

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

NOTE 8 - LONG TERM OBLIGATIONS (Continued)

| Year Ending December 31 | Component Units | | |
|----------------------------|-------------------|---------------------|---------------------|
| | Revenue Bonds | Notes | Total |
| 2000 | \$ 1,780 | \$ 6,362 | \$ 8,142 |
| 2001 | 1,933 | 7,588 | 9,521 |
| 2002 | 2,098 | 8,175 | 10,273 |
| 2003 | 2,278 | 8,808 | 11,086 |
| 2004 | 2,473 | 9,490 | 11,963 |
| 2005 | 2,685 | 10,225 | 12,910 |
| 2006 | 2,915 | 11,017 | 13,932 |
| Thereafter | 170,688 | 4,206,725 | 4,377,413 |
| TOTAL | \$ 186,850 | \$ 4,268,390 | \$ 4,455,240 |

NOTE 9 - BONDS RETIRED

On August 1, 1996, the Housing Authority issued \$1,455,000 in Revenue Bonds for the Orchard Bluff Mobile Home (Orchard Bluff) Project. Kitsap County guaranteed the bonds, for which the Housing Authority paid a fee of \$100,000. The agreements with the County contained a provision for the County to issue bonds for the purpose of refunding the bonds issued by the Housing Authority if interest rates became such that present value savings would result from the issuance of the new bonds. On July 15, 1999 the County issued bonds in the amount of \$10,680,000, in part for the purpose of loaning to money to the Housing Authority to pay off the Orchard Bluff Project bonds. The Housing Authority received \$1,490,000 from the County to retire the remaining \$1,415,000 bonds outstanding, of which \$1,459,441 was placed in escrow with a trustee to provide for all future debt service payments, legally defeasing the Orchard Bluff bonds. The remainder of the proceeds were used to pay issue costs and other expenses related to the retirement of the bond issue. Accordingly, neither the assets of the respective trust accounts nor the liabilities for the defeased bonds are reflected in the Housing Authority's financial statements. Funds held in escrow at June 30, 2000 will be sufficient to service and redeem the defeased bonds.

NOTE 10 – CONDUIT FINANCING

The Housing Authority is authorized to facilitate the issuance of tax-exempt nonrecourse revenue bonds to finance housing projects. Revenue bonds issued by the Housing Authority are payable from revenues derived as a result of the project activities funded by the revenue bonds. The bonds are not a liability or contingent liability of the Authority or a lien on any of its properties or revenues other than for the project for which they are issued. The outstanding revenue bonds are not recorded in the Housing Authority's financial statements, as they represent conduit debt obligations under GASB Interpretation No. 2.