



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

**Financial Statements and Federal Single Audit
Report**

**Kitsap County Consolidated Housing
Authority
(Housing Kitsap)**

For the period July 1, 2013 through June 30, 2014

Published March 30, 2015

Report No. 1013806





Washington State Auditor
Troy Kelley

March 30, 2015

Board of Commissioners
Housing Kitsap
Bremerton, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Housing Kitsap's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the Housing Authority's financial condition.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

Housing Kitsap Kitsap County July 1, 2013 through June 30, 2014

The results of our audit of Housing Kitsap are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements of the business-type activities and the aggregate discretely presented component units.

Internal Control Over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Housing Authority.

Federal Awards

Internal Control Over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Housing Authority's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.420	Self Help Technical Assistance
14.900	Lead Based Paint

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The Housing Authority qualified as a low-risk auditee under OMB Circular A-133.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Housing Kitsap
Kitsap County
July 1, 2013 through June 30, 2014**

Board of Commissioners
Housing Kitsap
Bremerton, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Housing Kitsap, Kitsap County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated March 18, 2015. Our report includes a reference to other auditors who audited the financial statements of seven of the Tax Credit Partnerships, as described in our report on the Housing Authority's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Kitsap Apartments were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Kitsap Apartments.

As discussed in Note 19 to the financial statements, during the year ended June 30, 2014, the Housing Authority implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Housing Authority's internal control over financial reporting (internal control) to determine the audit

procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free from material misstatement, we performed tests of the Housing Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests and the reports of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for

any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

March 18, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**Housing Kitsap
Kitsap County
July 1, 2013 through June 30, 2014**

Board of Commissioners
Housing Kitsap
Bremerton, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of Housing Kitsap, Kitsap County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The Housing Authority's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

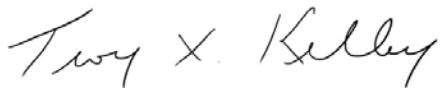
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

March 18, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Housing Kitsap Kitsap County July 1, 2013 through June 30, 2014

Board of Commissioners
Housing Kitsap
Bremerton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Housing Kitsap, Kitsap County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 17.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Dye's Inlet Associates Limited Partnership, Heritage Apartments Limited Partnership, Kitsap Apartments 2006 Limited Partnership, Liberty Bay Associates Limited Partnership, Railroad Avenue Associates Limited Partnership, Red Barn Associates Limited Partnership, and Viewmont Apartment Limited Partnership which represent 100 percent, 100 percent, 98 percent, and 80 percent of the assets, net position, revenues, and expenses of the aggregate discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these partnerships, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Kitsap Apartments were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Housing Kitsap, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 19 to the financial statements, in 2014, the Housing Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

USDA Section 502 Borrower Loan Accounts

In connection with our audit, nothing came to our attention that caused us to believe that Housing Kitsap failed to comply with the terms, covenants, provisions, or conditions of USDA Rural Development (RD) Instruction 1944-I regarding the Section 502 borrower loan accounts, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Housing Authority's noncompliance with the above-referenced terms, covenants, provisions, or conditions, insofar as they relate to accounting matters.

Restricted Use Relating to the USDA Section 502 Borrower Loan Accounts Other Matter

The purpose of the communication related to compliance with the aforementioned USDA Rural Development Section 502 borrower loan accounts described in the Other Matters paragraph is solely to describe the scope of our testing of compliance and the results of that testing.. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's compliance. Accordingly, this communication is not suitable for any other purpose.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

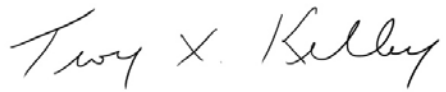
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Financial Data Schedule is supplementary information required by HUD. The Fjord Manor Financial Statements (Forms RD3560-10 and RD 3560-7) – 2014, Rhododendron Apartments Financial Statements (Forms RD3560-10 and RD 3560-7) – 2014, Windsong Apartments Financial Statements (Forms RD3560-10 and RD 3560-7) – 2014, and Finch Place Apartments Financial Statements (Forms RD3560-10 and RD 3560-7) – 2014 are supplemental information required by the U.S. Department of Agriculture – Rural Development. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2015 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government*

