>
Total Depreciable Assets, Net	<u>15,201,881</u>	<u>14,157,601</u>	<u>14,475,827</u>
Nondepreciable Assets:			
Land	3,675,882	3,780,831	3,675,882
Homes for Transfer to Persons	-	522,898	110,235
Construction in Progress	<u>5,452,884</u>	<u>528,156</u>	<u>475,470</u>
Total Non-Depreciable Assets	<u>9,128,766</u>	<u>4,831,885</u>	<u>4,261,587</u>
Total Capital Assets, Net	\$ 24,330,647	\$ 18,989,486	\$ 18,737,414

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

Management's Discussion and Analysis, continued

Capital Assets and Debt Administration, continued

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

Debt Administration

The Authority, in May 2021, obtained a \$12M Community Development Block Grant Section 108 loan to assist The Learning Institute to construct a 70,000 square foot building intended to rent to the iLearn Academy Charter School. The funds for this loan were obtained from the U.S. Housing and Development (HUD). The Authority is a pass-through entity to facilitate payments made to the loan from The Learning Institute to HUD.

Economic Factors

Significant economic factors that affect GHURA are as follows:

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

Federal funding of U. S. Housing and Urban Development (HUD). As GHURA receives the majority of its operating revenue from financial assistance from HUD, GHURA and its financial operations are significantly affected by the federal government's annual appropriation to HUD.

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

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

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

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

Economic Factors, continued

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

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

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

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

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

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

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

Economic Factors, continued

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

Rental Assistance Demonstration

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

Audit and Compliance

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

Systems, Controls, and Legal Compliance

Systems

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

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

Management's Discussion and Analysis, continued

Systems, Controls, and Legal Compliance, continued

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

Controls

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

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

Legal Compliance

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

Accountability

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

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

Management's Discussion and Analysis, continued

Systems, Controls, and Legal Compliance, continued

Fraud, Waste, and Abuse

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

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

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

COVID-19

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

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

Financial Contact

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

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

Statements of Net Position

September 30,
2024 2023

Assets and Deferred Outflows of Resources

Current assets:

Cash and cash equivalents	\$23,280,905	\$22,337,773
Receivables, net:		
HUD	1,408,789	3,206,721
Notes receivable – current	813,868	795,128
Tenants	537,969	490,580
Other government	9,774	9,774
Accrued interest receivable	97,071	108,809
Miscellaneous	391,500	392,303
Allowance for doubtful accounts	(1,060,370)	(475,286)
Due from/to other funds	87,147	44,576
Prepayments and other current assets	349,980	35,466
Inventories	<u>420,029</u>	<u>362,726</u>
Total current assets	<u>26,336,662</u>	<u>27,308,570</u>
Noncurrent assets:		
Cash and cash equivalents – restricted	1,025,147	1,129,296
Notes receivable, net of current portion	14,343,654	14,990,719
Lease receivables	410,930	432,729
Capital assets:		
Depreciable assets, net of accumulated depreciation	15,201,881	14,157,601
Non-depreciable assets	9,128,766	4,831,885
Other real estate	<u>2,254,969</u>	<u>2,462,887</u>
Total noncurrent assets	<u>42,365,347</u>	<u>38,005,117</u>
Total assets	<u>68,702,009</u>	<u>65,313,687</u>

Deferred outflows of resources:

Pension	5,096,843	7,038,561
OPEB	<u>4,758,831</u>	<u>3,629,949</u>
Total deferred outflows of resources	<u>9,855,674</u>	<u>10,668,510</u>
Total assets and deferred outflows of resources	<u>\$78,557,683</u>	<u>\$75,982,197</u>

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

	<u>September 30, 2024</u>	<u>2023</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable and other deposits	\$ 1,301,739	\$ 1,754,735
Due to HUD	16,755	16,755
Current portion of accrued compensated absences	67,796	88,469
Current portion of notes payable	586,800	571,000
Accrued payroll and other liabilities	265,212	227,118
Unearned revenues	1,810,283	1,493,529
Security and escrow deposits	358,310	326,439
Other current liabilities	<u>689,506</u>	<u>319,706</u>
Total current liabilities	5,096,401	4,797,751
Accrued compensated absences, net of current portion	773,300	869,207
Notes payable, net of current portion	10,790,574	11,377,705
Net pension liability	17,631,057	18,965,963
Collective total OPEB liability	<u>17,904,807</u>	<u>14,471,126</u>
Total liabilities	<u>52,196,139</u>	<u>50,481,752</u>
Deferred inflows of resources:		
Pension	1,021,384	595,679
OPEB	<u>5,330,320</u>	<u>6,781,919</u>
Total deferred inflows of resources	<u>6,351,704</u>	<u>7,377,598</u>
Net position:		
Net investment in capital assets	26,585,616	22,021,078
Restricted for housing operations	25,456,118	26,247,946
Unrestricted	<u>(32,031,894)</u>	<u>(30,146,177)</u>
Total net position	<u>20,009,840</u>	<u>18,122,847</u>
Total liabilities, deferred inflows of resources and net position	<u>\$78,557,683</u>	<u>\$75,982,197</u>

