

**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.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2000

NOTE 10 – CONDUIT FINANCING (Continued)

The Authority issued and sold revenue bonds through a private placement on behalf of the Community Housing Assistance Program, Inc. (CHAPA), a California non-profit corporation, in the amount of \$5,675,000 on June 16, 2000. The proceeds were used to finance the cost of acquiring and rehabilitating an existing 120 unit elderly housing project known as the Hostmark Apartments located in Poulsbo, Washington, to fund a debt service reserve account, and pay the costs of issuance. The bonds are a special obligation of the Authority payable solely from loan payments received from CHAPA, from money and investments held by the trustee under the indenture, and investment earnings thereon. The bonds are also secured by a Deed of Trust on the above reference property.

The Authority issued and sold revenue bonds on behalf of the Martha and Mary Health Services (Martha and Mary), a Washington non-profit corporation, in the amount of \$15,675,000 on December 1, 1996. The proceeds were used to finance the expansion, rehabilitation, and equipping of an existing 190 bed skilled nursing care facility and related support facilities located in Poulsbo, Washington, to fund a debt service reserve account, and pay the costs of issuance. The bonds are a special obligation of the Authority payable solely from loan payments received from Martha and Mary, from money and investments held by the trustee under the indenture, and investment earnings thereon. The bonds are also secured by fully modified mortgage-backed securities guaranteed as to principal and interest by the Government National Mortgage Association (GNMA), and a Deed of Trust on the above reference property.

The Authority issued and sold revenue bonds on behalf of the Housing Resources Board (HRB), a Washington non-profit corporation, in the amount of \$400,000 on March 22, 1993. The proceeds were used to finance the cost of acquiring and constructing a 10 unit housing project known as the Islandhome located in Bainbridge Island, Washington, and pay the costs of issuance. The bonds are a special obligation of the Authority payable solely from loan payments received from HRB. The bonds are also secured by a Deed of Trust on the above reference property.

The Authority issued and sold revenue bonds on behalf of the Kitsap Mental Health Services (KMHS), a Washington non-profit corporation, in the amount of \$240,000 on November 13, 1992. The proceeds were used to finance the cost of acquiring and improving 8 housing projects located throughout Kitsap County, Washington, and pay the costs of issuance. The bonds are a special obligation of the Authority payable solely from loan payments received from KMHS. The bonds are also secured by a Deed of Trust on the above reference property, and a guarantee by Kitsap County to provide funds to make principal and interest payments should KMHS fail to meet its obligation.