

WITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

General Policies Major expenditures for fixed assets and major repairs that increase useful lives are capitalized (expenditures of \$750 or over). Maintenance, repairs, and minor renewals are accounted for as expenditures or expenses when incurred. All fixed assets are valued at historical cost or estimated costs, where historical cost is not known/or estimated market value for donated assets/or the lower of cost or fair market value when transferred between proprietary funds and the general fixed assets account group.

The Housing Authority has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the Housing Authority has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable account group or fund.

The estimated useful lives for depreciable fixed assets range from 30-40 years for buildings and 5-10 years for equipment, furniture and fixtures.

Financial Accounting Standard Board (FASB) Statement No. 34 (Capitalization of Interest Costs) requires that interest expenditures incurred during construction of assets be capitalized. FAS-62 (Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants) concludes that constructed assets financed with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the assets or used to service the related debt) should include capitalized interest only to the extent that interest cost exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing.

Fund Specific Policies Depreciation convention differs among certain funds at the Housing Authority. A description of those conventions follows:

Proprietary Type Funds Depreciation of exhaustible fixed assets used by Proprietary Fund types is charged as an expense against operations, and accumulated depreciation is reported on the Proprietary Fund type balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The Component Units referred to in the financial statements as Separate Legal Entities are a Proprietary Fund type.

General Fixed Assets General fixed assets are long-lived assets of the Housing Authority as a whole. When purchased or constructed, such assets are recorded as expenditures in the governmental funds and capitalized and depreciated in the general fixed assets account group. USDA-Rural Development requires that depreciation be calculated on assets held by the Self-Help program which is part of the Special Revenue Fund. Depreciation for these assets is reflected in the Fixed Assets Account Group.

PITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Activity for the fixed assets reported on the balance sheet as of June 30, 2000 is summarized below by major fund type and in total.

Proprietary Type Funds

| Enterprise Funds | Balance July 1, 1999 | Additions | Fund | | Balance June 30, 2000 |
|--------------------------------|---------------------------------|---------------------|----------------------|-----------------------|----------------------------------|
| | | | Transfers | Retirements | |
| Land | \$ 7,665,356 | | \$ 3,066,179 | \$ (148,601) | \$ 10,582,934 |
| Buildings | 26,476,909 | \$ 208,106 | 10,724,621 | (736,789) | 36,672,847 |
| Equipment, Furniture, Fixtures | 278,338 | 56,593 | 350,813 | | 685,744 |
| Under Development | 644,642 | 1,920,961 | 440,925 | (284,928) | 2,721,600 |
| | 35,065,245 | 2,185,660 | 14,582,538 | (1,170,318) | 50,663,125 |
| Less: Accumulated Depreciation | (4,395,057) | (862,804) | (3,154,111) | | (8,411,972) |
| | \$ 30,670,188 | \$ 1,322,856 | \$ 11,428,427 | \$ (1,170,318) | \$ 42,251,153 |

| Internal Service Fund | Balance July 1, 1999 | Additions | Fund | | Balance June 30, 2000 |
|--------------------------------|---------------------------------|-------------------|---------------------|--------------------|----------------------------------|
| | | | Transfers | Retirements | |
| Land | \$ - | \$ 1,183 | \$ 216,172 | | \$ 217,355 |
| Buildings | - | 519,300 | 856,925 | | 1,376,225 |
| Equipment, Furniture, Fixtures | - | 419,223 | 377,687 | | 796,910 |
| Under Development | - | | - | | - |
| | - | 939,706 | 1,450,784 | - | 2,390,490 |
| Less: Accumulated Depreciation | - | (99,966) | (184,997) | | (284,963) |
| | \$ - | \$ 839,740 | \$ 1,265,787 | - | \$ 2,105,527 |

| Component Units | Balance January 1, 1999 | Additions | Fund | | Balance December 31, 1999 |
|--------------------------------|------------------------------------|---------------------|------------------|---------------------|--------------------------------------|
| | | | Transfers | Retirements | |
| Land | \$ 1,204,712 | 27,200 | \$ - | \$ (191,500) | \$ 1,040,412 |
| Buildings | 6,636,936 | 1,113,502 | 565,891 | | 8,316,329 |
| Equipment, Furniture, Fixtures | 269,498 | 2,699 | (1,395) | (3,191) | 267,611 |
| Under Development | 751,585 | 234,529 | (564,496) | | 421,618 |
| | 8,862,731 | 1,377,930 | - | (194,691) | 10,045,970 |
| Less: Accumulated Depreciation | (692,372) | (337,977) | - | | (1,030,349) |
| | \$ 8,170,359 | \$ 1,039,953 | \$ - | \$ (194,691) | \$ 9,015,621 |

KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (Continued)

General Fixed Assets

| General and Special Revenue Funds | Balance July 1, 1999 | Additions | Fund Transfers | Retirements | Balance June 30, 2000 |
|--------------------------------------|-------------------------|------------|-------------------|----------------|--------------------------|
| Land | \$ 1,234,694 | \$ 936,573 | \$ (352,853) | \$ (1,129,363) | \$ 689,051 |
| Buildings | 305,415 | | (290,689) | | 14,726 |
| Equipment, Furniture, Fixtures | 405,537 | 5,582 | (365,338) | | 45,781 |
| Under Development | 1,139,149 | | (1,139,149) | | - |
| | 3,084,795 | 942,155 | (2,148,029) | (1,129,363) | 749,558 |
| Less: Accumulated Depreciation | (252,895) | 33 | 220,784 | | (32,078) |
| | \$ 2,831,900 | \$ 942,188 | \$ (1,927,245) | \$ (1,129,363) | \$ 717,480 |

Total property, plant and equipment consists of the following at June 30, 2000 and December 31, 1999:

| Total All Funds | Enterprise Fund June 30, 2000 | Internal Service Fund July 1, 2000 | General Fixed Assets June 30, 2000 | Component Units December 31, 1999 | Total |
|--------------------------------|----------------------------------|--|--|--|---------------|
| Land | \$ 10,582,934 | \$ 217,355 | \$ 689,051 | \$ 1,040,412 | \$ 12,529,752 |
| Buildings | 36,672,847 | 1,376,225 | 14,726 | 8,316,329 | 46,380,127 |
| Equipment, Furniture, Fixtures | 685,744 | 796,910 | 45,781 | 267,611 | 1,796,046 |
| Under Development | 2,721,600 | | | 421,618 | 3,143,218 |
| | 50,663,125 | 2,390,490 | 749,558 | 10,045,970 | 63,849,143 |
| Less: Accumulated Depreciation | (8,411,972) | (284,963) | (32,078) | (1,030,349) | (9,759,362) |
| | \$ 42,251,153 | \$ 2,105,527 | \$ 717,480 | \$ 9,015,621 | \$ 54,089,781 |

Fund Transfers include \$5,661,881 in net fixed assets transferred from the HUD fund and \$5,105,088 in assets held for sale previously reported as inventory at July 1, 1999.