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

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Operating revenues:		
HUD PHA Operating Grants	\$69,665,266	\$59,734,868
Tenant rental income	1,746,851	1,408,780
Other income	<u>1,071,458</u>	<u>973,984</u>
Total operating revenue	72,483,575	62,117,632
Less: Bad debts expense	<u>614,785</u>	<u>83,524</u>
Net operating revenue	71,868,790	62,034,108
Operating expenses:		
Housing assistance payments	47,908,051	46,674,141
Salaries and wages	6,483,595	5,355,061
Other administrative expenses	5,569,250	4,693,200
Employee benefits	3,683,047	2,951,539
Repairs and maintenance	2,584,621	3,502,553
Depreciation	1,770,370	1,527,106
Retiree healthcare costs	1,459,192	990,927
Utilities	619,622	623,851
Office expense	372,795	261,243
Insurance	303,595	175,625
Professional fees	97,158	135,104
Payments in lieu of taxes	86,401	80,936
Advertising	80,903	50,252
Protective services	24,259	14,692
Travel	<u>17,840</u>	<u>15,523</u>
Total operating expenses	<u>71,060,699</u>	<u>67,051,753</u>
Operating income (loss)	<u>808,091</u>	<u>(5,017,645)</u>
Nonoperating (expenses) revenues:		
Contributions from GovGuam for retiree benefits	605,992	455,346
Other income (loss)	592,332	(217,231)
Fraud recovery	47,698	16,279
Interest income	5,904	4,421
Interest expense	<u>(681,725)</u>	<u>(684,955)</u>
Total nonoperating revenues (expenses), net	<u>570,201</u>	<u>(426,140)</u>
Income (loss) before capital grants and contributions	1,378,292	(5,443,785)
Capital grants and contributions:		
Federal grants	<u>508,701</u>	<u>2,599,249</u>
Change in net position	1,886,993	(2,844,536)
Net position at the beginning of the year	<u>18,122,847</u>	<u>20,967,383</u>
Net position at the end of the year	<u>\$20,009,840</u>	<u>\$18,122,847</u>

See accompanying notes.

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

Statements of Cash Flows

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Operating grants received	\$69,665,266	\$59,734,868
Receipts from tenants and customers	6,311,764	2,753,435
Payments to employees	(9,212,611)	(7,990,359)
Payments to suppliers for goods and services	(10,179,586)	(9,159,123)
Housing assistance paid	<u>(47,908,051)</u>	<u>(46,674,141)</u>
Net cash provided by (used for) operating activities	<u>8,676,782</u>	<u>(1,335,320)</u>
Cash flows from capital and related financing activities:		
Capital grants received	508,701	2,599,249
Repayment of note payable	(571,331)	(556,393)
Interest paid	(681,725)	(684,955)
Acquisition of capital assets	(7,730,944)	(1,779,178)
Proceeds from notes payable	---	509,000
Advances to subrecipient	---	<u>(509,000)</u>
Net cash used for capital and related financing activities	<u>(8,475,299)</u>	<u>(421,277)</u>
Cash flows from investing activities:		
Interest and other	<u>637,500</u>	<u>(196,531)</u>
Net change in cash	838,983	(1,953,128)
Cash and cash equivalents at beginning of year	<u>23,467,069</u>	<u>25,420,197</u>
Cash and cash equivalents at end of year	<u>\$24,306,052</u>	<u>\$23,467,069</u>
Cash and cash equivalents consist of the following:		
Unrestricted	\$23,280,905	\$22,337,773
Restricted	<u>1,025,147</u>	<u>1,129,296</u>
	<u>\$24,306,052</u>	<u>\$23,467,069</u>

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

Statements of Cash Flows, continued

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)		
	\$ 808,091	\$(5,017,645)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Noncash pension cost	3,187,760	2,586,860
Depreciation	1,770,370	1,527,106
Noncash OPEB cost	1,188,518	646,668
Sale of assets held for transfer to persons	627,847	---
Bad debts expense	614,785	83,524
Sale of other real estate	207,918	---
Changes in assets and liabilities:		
Receivables	1,733,383	(318,283)
Notes receivable	628,325	734,781
Due from/to other funds	(42,571)	(42,254)
Prepayments and other current assets	(314,514)	100,281
Inventories	(57,303)	(40,896)
Lease receivables	21,799	---
Accounts payable and other deposits	(452,996)	150,377
Accrued compensated absences	(116,580)	10
Accrued payroll and other liabilities	38,094	26,185
Unearned revenues	316,754	(3,573)
Security and escrow deposits	31,871	(2,187)
Collective total OPEB liability	270,674	(875)
Net pension liability	(2,155,243)	(1,951,680)
Other current liabilities	<u>369,800</u>	<u>186,281</u>
Net cash provided by (used for) operating activities	<u>\$8,676,782</u>	<u>\$(1,335,320)</u>

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

Notes to the Financial Statements

Years Ended September 30, 2024 and 2023

1. Reporting Entity

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

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

2. Summary of Significant Accounting Policies

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

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

Organization and Program Descriptions

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

Housing Assistance Payments Program:

HUD funds the Housing Choice Voucher Program. The principal purpose of the program is to enable lower income families to reside in existing privately owned housing. Assistance is calculated according to family needs and paid directly to the dwelling owner.

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

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Organization and Program Descriptions, continued

Public Housing Capital Fund Program:

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

Supportive Housing for the Elderly:

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

Low Income Housing Program:

Under this program, GHURA rents its own units to low-income households. The Low Income Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidies to enable GHURA to provide the housing at a rent that is based on 30 percent of household income. GHURA entered into an ACC that allowed them to develop and operate a Low-Income Housing Program.

HOME Investment Partnership Program:

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

Continuum of Care Program:

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

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

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Organization and Program Descriptions, continued

Community Development Block Grants (CDBG):

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

Emergency Solutions Grant Program:

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

Resident Opportunity and Supportive Services:

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

Multifamily Housing Service Coordinator:

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

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

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Organization and Program Descriptions, continued

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

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

Family Self-Sufficiency Program:

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

Neighborhood Stabilization Program – Recovery Act Fund:

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

Low-Income Housing Tax Credits (LIHTC) Program:

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

Local Funds:

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

Revolving and Trust Funds:

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

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

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Organization and Program Descriptions, continued

Other Funds:

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

Measurement Focus and Basis of Accounting

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

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

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

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

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Net Position

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

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

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law.

