

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

**NOTE 4 - PROPERTY, PLANT AND EQUIPMENT**

**General Policies** Major expenditures for fixed assets and major repairs that increase useful lives are capitalized (expenditures of \$500 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.

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**NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

**HUD Funds** The assets of Public Housing, Section 8 Existing, and Section 8 Vouchers are governed by HUD. In accordance with HUD regulations, these assets are not depreciated.

Activity for the fixed assets reported on the balance sheet as of June 30, 1999 is summarized below by major fund type and in total.

<b>PROPRIETARY FUND TYPES</b>	<b>Balance</b>	<b>Add</b>	<b>Less</b>	<b>Balance</b>
Enterprise Funds	July 1, 1998	Additions	Retirements	June 30, 1999
Land	\$ 7,419,197	\$ 246,159	\$ -	\$ 7,665,356
Buildings	26,494,957	129,376	147,424	26,476,909
Equipment, Furniture, Fixtures	266,966	11,372	-	278,338
Under Development	433,659	210,983	-	644,642
	34,614,779	597,890	147,424	35,065,245
Less: Accumulated Depreciation	(3,745,929)	(649,128)	-	(4,395,057)
	<b>\$ 30,868,850</b>	<b>\$ (51,238)</b>	<b>\$ 147,424</b>	<b>\$ 30,670,188</b>

<b>GENERAL FIXED ASSETS</b>	<b>Balance</b>	<b>Add</b>	<b>Less</b>	<b>Balance</b>
General and Special Revenue Funds	July 1, 1998	Additions	Retirements	June 30, 1999
Land	\$ 378,285	\$ 1,220,356	\$ 363,947	\$ 1,234,694
Buildings	347,854	-	42,439	305,415
Equipment, Furniture, Fixtures	289,492	121,920	5,875	405,537
Under Development	338	1,139,158	347	1,139,149
	1,015,969	2,481,434	412,608	3,084,795
Less: Accumulated Depreciation	(213,419)	(58,944)	(19,468)	(252,895)
	<b>\$ 802,550</b>	<b>\$ 2,422,490</b>	<b>\$ 393,140</b>	<b>\$ 2,831,900</b>

<b>SEPARATE LEGAL ENTITIES</b>	<b>Balance</b>	<b>Add</b>	<b>Less</b>	<b>Balance</b>
Component Units	January 1, 1998	Additions	Retirements	December 31, 1998
Land	\$ 718,781	\$ 485,931	\$ -	\$ 1,204,712
Buildings	6,637,255	1,172	1,491	6,636,936
Equipment, Furniture, Fixtures	261,039	8,459	-	269,498
Under Development	132,812	618,773	-	751,585
	7,749,887	1,114,335	1,491	8,862,731
Less: Accumulated Depreciation	(364,522)	(327,850)	-	(692,372)
	<b>\$ 7,385,365</b>	<b>\$ 786,485</b>	<b>\$ 1,491</b>	<b>\$ 8,170,359</b>

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**June 30, 1999**

**NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

Total property, plant and equipment consists of the following at June 30, 1999 and December 31, 1998:

	Enterprise Fund June 30, 1999	General Fixed Assets June 30, 1999	Component Units December 31, 1998	Total
Land	\$ 7,665,356	\$ 1,234,694	\$ 1,204,712	\$ 10,104,762
Buildings	26,476,909	305,415	6,636,936	33,419,260
Equipment, Furniture, Fixtures	278,338	405,537	269,498	953,373
Under Development	644,642	1,139,149	751,585	2,535,376
	35,065,245	3,084,795	8,862,731	47,012,771
Less: Accumulated Depreciation	(4,395,057)	(252,895)	(692,372)	(5,340,324)
	<b>\$ 30,670,188</b>	<b>\$ 2,831,900</b>	<b>\$ 8,170,359</b>	<b>\$ 41,672,447</b>

**NOTE 5 - PENSION PLAN**

Substantially all Housing Authority full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a comprehensive annual financial report containing historical trend information and may be obtained from the Department of Retirement Systems, Administrative Services Division, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employers*.

**Public Employees' Retirement System (PERS) Plans 1 and 2**

**Plan Description** PERS is a cost-sharing multiple-employer defined benefit pension plan. Membership in the plan includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; noncertificated employees of school districts; and employees of local government. The PERS system includes two plans. Participants who joined the system by September 30, 1977, are Plan 1 members. Those joining thereafter are enrolled in Plan 2. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of five years of eligible service.

Plan 1 members are eligible for retirement at any age after 30 years of service, or at age 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is two percent of the average final compensation per year of service, capped at 60 percent. If qualified,