Auditing Standards in considering the Housing Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

March 18, 2015

FINANCIAL SECTION

Housing Kitsap Kitsap County July 1, 2013 through June 30, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statements of Net Position – 2014

Statements of Revenues, Expenses, and Changes in Net Position – 2014

Statement of Cash Flows – 2014

Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014

Notes to the Schedule of Expenditures of Federal Awards – 2014

Financial Data Schedules – 2014

Fjord Manor Financial Statements – Forms RD 3560-10 and 3560-7 – 2014

Rhododendron Financial Statements – Forms RD 3560-10 and 3560-7 – 2014

Windsong Financial Statements – Forms RD 3560-10 and 3560-7 – 2014

Finch Place Financial Statements – Forms RD 3560-10 and 3560-7 – 2014

HOUSING KITSAP MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2014

Overview of the Financial Statements

The management of Housing Kitsap ("HK" or the "Agency") presents this narrative overview and analysis of its basic financial statements for its fiscal year end June 30, 2014 and its component units' calendar year end December 31, 2013. Housing Kitsap's basic financial statements are presented in accordance with generally accepted accounting principles (GAAP), and are prepared on the accrual basis. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses, including depreciation, are recognized in the period in which they are incurred. As required by GAAP, the basic financial statements included are: the statements of net position; the statements of revenues, expenses, and changes in net position; and the statement of cash flows. In conformance with the Governmental Accounting Standard Board's (GASB) financial reporting model as set forth in GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, Housing Kitsap's financial statements are presented under the single-enterprise proprietary fund reporting requirements for all activities, including component units, to provide a comprehensive overview of financial activities and a measurement of economic resources (assets) and obligations (liabilities). This focus is profit-based and is similar to basic accounting principles used by private sector commercial entities.

Required under GASB, management's discussion and analysis is intended to provide an analysis of the Agency's financial performance as a whole, including component units, during the year ended June 30, 2014 and December 31, 2013, with comparative data for the year ended June 30, 2013 and December 31, 2012. We encourage readers to consider the information presented here in conjunction with the Agency's basic financial statements and the notes to the basic financial statements.

Financial Highlights

- Housing Kitsap's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at June 30, 2014 by \$10.7 million (net position), a decrease of \$690 thousand or (6.03%) from June 30, 2013. Total assets decreased by \$3.6 million (4.21%) and total liabilities decreased by \$2.9 million (3.85%) from the prior year. Decrease in assets, liabilities and overall net position is attributable to the continued sale of assets, including three Harborside condominium units, and use of those proceeds for debt reduction on the loan agreement with Kitsap County, known as the County Loan Agreement (CLA). Decreased program income from Self Help Opportunity Program (SHOP) loan forgiveness further contributed to the reduction of net position in comparison to the prior year.
- Housing Kitsap component units' assets exceeded liabilities at December 31, 2013 by \$3.3 million, a decrease of \$1.2 million. The decrease in net position realized by the component units in consolidation is due primarily from the transfer of property and outstanding debt associated with the 19th Hole Limited Partnership (Madrona Manor) in March 2013. Total assets declined by \$3.7 million or (9.67%) and total liabilities declined by \$2.5 million, a decrease of (7.33%).
- Cash and cash equivalents increased by \$1.4 million due to sale of the Talon Glen Project, a 20 lot single family Self Help development.
- Housing Kitsap assigned the Deed of Trust for the property known as Chico Passage Duplex to Inland Empire Residential Resources, a Washington non-profit corporation. In exchange for the property at a net realizable value of \$146 thousand, Inland Empire agreed to assume all interest, rights, benefits, duties and obligations under the Department of Commerce loan and promissory note in the amount of \$75 thousand, as well as, Low Income Housing Covenant Agreements.
- During the year ended December 31, 2013, Kitsap Apartments 2006 Limited Partnership, a component unit, received \$680 thousand in a final investor capital contribution, in which the partnership was able to pay in full developer fees and additional development costs payable to Housing Kitsap.