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

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

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

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

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents, continued

As of September 30, 2024 and 2023, bank deposits in the amount \$250,000 were FDIC insured. In accordance with 5 GCA 21, *Investments and Deposits*, GHURA requires collateralization of deposits in excess of depository insurance limits at 100%. Such collateralization shall be in securities in U.S. treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged or such other securities as may be approved by GHURA. As of September 30, 2024 and 2023, all of GHURA's bank deposits in excess of depository insurance limits are collateralized with securities held by the pledging financial institution but not in GHURA's name.

Receivables from HUD

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

Accounts Receivables - Tenants

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

Notes Receivable

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

Prepayments

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

Lease receivable

Lease receivable represents the present value of lease payments expected to be received during the lease term. GHURA has adopted policies to assist in determining lease treatment in accordance with the requirements of GASB Statement No. 87, which include the following: (1) the maximum possible lease term is non-cancelable by both lessee and lessor and is more than 12 months and (2) the terms of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal.

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

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Inventories

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

Capital Assets and Depreciation

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

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

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

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

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

GHURA evaluates events or changes in circumstances affecting long-lived assets, including intangible and capital assets, to determine whether an impairment of its assets has occurred. If GHURA determines that a long-lived asset is impaired, and that the impairment is significant and other-than temporary, then an impairment loss will be recorded in GHURA's financial statements. In 2024 and 2023, GHURA did not recognize any loss on impairment related to its long-lived assets.

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

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Other Real Estate

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

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

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Pensions

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

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

Other Postemployment Benefits (OPEB)

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

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

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

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Compensated Absences

Compensated absences are accrued and reported as a liability in the period earned. Annual leave, expected to be paid out within the next fiscal year, is accrued and is included in current liabilities. The maximum accumulation of annual leave convertible to pay upon termination of employment is limited to 320 hours. Employees who have accumulated annual leave in excess of 320 hours, may carry over their excess leave and shall use the excess amount prior to retirement or termination of service. Any unused leave over 320 hours shall be lost upon retirement.

Members of the Defined Contribution Retirement System (DCRS) to receive a lump sum payment of one-half of their accumulated sick leave upon retirement.

Unearned Revenues

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

HUD Subsidies and Contributions

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

Tenant Rental Income

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

Administrative and General Expenses

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

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

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement enhances comparability in the application of accounting and financial reporting requirements and improves the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied more easily. The comparability of financial statements also improves as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. The adoption of this statement did not have a material effect on the financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement also improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which results in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information is provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements results in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. The adoption of this statement did not have a material effect on the financial statements.

Upcoming Accounting Pronouncements

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

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

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and address certain application issues identified through pre-agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information and financial trends information in the statistical section. GASB Statement No. 103 will be effective for fiscal year ending September 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date.

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

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. GASB Statement No. 104 will be effective for fiscal year ending September 30, 2026.

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

3. Deposits

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

As of September 30, 2024 and 2023, bank balances were \$24,276,175 and \$23,357,281, respectively, which are maintained in a financial institution subject to FDIC insurance.

4. Notes Receivable

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

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Notes to the Financial Statements, continued

4. Notes Receivable, continued

On December 3, 2020, HUD entered into a \$12 million loan facility with GHURA under the CDBG Section 108 Loan Guarantee Program. (See Note 7) GHURA simultaneously entered into a subrecipient loan agreement with "The Learning Institute" (the subrecipient), a Guam nonprofit corporation, for the purpose of funding construction, rehabilitation or installation of public facilities eligible under 24 CFR 570.703 (1), in connection with the iLearn Academy Charter School Project. Various drawdowns totaling \$12 million were made against this facility. As of September 30, 2024 and 2023, note receivable from the subrecipient amounted to \$10,904,000 and \$11,380,000, respectively.

As of September 30, 2024 and 2023, these notes receivable are summarized as follows:

	<u>2024</u>	<u>2023</u>
Section 108 Loan Guarantee Program	\$10,904,000	\$11,380,000
CDBG and HOME Investment Partnerships Program	4,051,301	4,179,418
Down Payment and Closing Cost Assistance Program	<u>202,221</u>	<u>226,429</u>
	15,157,522	15,785,847
Less current portion	(813,868)	(795,128)
	<u>\$14,343,654</u>	<u>\$14,990,719</u>

Maturities of the principal balances subsequent to September 30, 2024, are as follows:

Year Ending
September 30

2025	\$ 813,868
2026	643,580
2027	640,460
2028	654,524
2029	669,710
2030 through 2034	3,527,106
2035 through 2039	3,926,122
2040 through 2044	3,493,790
2045 through 2049	646,539
2050 through 2052	<u>141,823</u>
	<u>\$15,157,522</u>

As of September 30, 2024 and 2023, the allowance for doubtful accounts on notes receivable amounted to \$179,293 and \$165,277, respectively.

