

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

NOTE 5 - PENSION PLAN (Continued)

after reaching age 66 a cost-of-living allowance is granted based on years of service credit and is capped at three percent annually.

Plan 2 members may retire at age 65 with five years of service, or at 55 with 20 years of service, with an allowance of two percent per year of service of the average final compensation. Plan 2 retirements prior to 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at three percent annually.

Funding Policy Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates needed to fully amortize the total costs of the plan. Employee contribution rates for Plan 1 are established by statute at six percent and do not vary from year to year. The employer and employee contribution rates for Plan 2 are set by the director of the Department of Retirement Systems based on recommendations by the Office of the State Actuary to continue to fully fund the plan. All employers are required to contribute at the level established by state law. The methods used to determine the contribution rates are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 1998 and the Housing Authority's required contributions for the years ended December 31, 1998 and 1997 were:

	Required Contribution Rates Pers Plan 1	Required Contribution Rates Pers Plan 2	Dollar Contributions Pers Plan 1	Dollar Contributions Pers Plan 2
Contributors				
Employer	7.50%	7.50%		
Employee	6.00%	4.65%		
Contribution Year				
1998			\$6,740	\$65,292
1997			\$6,402	\$60,981

Both the Housing Authority and the employees made the required contributions. The employer rates do not include the employer administrative expense fee currently set at 0.18%.

NOTE 6 - LONG TERM OBLIGATIONS

General long-term debt arises from commitments that are not current liabilities because they do not require the use of current financial resources. The Housing Authority owes on a variety of notes and bonds, and also during fiscal year 1998, recorded a major *advance refunding* transaction affecting five of the Enterprise Funds.

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NOTE 6 - LONG TERM OBLIGATIONS (Continued)

Proprietary Fund Types: Enterprise Funds Long-Term Debt

Bonds and Notes The proprietary fund types report long-term debt as liabilities on their respective financial statements. The following are schedules of outstanding bonds and notes as of June 30, 1999 for the Enterprise Funds:

Revenue Bonds-Name of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Bonds Outstanding June 30
Pooled Housing Refunding, Series A Kingston Ridge, Park Place, Treetops I, Tree tops II, Port Orchard Valley	1-Apr-98	1-Dec-28	5.73%	\$ 26,335,000	\$ 26,160,000
Viking's Crest	15-May-94	15-May-24	6.22%	6,800,000	4,200,000
Poulsbo Community Refunding	18-Apr-96	1-Apr-16	6.28%	1,020,000	925,000
Orchard Bluff	1-Aug-96	1-Aug-06	6.65%	1,455,000	1,415,000
Rhododendron	24-May-96	1-Jun-26	6.73%	1,265,000	1,215,000
				\$ 38,540,000	\$ 33,915,000

Total Face Value of Revenue Bonds	\$ 33,915,000
Less: Bond Discount	(707,776)
Less: Deferred Costs on Refunding	(2,019,481)
Less: Revenue Bonds Due Within One Year	(530,000)
	\$ 30,657,743

Description of Note	Loan Date	Maturity Date	Interest Rate	Original Amount	Outstanding June 30
U.S.D.A.-RD Mortgage-Fjord Manor	1-Aug-88	19-Aug-38	8.50%	1,348,604	1,318,955
U.S.D.A.-RD Mortgage-Fjord Manor	19-Aug-88	19-Aug-38	9.50%	30,840	30,451
State of Washington-Mobile Home Park	4-Sep-96	31-Dec-46	1.00%	1,800,000	1,743,875
U.S.D.A.-RD Mortgage-Rhododendron	30-May-96	1-Jul-29	6.75%	571,558	555,899
					\$ 3,649,179
Total Notes Payable					\$ 3,649,179
Less: Amounts Due Within One Year					(38,910)
					\$ 3,610,269

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NOTE 6 - LONG TERM OBLIGATIONS (Continued)

Government Fund Types: General Long-Term Debt

Bonds and Notes The government fund types report long-term debt entity wide in the General Long Term Debt Account Group. The following are schedules of outstanding bonds and notes as of June 30, 1999 residing in the General and Special Revenue Funds:

Description of Note	Loan Date	Maturity Date	Interest Rate	Original Amount	Balance Outstanding June 30
Key Bank - Line of Credit	15-Jan-97	1-Dec-99	Variable, Based on Prime Rate	Not to Exceed \$5,000,000	\$ 4,965,000
First National Bank Of Port Orchard - Lippert Property	10-Aug-94	10-Jan-15	One Year Treasury Bill Rate at November 10 th	82,900	72,589
Edward Baker - Skylark Property	3-Jul-71	3-Jul-42	5.996%	12,900	6,977
Seasons Mortgage Group - Fjord Vista Condo	1-Jun-98	1-Jun-28	7.00%	65,895	65,168
Seasons Mortgage Group - Fjord Vista Condo	1-Jun-98	1-Jun-28	7.00%	61,120	60,445
Department of Retirement Systems	1-Sep-89	30-Aug-04	0.00%	96,028	19,381
Bank of America - Golden Tides II	26-Jul-95	1-Jul-25	8.50%	225,000	219,086
Key Bank - Office Building	21-Dec-98	21-Dec-08	Variable, Based on the Prime Rate	1,040,000	758,597
Bank of America - Automobile	1-Jan-94	1-Feb-00	6.625%	14,999	4,984
Bank of America - Automobile	1-Feb-97	1-Jan-02	6.75%	13,993	7,724
State of Washington - Automobiles	01-Dec-98	01-Dec-03	4.10%	28,219	25,572
Key Bank - Automobile	8-Apr-98	8-Apr-01	8.00%	14,788	9,408
					\$ 6,214,931
Total Notes Payable					\$ 6,214,932
Less: Amounts Due Within One Year					(40,522)
					\$ 6,174,410

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NOTE 6 - LONG TERM OBLIGATIONS (Continued)

Line of Credit The Line of Credit consists of two notes with Key Bank, one taxable and one tax-exempt. The combined aggregate outstanding balance may not exceed \$5,000,000. The interest rate is tiered and varies from 56.2% to 89.5% of the Prime Rate, The first \$3,000,000 of the note is guaranteed by Kitsap County. Note proceeds which are subsequently reimbursed as a result of the sale of property or repayment of loans by housing authority clients must be repaid immediately and applied to the line credit.

Proprietary Fund Types: Component Units Long-Term Debt

Bonds and Notes The proprietary fund types report long-term debt as liabilities on their respective financial statements. The following are schedules of outstanding bonds and notes as of December 31, 1998 for the Component Units:

Revenue Bonds-Name of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Bonds Outstanding December 31
19th Hole Limited Partnership - Madrona Manor	18-Nov-97	01-Dec-17	8.25%	\$ 190,000	\$ 188,490
					\$ 188,490
Total Face Value of Revenue Bonds					\$ 188,490
Less: Revenue Bonds Due Within One Year					(1,640)
					\$ 186,850

Description of Note	Loan Date	Maturity Date	Interest Rate	Original Amount	Balance Outstanding December 31
Kitsap County, HOME Investment Partnership Program - Golden Tides II	24-Oct-94	30-Jun-46	1.00%	\$ 300,000	\$ 300,000
Washington State Department of Community Development, HOME Investment Partnership Program - Golden Tides II	07-Aug-95	30-Jun-46	1.00%	1,354,136	1,354,136
Kitsap County, HOME Investment Partnership Program - 19th Hole Limited Partnership	06-Oct-97	31-Dec-46	1.00%	350,000	350,000
Washington State Department of Community Development, Housing Trust Fund - 19th Hole Limited Partnership	19-Sep-96	31-Dec-46	1.00%	1,200,000	1,200,000
Total Notes Payable					\$ 3,204,136

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NOTE 6 - LONG TERM OBLIGATIONS (Continued)

Arbitrage The Housing Authority periodically monitors for the existence of any rebatable arbitrage interest associated with its tax-exempt debt. The rebate is based on the differential between the interest earnings from the investment of bond proceeds as compared to the interest expense associated with the respective bonds. As of June 30, 1999, the Housing authority estimates that no arbitrage rebate exists in conjunction with its debt reserve funds, and therefore no liability exists.

Aggregate Annual Principle Payments on Bonds and Notes

Aggregate annual principle payments on revenue bonds and notes outstanding at June 30, 1999 are as follows:

Enterprise Fund			
Year Ending June 30	Revenue		Total
	Bonds	Notes	
2000	\$ 530,000	\$ 38,910	\$ 568,910
2001	555,000	40,005	595,005
2002	580,000	41,165	621,165
2003	615,000	42,405	657,405
2004	650,000	43,710	693,710
2005	585,000	45,105	630,105
2006	615,000	46,590	661,590
2007	645,000	48,170	693,170
Thereafter	29,140,000	3,303,119	32,443,119
TOTAL	\$ 33,915,000	\$ 3,649,179	\$ 37,564,179

Component Units			
Year Ending December 31	Revenue		Total
	Bonds	Notes	
2000	\$ 1,720	\$	1,720
2001	1,870		1,870
2002	2,030		2,030
2003	2,200		2,200
2004	2,390		2,390
2005	2,370		2,370
2006	2,800		2,800
2007	3,030		3,030
Thereafter	170,080	3,204,136	3,374,216
TOTAL	\$ 188,490	\$ 3,204,136	\$ 3,392,626