Financial Analysis

Statements of Net Position

Similar to a balance sheet, the Statements of Net Position reports all financial and capital resource (assets) and obligations (liabilities), both current (held 1-year or less) and long-term (held more than 1-year), in the order of liquidity for the specific date reported. The statements' format derives net position by subtracting total liabilities and deferred inflows of resources from total assets and deferred outflows of resources.

The following table summarizes net position at June 30, 2014 and 2013 for Housing Kitsap's activities and December 31, 2013 and 2012 for the Agency's component units:

HOUSING KITSAP
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

COMPARATIVE CONDENSED STATEMENTS OF NET POSITION

	Housing Kitsap		Component Units	
	2014	2013	2013	2012
Assets				
Current Assets	\$ 13,204,276	\$ 13,126,298	\$ 3,078,834	\$ 3,253,936
Capital Assets	25,593,006	26,975,864	31,980,151	35,176,575
Other Assets	42,591,094	44,865,026	82,793	473,733
Total Assets	81,388,376	84,967,188	35,141,778	38,904,244
Deferred Outflows of Resources	842,972	815,632	-	-
Liabilities				
Current Liabilities	11,407,247	11,305,027	1,126,269	1,755,445
Noncurrent Liabilities	59,988,605	62,948,082	30,748,945	32,639,913
Total Liabilities	71,395,852	74,253,109	31,875,214	34,395,358
Deferred Inflows of Resources	89,571	93,905	-	-
Net Position				
Net Investment in Capital Assets	9,151,682	12,939,002	5,876,393	6,896,022
Restricted	8,473,752	9,058,306	977,845	1,258,074
Unrestricted	(6,879,509)	(10,561,502)	(3,587,674)	(3,645,210)
Total Net Position	\$ 10,745,925	\$ 11,435,806	\$ 3,266,564	\$ 4,508,886

The Agency's total assets at June 30, 2014 and 2013 were \$81.4 million and \$85 million, respectively. Major components of current assets include cash and cash equivalents, pooled investments in qualified public depositories, current portion of capital lease and note receivables from component units, current portion of mortgage receivables, and assets currently held for sale. Assets currently held for sale are those anticipated to sell within one year. Capital assets include land, land improvements, leasehold improvements, buildings, equipment, and construction in progress. Significant components of other assets are long term portions of the capital leases and notes receivable with component units and mortgage receivables. Most notable events decreasing Housing Kitsap's total assets were the sale of three Harborside condominiums with the net realizable value of \$901 thousand and 20 single family lots at the Self Help Talon Glen Project with a net realizable value of \$1.4 million.

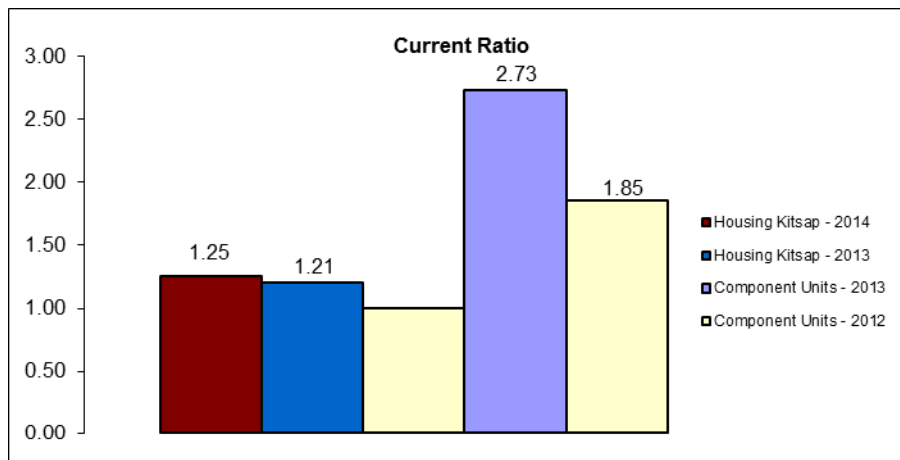
The component units' total assets at December 31, 2013 and 2012 were \$35.1 million and \$38.9 million, respectively. Major components of current assets are cash and cash equivalents as well as debt service reserves invested in certificates of deposits and repurchase agreements. The majority of other assets include premiums, net of amortization, associated with bond proceeds loaned by Housing Kitsap, the bonding authority. The component units' total assets decreased most significantly within capital assets as the result of the \$2.36 million property transfer of the 19th Hole (Madrona Manor) Limited Partnership to Housing Kitsap in 2013 as well as normal depreciation of assets.