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

5. Capital Assets

A summary of changes in capital assets for the year ended September 30, 2024, is as follows:

	<u>Balance</u> <u>October 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u> <u>and</u> <u>Adjustments</u>	<u>Balance</u> <u>September 30</u>
Depreciable assets:					
Structures	\$100,999,490	\$2,017,434	\$(77,390)	\$567,787	\$103,507,321
Furniture, fixtures and equipment	5,034,146	260,626	---	(14,430)	5,280,342
Leasehold improvements	<u>319,429</u>	<u>---</u>	<u>---</u>	<u>(16,767)</u>	<u>302,662</u>
	106,353,065	2,278,060	(77,390)	536,590	109,090,325
Less accumulated depreciation and amortization					
	<u>(92,195,464)</u>	<u>(1,770,370)</u>	<u>---</u>	<u>---</u>	<u>(93,888,444)</u>
	<u>14,157,601</u>	<u>507,690</u>	<u>(77,390)</u>	<u>536,590</u>	<u>15,201,881</u>
Non-depreciable assets:					
Land	3,780,831	---	---	(104,949)	3,675,882
Homes for transfer to persons	522,898	---	(627,847)	104,949	---
Construction in progress	<u>528,156</u>	<u>5,452,884</u>	<u>---</u>	<u>(528,156)</u>	<u>5,452,884</u>
	<u>4,831,885</u>	<u>5,452,884</u>	<u>(627,847)</u>	<u>(528,156)</u>	<u>9,128,766</u>
Total capital assets, net	<u>\$ 18,989,486</u>	<u>\$ 5,960,574</u>	<u>\$ (705,237)</u>	<u>\$ 8,434</u>	<u>\$ 24,330,647</u>

A summary of changes in capital assets for the year ended September 30, 2023, is as follows:

	<u>Balance</u> <u>October 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u> <u>and</u> <u>Adjustments</u>	<u>Balance</u> <u>September 30</u>
Depreciable assets:					
Structures	\$ 99,774,579	\$ 817,817	\$ ---	\$407,094	\$100,999,490
Furniture, fixtures and equipment	5,033,941	---	---	205	5,034,146
Leasehold improvements	<u>335,736</u>	<u>---</u>	<u>---</u>	<u>(16,307)</u>	<u>319,429</u>
	105,144,256	817,817	---	390,992	106,353,065
Less accumulated depreciation and amortization					
	<u>(90,668,429)</u>	<u>(1,527,035)</u>	<u>---</u>	<u>---</u>	<u>(92,195,464)</u>
	<u>14,475,827</u>	<u>(709,218)</u>	<u>---</u>	<u>390,992</u>	<u>14,157,601</u>
Non-depreciable assets:					
Land	3,675,882	20,542	---	84,407	3,780,831
Homes for transfer to persons	110,235	412,663	---	---	522,898
Construction in progress	<u>475,470</u>	<u>528,156</u>	<u>---</u>	<u>(475,470)</u>	<u>528,156</u>
	<u>4,261,587</u>	<u>961,361</u>	<u>---</u>	<u>(391,063)</u>	<u>4,831,885</u>
Total capital assets, net	<u>\$ 18,737,414</u>	<u>\$ 252,143</u>	<u>\$ ---</u>	<u>\$ (71)</u>	<u>\$ 18,989,486</u>

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

6. Other Real Estate

GovGuam transferred five parcels of land to GHURA to construct 500 single-family homes under the GHURA 500 Low Cost Housing Project. The estimated value per house, based on the development cost incurred, totaled \$34,653. As of September 30, 2024 and 2023, GHURA had 63 and 69 lots, respectively, in its inventory with an estimated value of \$2,183,139 and \$2,391,057, respectively.

In addition, GHURA has five lots in the GovGuam Astumbo Housing Project with estimated per lot value of \$14,366 for a total estimated value of \$71,830 as of September 30, 2024 and 2023.

7. Notes Payable

Farmers Home Administration

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

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2025	\$100,800	\$25,480	\$126,280
2026	107,000	19,480	126,480
2027	114,000	12,480	126,480
2028	121,000	5,480	126,480
2029	<u>30,574</u>	<u>1,726</u>	<u>32,300</u>
	<u>\$473,374</u>	<u>\$64,646</u>	<u>\$538,020</u>

Loan Guarantee Program

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

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

7. Notes Payable, continued

Loan Guarantee Program, continued

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

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

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2025	\$ 486,000	\$ 492,861	\$ 978,861
2026	495,000	470,894	965,894
2027	505,000	448,520	953,520
2028	515,000	425,694	940,694
2029	526,000	402,416	928,416
2030 through 2034	2,787,000	378,640	3,165,640
2035 through 2039	3,075,000	252,668	3,327,668
2040	<u>2,515,000</u>	<u>113,678</u>	<u>2,628,678</u>
	<u><u>\$10,904,000</u></u>	<u><u>\$2,985,371</u></u>	<u><u>\$13,889,371</u></u>

Changes in notes payable for the year ended September 30, 2024, is as follows:

	<u>Balance</u> <u>October 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30</u>	<u>Due Within</u> <u>One Year</u>
Notes payable:					
Farmers Home Administration	\$ 568,705	\$ ---	\$(95,331)	\$ 473,374	\$ 100,800
Loan Guarantee Program	<u>11,380,000</u>	<u>---</u>	<u>(476,000)</u>	<u>10,904,000</u>	<u>486,000</u>
	<u><u>\$11,948,705</u></u>	<u><u>\$ ---</u></u>	<u><u>\$(571,331)</u></u>	<u><u>\$11,377,374</u></u>	<u><u>\$586,800</u></u>

Changes in notes payable for the year ended September 30, 2023, is as follows:

	<u>Balance</u> <u>October 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30</u>	<u>Due Within</u> <u>One Year</u>
Notes payable:					
Farmers Home Administration	\$ 658,098	\$ ---	\$(89,393)	\$ 568,705	\$ 95,000
Loan Guarantee Program	<u>11,338,000</u>	<u>509,000</u>	<u>(467,000)</u>	<u>11,380,000</u>	<u>476,000</u>
	<u><u>\$11,996,098</u></u>	<u><u>\$509,000</u></u>	<u><u>\$(556,393)</u></u>	<u><u>\$11,948,705</u></u>	<u><u>\$571,000</u></u>

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

8. Other Noncurrent Liabilities

The changes in other long-term liabilities for the year ended September 30, 2024, is as follows:

	<u>Balance October 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30</u>	<u>Due Within One Year</u>
Compensated absences	\$ 957,666	\$ ---	\$(116,571)	\$ 841,095	\$67,796
Net pension liability	18,965,963	---	(1,334,906)	17,631,057	---
Collective total OPEB liability	<u>14,471,126</u>	<u>3,433,681</u>	<u>---</u>	<u>17,904,807</u>	<u>---</u>
	<u><u>\$34,394,755</u></u>	<u><u>\$3,433,681</u></u>	<u><u>\$(1,451,477)</u></u>	<u><u>\$36,376,959</u></u>	<u><u>\$67,796</u></u>

The changes in other long-term liabilities for the year ended September 30, 2023, is as follows:

	<u>Balance October 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30</u>	<u>Due Within One Year</u>
Compensated absences	\$ 957,666	\$ ---	\$ ---	\$ 957,666	\$88,469
Net pension liability	13,014,620	5,951,343	---	18,965,963	---
Collective total OPEB liability	<u>19,074,796</u>	<u>---</u>	<u>(4,603,670)</u>	<u>14,471,126</u>	<u>---</u>
	<u><u>\$33,047,082</u></u>	<u><u>\$5,951,343</u></u>	<u><u>\$(4,603,670)</u></u>	<u><u>\$34,394,755</u></u>	<u><u>\$88,469</u></u>

10. Pensions

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

A. General Information About the Pension Plans:

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

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

10. Pensions, continued

A. General Information About the Pension Plans, continued:

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

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, retirees under the DB and DCRS Plans who retired prior to September 30, 2023 are eligible to receive an annual ad hoc cost of living allowance (COLA).

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

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

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

10. Pensions, continued

A. General Information About the Pension Plans, continued:

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

Supplemental annuity benefit payments are provided to DB retirees in the amount of \$4,238 per year, but not to exceed \$40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB and DCRS retirees in a lump sum amount of \$2,000, which was subsequently increased to \$2,300 by Public Law 37-42, effective October 1, 2023. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a “pay-as-you-go” basis so there is no plan trust. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

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

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

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

10. Pensions, continued

A. General Information About the Pension Plans, continued:

Members of the DB 1.75 Plan may retire at age 62 with 5 years of credited service, or at age 60 with 5 years of credited service without survivor benefits, or at age 55 with 25 years of credited service but the retirement annuity shall be reduced $\frac{1}{2}$ of 1% for each month that the age of the member is less than 62 years (6% per year). Credited service is earned for each year of actual employment by the member as an employee. Upon retirement, a retired member is entitled to a basic retirement annuity equal to an annual payment of 1.75% of average annual salary multiplied by years of credited service. Average annual salary means the average of annual base salary for the three years of service that produce the highest average.

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

GHURA's statutory contribution rate was 29.43% and 28.43%, respectively, for the years ended September 30, 2024 and 2023. Employees are required to contribute 9.50% of their annual pay for the years ended September 30, 2024 and 2023.

GHURA's contributions to the DB Plan for the years ended September 30, 2024 and 2023 were \$2,032,592 and \$1,774,771, respectively, which were equal to the required contributions for the respective years then ended.

GHURA's contributions for supplemental annuity benefit and COLA payments for the years ended September 30, 2024 and 2023 were \$297,428 and \$176,186, respectively, which were equal to the statutorily required contributions for the respective years ended.

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

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

Statutory employer contributions for the DCRS plan for the years ended September 30, 2024 and 2023 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 6.2% of the member's regular pay is deposited into the DCRS. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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

10. Pensions, continued

A. General Information About the Pension Plans, continued:

GHURA's contributions to the DCRS Plan for the years ended September 30, 2024 and 2023 were \$701,374 and \$998,223, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$576,102 and \$653,145 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2024 and 2023, respectively.

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

Pension Liability: As of September 30, 2024 and 2023, GHURA reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2023 and 2022, which is comprised of the following:

	<u>2024</u>	<u>2023</u>
Defined Benefit Plan	\$15,149,072	\$16,805,140
Ad Hoc COLA/supplemental annuity Plan for DB retirees	1,627,602	1,507,678
Ad Hoc COLA Plan for DCRS retirees	<u>854,383</u>	<u>653,145</u>
	<u><u>\$17,631,057</u></u>	<u><u>\$18,965,963</u></u>

GHURA's proportion of the GovGuam net pension liabilities was based on GHURA's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. As of September 30, 2024 and 2023, GHURA's proportionate shares of the GovGuam net pension liabilities were as follows:

	<u>2024</u>	<u>2023</u>
Defined Benefit Plan	1.08%	1.13%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	0.61%	0.59%
Ad Hoc COLA Plan for DCRS retirees	1.09%	1.09%

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

10. Pensions, continued

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

Pension Expense (Benefit): For the years ended September 30, 2024 and 2023, GHURA recognized pension expense (benefit) for its proportionate share of plan pension expense from the above pension plans as follows:

	<u>2024</u>	<u>2023</u>
Defined Benefit Plan	\$2,890,870	\$2,595,905
Ad Hoc COLA/supplemental annuity Plan for DB retirees	108,675	(83,990)
Ad Hoc COLA Plan for DCRS retirees	<u>188,215</u>	<u>74,945</u>
	<u><u>\$3,187,760</u></u>	<u><u>\$2,586,860</u></u>