Total Agency liabilities are \$71.4 million and \$74.3 million at June 30, 2014 and 2013, respectively. Current liabilities include accounts payable, salaries and benefits, current portion of long term debt, debt related to assets currently held for sale, and unearned revenue from capital leases and unearned gain on sale of assets. Noncurrent liabilities include long term debt from notes and bond, unearned revenue on capital leases with component units and unearned gain on sale of assets. Contributing factors to the overall reduction of the Agency's obligations and liabilities are \$1 million in debt repayments from sale of assets as well as annual debt service; recognition of \$848 thousand in earned revenue from capital leases; and recognition of \$566 thousand in gain on sale of assets related to the capital lease transactions.

The component units' total liabilities as of December 31, 2013 and 2012 were \$31.9 million and \$34.3 million, respectively. In conjunction with annual debt service, \$1.55 million of debt was assumed by Housing Kitsap when the property associated with the 19th Hole Limited Partnership transferred in March 2013. In addition, Kitsap Apartments 2006 Limited Partnership received the final investor capital contribution of \$680 thousand. From the proceeds, the partnership was able to relieve debt obligations owed to Housing Kitsap, including the developer fee and costs associated with the re-development.

HOUSING KITSAP MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2014

The Agency's current ratio, a financial indicator used to assess the ability to meet short-term obligations, has remained steady from 2013 to 2014 increasing slightly to 1.25 from 1.21. The Agency's current ratio indicates for every \$1 of current liabilities, the Agency has \$1.21 of easily convertible assets to cover those costs. While a current ratio exceeding 1.0 indicates the ability to meet current expenditures, a ratio only slightly above 1.0 also indicates a decreased capacity for assets to cover any unanticipated operational expenses that could be significant. For purposes of the current ratio calculation, assets held for sale of \$1.8 million in 2014 and \$3.15 million in 2013 and related debt of \$2.3 million in 2014 and \$3.05 million in 2013 were excluded as these figures are merely budgetary estimates of expected sales and debt relief in the subsequent year. The component units' current ratio has increased from 1.85 in 2012 to 2.73 as of December 31, 2013.



Net position represents the Agency's equity and is reported in three major categories:

- **Net Investment in Capital Assets.** This consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other related borrowings attributable to acquisition, construction, or improvement of the capital asset.
- **Restricted Net Position.** This consists of assets which have been "restricted" by external legal constraints imposed by creditors, grantors, laws or regulations. Restricted net position includes set-aside or "reserved" assets for debt service and housing assistance programs.
- **Unrestricted Net Position.** This consists of all other assets available to use for any lawful and prudent purpose.

Housing Kitsap's net position decreased by \$690 thousand or (6.03%) primarily from debt reduction and asset sales as well as reduced program income from loan forgiveness.

Component units' net position decreased by \$1.24 million or (27.55%) due to the transfer of property and debt related to the 19th Hole Limited Partnership as well as depreciation and amortization of assets and intangibles.