Deferred Outflows and Inflows of Resources: As of September 30, 2024 and 2023, GHURA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024					
	Defined Benefit Plan		Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees		Ad Hoc COLA Plan for DCRS Retirees	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 155,550	\$170,403	\$ ---	\$ 65,919	\$ 83,707	\$ 10,992
Net difference between projected and actual earnings on pension plan investments	1,971,630	---	---	---	---	---
Changes of assumptions	---	91,422	24,935	82,923	165,409	151,255
Contributions subsequent to the measurement date	2,032,592	---	260,628	---	36,800	---
Changes in proportion and difference between GHURA contributions and proportionate share of contributions	<u>217,173</u>	<u>343,447</u>	<u>33,401</u>	<u>16,842</u>	<u>115,018</u>	<u>88,181</u>
	<u><u>\$4,376,945</u></u>	<u><u>\$605,272</u></u>	<u><u>\$318,964</u></u>	<u><u>\$165,684</u></u>	<u><u>\$400,934</u></u>	<u><u>\$250,428</u></u>

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

10. Pensions, continued

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

	2023					
	Defined Benefit Plan		Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees		Ad Hoc COLA Plan for DCRS Retirees	
	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 325,803	\$44,938	\$ ---	\$ 12,885	\$ 80,777	\$ 12,936
Net difference between projected and actual earnings on pension plan investments	3,787,301	---	---	---	---	---
Changes of assumptions	---	---	2,461	163,594	135,808	174,955
Contributions subsequent to the measurement date	1,774,771	---	143,186	---	33,000	---
Changes in proportion and difference between GHURA contributions and proportionate share of contributions	<u>613,416</u>	<u>---</u>	<u>---</u>	<u>83,324</u>	<u>142,038</u>	<u>103,047</u>
	<u><u>\$6,501,291</u></u>	<u><u>\$44,938</u></u>	<u><u>\$145,647</u></u>	<u><u>\$259,803</u></u>	<u><u>\$391,623</u></u>	<u><u>\$290,938</u></u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2024 will be recognized in pension expense as follows:

**Year Ending
September 30**

2025	\$ 512,978
2026	324,057
2027	994,939
2028	(157,938)
2029	11,957
Thereafter	<u>59,446</u>
	<u><u>\$1,745,439</u></u>

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

10. Pensions, continued

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

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2015 through September 30, 2020. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Inflation:	2.50% per year
Investment rate of return:	7.0%
Payroll growth:	4.00% for Fiscal Year 2023; 2.50% per year thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for years 11 to 15, and 3.0% for service after 15 years
Retirement age:	40% of employees assumed to retire when first eligible for unreduced retirement, 20% per year thereafter until age 75, at which time all remaining employees are assumed to retire
Investment rate of return:	The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best estimate range of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.
Mortality:	Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

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

10. Pensions, continued

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26.00%	7.88%	2.05%
U.S. Equities (small cap)	4.00%	9.44%	0.38%
Non-U.S. Equities	17.00%	10.16%	1.73%
Non-U.S. Equities (emerging markets)	3.00%	12.09%	0.36%
U.S. Fixed Income (aggregate)	22.00%	4.71%	1.04%
Risk Parity	8.00%	6.64%	0.53%
High Yield Bonds	8.00%	6.52%	0.52%
Global Real Estate (REITs)	2.50%	9.38%	0.23%
Global Equity	7.50%	8.73%	0.65%
Global Infrastructure	2.00%	8.20%	0.16%
Expected arithmetic mean (1 year)			7.66%
Expected geometric mean (30 years)			6.94%

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan was 7.0%, which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments was 4.09% (4.02% at September 30, 2023), which is equal to the rate of return of a high quality bond index.

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

10. Pensions, continued

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

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

Defined Benefit Plan:

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	<u>\$18,526,190</u>	<u>\$15,149,072</u>	<u>\$12,139,371</u>

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase in Discount Rate <u>5.09%</u>
Net Pension Liability	<u>\$1,789,638</u>	<u>\$1,627,602</u>	<u>\$1,509,776</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase in Discount Rate <u>5.09%</u>
Net Pension Liability	<u>\$964,170</u>	<u>\$854,383</u>	<u>\$761,385</u>

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

11. Other Post-Employment Benefits (OPEB)

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

A. General Information About the OPEB Plan:

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

Benefits: GovGuam provides postemployment medical, dental and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. GovGuam contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees may also pay a portion of the medical and dental insurance premiums, depending on the plan and coverage selected.

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

B. Collective total OPEB Liability:

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

Reporting date:	September 30, 2024	September 30, 2023
Measurement date:	September 30, 2023	September 30, 2022
Valuation date:	September 30, 2022	September 30, 2022

Collective total OPEB liability as of September 30, 2024 and 2023 is \$17,904,807 and \$14,471,126, respectively.

Proportionate share of collective total OPEB liability at September 30, 2024 and 2023 is 0.65% and 0.63%, respectively.

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

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

B. Collective total OPEB Liability, continued:

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

Inflation:	2.50% per year.
Discount rate:	4.09%, compounded annually, based on a tax-exempt, high quality municipal bond rate. Previously 4.02%, as of September 30, 2023.
Amortization rate:	Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.
Salary increases:	6.0% per year for the first 5 years of service, 4.5% for 6-10 years, 3% for over 10 years. (Previously, 7.5% for the first 5 years of service, 6% for 6-10 years, 5% for 11-15 years, and 4% for service after 15 years.)
Healthcare cost trend rates:	Non-Medicare, Medicare claims and retiree contributions – 8% for FY2023, then 26%, 14% and 0% for FY2024, for non-Medicare, Medicare claims, and retiree contributions, respectively. 7% for FY2025, decreasing 0.5% per year to 4.5% in FY2030 and an ultimate rate of 4.1% for FY2031 and later years. The trend rates reflect actual changes in plan costs and retiree contributions through October 1, 2024. Trend assumptions for health care begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these component are expected to decline year by year. Medical trend rates are applied to claims cost and retiree contributions.
	The trend rates for Medicare Part B and Part D reimbursements are assumed to be 4.25% in year 1 and 3.64% in year 2 to reflect the actual changes in costs through October 1, 2024 and 4.25% per year in subsequent years.