Statements of Revenues, Expenses, and Changes in Net Position

Similar to an income statement, the Statements of Revenues, Expenses, and Changes in Net Position reports the measure of earnings (revenues) and expenditures (expenses) for a period of time, typically a year. The statement format derives the Change in Net Position by subtracting total expenses from total revenues. The Agency's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenue results from exchange transactions associated with providing housing and related services directly concerning the Agency's mission. Operating revenues and expenses also include federal operating subsidies and housing assistance payments provided by U.S. Department of Housing and Urban Development. Operating expenses are those expenses that are directly incurred in the operation of providing housing and development, consulting or other management activities, including administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, including but not limited to capital and noncapital federal grants, interest revenue and expense. Capital grants and contributions represent funding from the Department of Housing and Urban Development for public housing capital repairs and rehabilitation; housing rehabilitation loans from the Community Development Block Grant Program and the State of Washington; and other capital activities.

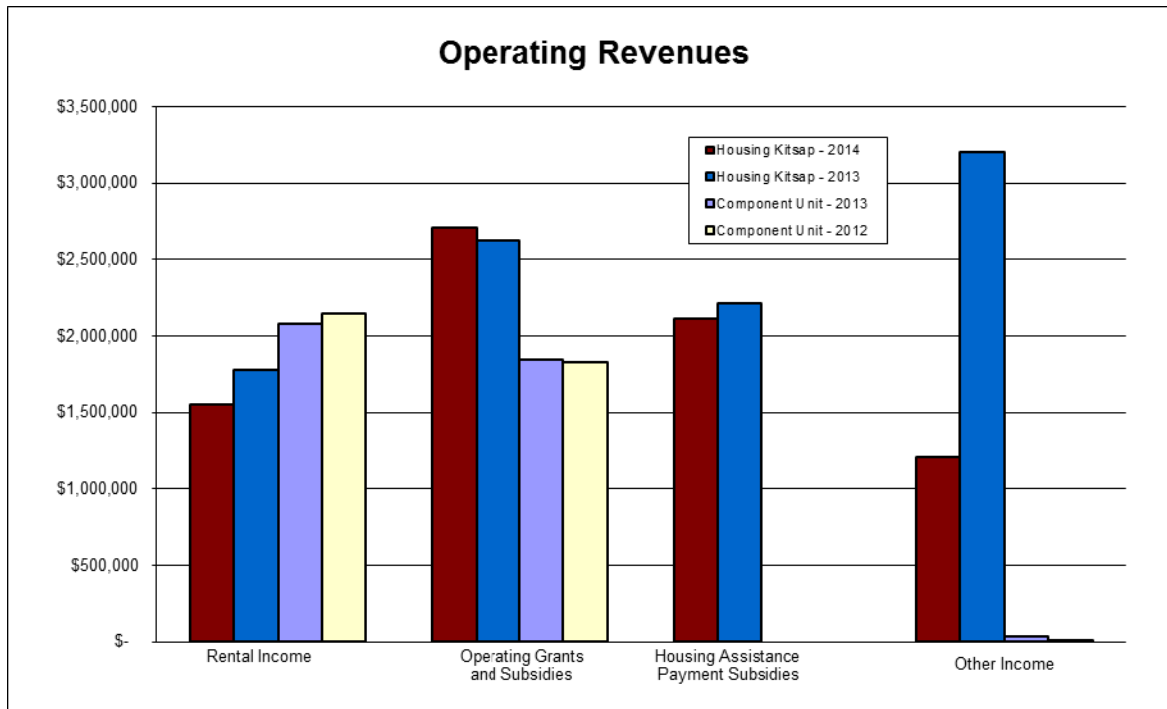
The following table summarizes the revenues, expenses and changes in net position for the years ended June 30, 2014 and 2013 for Housing Kitsap's activities and December 31, 2013 and 2012 for the Agency's component units:

HOUSING KITSAP
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

COMPARATIVE CONDENSED STATEMENTS OF REVENUE, EXPENSE, AND CHANGES IN NET POSITION

	Housing Kitsap		Component Units	
	2014	2013	2013	2012
Revenues				
Operating Revenue				
Rental Income	\$ 1,549,304	\$ 1,781,362	\$ 2,082,343	\$ 2,149,169
Operating Grants and Subsidies	2,712,450	2,625,299	1,841,695	1,829,473
HAP Subsidies	2,112,450	2,212,131	-	-
Other Income	1,212,469	3,201,671	32,229	12,563
Total Operating Revenue	7,586,673	9,820,463	3,956,267	3,991,205
Non-Operating Revenue				
Investment Income	1,315,515	1,741,704	61,463	62,114
Gain on Disposal of Assets	824,244	1,352,055	-	-
Total Non-Operating Revenue	2,139,759	3,093,759	61,463	62,114
Total Revenues	9,726,432	12,914,222	4,017,730	4,053,319
Expenses				
Operating Expenses				
Administrative Salaries and Benefits	2,575,399	2,771,593	365,129	428,958
Repairs & Maintenance	1,321,847	1,557,902	670,558	724,173
Grants Made	382,790	102,645	-	-
Housing Assistance Payments	2,164,271	2,257,141	-	-
Depreciation and Amortization	845,346	1,024,017	950,779	1,021,016
Other Operating Expenses	1,424,414	1,354,130	1,354,674	1,383,193
Total Operating Expenses	8,714,067	9,067,428	3,341,140	3,557,340
Non-Operating Expenses				
Loss on Impairment of Assets	-	423,422	-	-
Warranty Costs	159,726	286,363	-	-
Interest Expense and Fiscal Charges	1,910,592	2,073,527	1,380,320	1,481,018
Total Non-Operating Expenses	2,070,318	2,783,312	1,380,320	1,481,018
Total Expenses	10,784,385	11,850,740	4,721,460	5,038,358
Excess (Deficiency) of Revenues over Expenses	(1,057,953)	1,063,482	(703,730)	(985,039)
Capital Grants and Contributions Received	455,482	1,079,385	680,119	216,471
Distributions	-	-	(832,414)	-
Change in Net Position	(602,471)	2,142,867	(856,025)	(768,568)
Net Position, Beginning of Year	11,435,806	9,292,939	4,508,886	5,446,061
Prior Period Adjustments	(87,410)	-	(386,297)	(168,607)
Net Position, End of Year	\$ 10,745,925	\$ 11,435,806	\$ 3,266,564	\$ 4,508,886