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

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

B. Collective total OPEB Liability, continued:

Dental trend rates:	For claims and retiree contributions, 4.25% for year 1 and 8.21% and 0% for claims and retiree contributions, respectively for year 2. For subsequent years, rate will be 4.25%, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Mortality rates:	PUB-2010 Headcount-Weighted Mortality Table, set forward 4 years for males and 2 years for females, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.
Participation rates:	Medical - 100% of active employees covered under a GovGuam medical plan will elect to participate at retirement. Dental - 100% of active employees under a GovGuam dental plan will elect to participate at retirement. Life - 100% of eligible retirees will elect to participate at retirement. Current retirees will continue in the GovGuam plan as provided in the data, and upon attainment of age 65, will remain in that plan or enroll in a Retiree Supplemental Plan per Medicare Enrollment assumption below.
Medicare enrollment:	Based on current over-65 retiree data, 55% of current and future retirees are assumed to enroll in Medicare and will enroll in a Retiree Supplemental Plan upon attainment of age 65. All employees retired prior to September 28, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.
Dependent status:	Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. Medical - 100% of spouses of active employees covered under a GovGuam medical plan will elect to participate at the active employee's retirement. Dental - 100% of spouses of active employees covered under a GovGuam dental plan will elect to participate at the active employee's retirement. Life - 100% of spouses of active employees will elect to participate at the active employee's retirement. For current retired employees, the actual census information is used.

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

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

B. Collective total OPEB Liability, continued:

Actuarial cost method:

Entry Age Normal. The costs of each employee's post-employment benefits are allocated as a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.

Employee data:

Employee and retiree data as of September 30, 2022 were submitted by GovGuam. Reasonable adjustments for missing or invalid data were made.

Withdrawal rates:

15% for less than 1 year of service, decreasing by 2% at 1 year, at 2 years rate decreases by 3%, then decreases by 2% at 3 years. From 4-9 years it further decreases by 1% each year and then remains at 2% for service over 9 years. (Previously, rates were at 15% for less than 1 year of service, decreasing 1% for each additional year of service up to 10 years, further decreasing 0.5% for each additional year of service up to 15 years, and 2% for service over 15 years.)

Disability rates:

Based on an actuarial experience study from 2016-2020, 0.03% for males aged 20-39 years (0.02% for females); 0.05% - 0.10% for males aged 40-49 years (0.03% - 0.05% for females); 0.15% - 0.27% for males aged 50-59 years (0.10% - 0.14% for females); and 0.38% for males aged 60-64 years (0.19% for females).

Retirement rates:

40% of employees are assumed to retire at earliest eligibility for unreduced benefits under the GovGuam Retirement Fund, 20% per year thereafter until age 75, and 100% at age 75.

Discount rate: The discount rate used to measure the collective total OPEB liability was 4.09% and 4.02% for the years ended September 30, 2024 and 2023, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from GovGuam will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the tax-exempt, high quality municipal bond rate at each year was applied respectively to all periods to determine the collective total OPEB liability.

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

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

B. Collective total OPEB Liability, continued:

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

	1% Decrease in Discount Rate <u>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase in Discount Rate <u>5.09%</u>
Collective total OPEB Liability	\$ <u>20,754,488</u>	\$ <u>17,904,807</u>	\$ <u>15,592,155</u>

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

	Healthcare Cost Trend Rates	1% Increase
Collective total OPEB Liability	\$ <u>15,238,904</u>	\$ <u>17,904,807</u>

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

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

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

For the years ended September 30, 2024 and 2023, GHURA reported total OPEB expense of \$1,188,518 and \$646,668, respectively, for its proportionate share of the GovGuam total OPEB expense. As of September 30, 2024 and 2023, GHURA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024		2023	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 605,020	\$3,430,747	\$1,336,914	\$4,753,177
Difference between expected and actual experience	2,739,589	756,165	1,128,539	665,452
Contributions subsequent to the measurement date	308,564	---	279,160	---
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>1,105,658</u>	<u>1,143,408</u>	<u>885,336</u>	<u>1,363,290</u>
	<u><u>\$4,758,831</u></u>	<u><u>\$5,330,320</u></u>	<u><u>\$3,629,949</u></u>	<u><u>\$6,781,919</u></u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the collective total OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2024 will be recognized in OPEB expense as follows:

<u>Year Ending</u> <u>September 30</u>	
2025	\$ 177,508
2026	(212,419)
2027	(305,239)
2028	(463,930)
2029	(463,932)
Thereafter	<u>387,959</u>
	<u><u><u>\$(_ 880,053)</u></u></u>

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

12. Risk Management

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

Beginning in fiscal year 2005, GHURA decided to stop carrying commercial insurance for typhoon coverage because it was cost-prohibitive. A typhoon insurance coverage waiver was granted by HUD provided that GHURA establish and maintain a separate typhoon coverage escrow account in which it will deposit \$200,000 annually until the account balance reaches a minimum of balance of \$1 million. HUD must approve each draw against the typhoon coverage escrow account. When funds are used to pay typhoon claims, GHURA must replenish the escrow account on an annual basis to maintain the \$1 million minimum balance. As of September 30, 2024 and 2023, GHURA had deposited \$1,025,147 and \$1,129,296, respectively, into the typhoon coverage escrow restricted cash account.

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

13. Contingencies

Federal Award Programs and HUD

GHURA participates in a number of federal award programs for specific purposes that are subject to review and audit by grantor agencies, namely the U.S. Department of Housing and Urban Development (HUD). Certain amount of questioned costs exist as of September 30, 2024. The questioned costs will be resolved by the applicable grantor agency and due to GHURA's inability to predict the ultimate outcome of this matter, no provision for any liability, if any that may result from this matter has been made in the accompanying financial statements.

Such questioned costs could lead to requests for reimbursements from the grantor agency for expenditures disallowed under the terms of the applicable grant.

Litigation

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

Required Supplementary Information

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

Defined Benefit Plan

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
GHURA's proportionate share of the net pension liability	\$ 15,149,072	\$ 16,805,140	\$ 10,326,747	\$ 12,797,806	\$ 11,913,613	\$ 10,897,784	\$ 9,526,027	\$ 11,293,296	\$ 11,754,627	\$ 9,785,625
GHURA's proportion of the net pension liability	1.08%	1.13%	1.07%	1.03%	0.98%	0.92%	0.83%	0.83%	0.82%	0.79%
GHURA's covered payroll**	\$ 6,442,553	\$ 6,276,939	\$ 5,706,641	\$ 5,366,685	\$ 4,998,061	\$ 4,749,017	\$ 4,239,078	\$ 4,177,889	\$ 4,183,506	\$ 4,404,881
GHURA's proportionate share of the net pension liability as percentage of its covered payroll	235.14%	267.73%	180.96%	238.47%	238.36%	229.47%	224.72%	270.31%	280.98%	222.15%
Plan fiduciary net position as a percentage of the total pension liability	59.17%	54.45%	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%

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

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

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2024	2023	2022	2021	2020	2019	2018	2017	2016
GHURA's proportionate share of the net pension liability	\$ 1,627,602	\$ 1,507,678	\$ 1,863,441	2,106,536.00	\$ 2,212,240	\$ 2,021,716	\$ 1,952,207	\$ 1,522,308	\$ 1,485,317
GHURA's proportion of the net pension liability	0.61%	0.59%	0.60%	0.65%	0.68%	0.70%	0.68%	0.66%	0.63%

*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.

See Accompanying Independent Auditors' Report.

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

Ad Hoc COLA Plan for DCRS Retirees

	2024	2023	2022	2021	2020	2019	2018	2017	2016
GHURA's proportionate share of the net pension liability	\$ 854,383	\$ 653,145	\$ 824,432	\$ 818,157	\$ 779,407	\$ 631,920	\$ 834,630	\$ 520,758	\$ 434,878
GHURA's proportion of the net pension liability	1.09%	1.09%	1.23%	1.23%	1.30%	1.28%	1.34%	0.84%	0.83%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily determined contribution	\$2,052,372	\$1,773,114	\$1,544,126	\$1,335,864	\$1,244,540	\$1,181,730	\$1,040,659	\$1,168,865	\$1,134,630	\$1,134,630
Contribution in relation to the statutorily determined contribution	<u>2,032,592</u>	<u>1,774,771</u>	<u>1,532,814</u>	<u>1,366,041</u>	<u>1,192,443</u>	<u>1,255,496</u>	<u>1,044,757</u>	<u>1,026,636</u>	<u>1,100,398</u>	<u>1,052,968</u>
Contribution deficiency (excess)	<u>\$ 19,780</u>	<u>\$ (1,657)</u>	<u>\$ 11,312</u>	<u>\$ (30,177)</u>	<u>\$ 52,097</u>	<u>\$ (73,766)</u>	<u>\$ (4,098)</u>	<u>\$ 142,229</u>	<u>\$ 34,232</u>	<u>\$ 81,662</u>
GHURA's covered payroll **	<u>\$6,973,741</u>	<u>\$6,236,990</u>	<u>\$6,276,939</u>	<u>\$5,706,641</u>	<u>\$5,366,685</u>	<u>\$4,998,061</u>	<u>\$4,749,017</u>	<u>\$4,239,078</u>	<u>\$4,177,889</u>	<u>\$4,183,506</u>
Contribution as a percentage of covered payroll	29.15%	28.46%	24.42%	23.94%	22.22%	25.12%	22.00%	24.22%	26.34%	25.17%

*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.

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

Guam Housing and Urban Renewal Authority
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Schedule 5
Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Collective Total OPEB Liability
Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017
GHURA's proportion of the total OPEB Liability	\$ 17,904,807	\$ 14,471,126	\$ 19,074,796	\$ 16,920,540	\$ 15,873,373	\$ 11,630,596	\$ 14,924,532	\$ 15,314,916
GHURA's proportion of the total OPEB Liability	0.65%	0.63%	0.69%	0.67%	0.62%	0.62%	0.61%	0.60%

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

Guam Housing and Urban Renewal Authority
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Schedule 6
Note to Required Supplementary Information
(Unaudited)

Changes of Assumptions – Pension Plans

Amounts reported in the 2023 actuarial valuation reflected an assumption related to administrative expenses to increase to \$6,798,000 per year.

Amounts reported in the 2022 actuarial valuation reflected an assumption related to administrative expenses to increase to \$6,565,000 per year.

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

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

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

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

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

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

Amounts reported in the 2015 actuarial valuation reflect a change of assumption for payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015.

Other Postemployment Benefit Plan

The information presented has no assets accumulated in a trust to pay related benefits.