**HOUSING KITSAP
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**



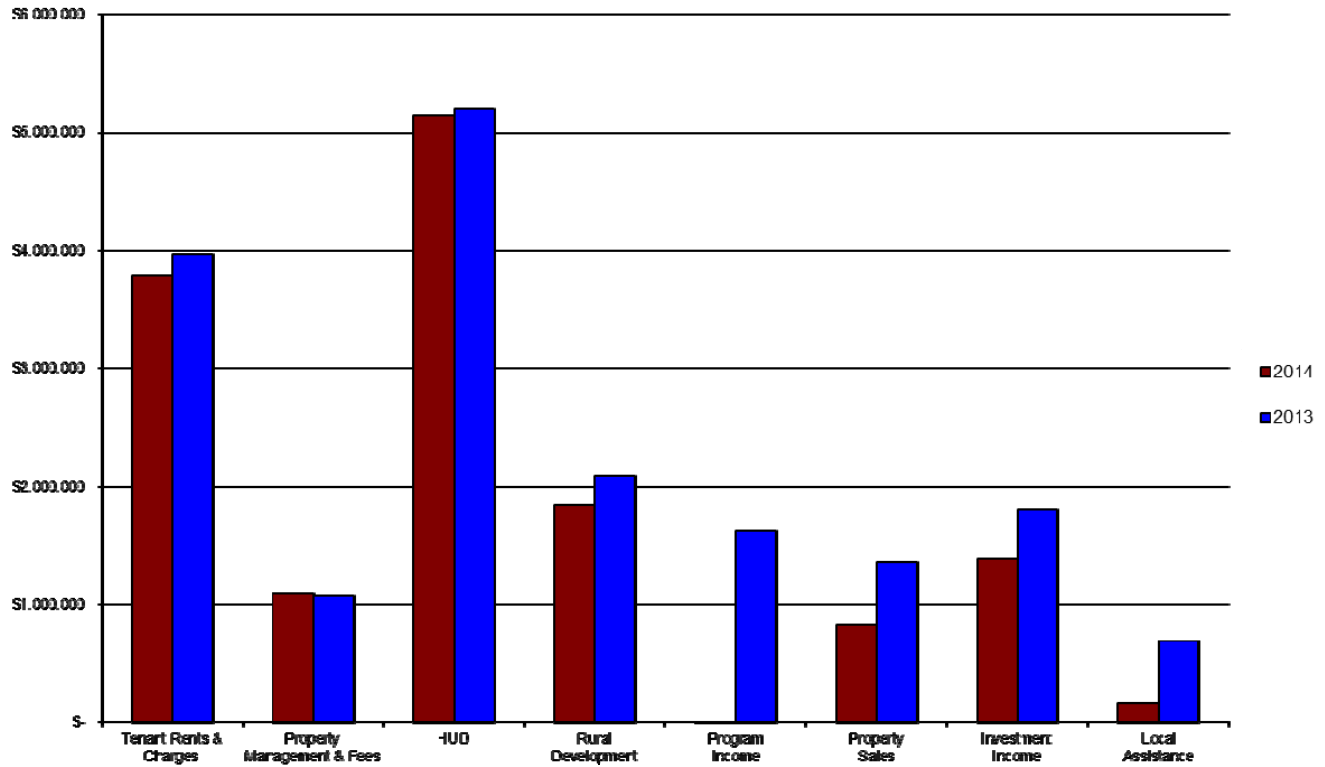
While Housing Kitsap and its component units' rental income realized declines from prior year, operating grants and subsidies have only slightly lessened the financial impact of an overall (22.75%) decrease of operating revenues. Prior years have relied on program income, in the form of SHOP loan forgiveness, as a means to bridge the gap. Anticipated forgiveness of the SHOP loans did not materialized until subsequent to year end, and as a result program income experienced a decline of nearly 100% as compared to prior year. Another substantial part of the decrease in overall operating revenue is due to prior year's recognition of \$486 thousand in IRS refunds due back to the Agency. On April 15, 2013, Housing Kitsap employees, by majority vote, decided not to participate in the federal Social Security Program (See Note 7 to the financial statements – Deferred Compensation Plan). The Agency and qualified employees submitted wage report amendments to the IRS requesting refund of contributions made during the past three years (2010-2013), which the IRS considered to be years open for correction. Eliminating the Social Security refunds from this analysis reduces the decline of overall operating revenues by (4.03%) to (18.72%).

In total, component unit operating revenue declined marginally by less than 1.0%. Operating grant subsidies were able to offset over a (3.0%) decline in rental income and occupancy issues have subsidized and returned to standard levels.

In 2014, non-operating revenue experienced an (30.84%) decline in investment income and gain on sale of assets. In May 2013, Housing Kitsap ceased being the mortgagor to the City of Bremerton and Kitsap County for the Norm Dicks Government Center when both agencies separately refunded the related bonds. As a result of the bond defeasance, note receivables from those agencies were paid in full and Housing Kitsap no longer realized nearly \$500 thousand in the annual mortgage interest income nor the offsetting interest expense from the defeased bonds. Prior year gains in the sale of assets reflect a \$480 thousand gain from the sale of the Silverdale Bayshore office building. As collateralized properties are sold, future gains have and will continue to decline. Though, the Agency will continue to recognize the \$566 thousand gain on sale of assets to its component unit, Kitsap Apartment Limited Partnership 2006, related to the 20-year capital lease executed by the parties in 2007.

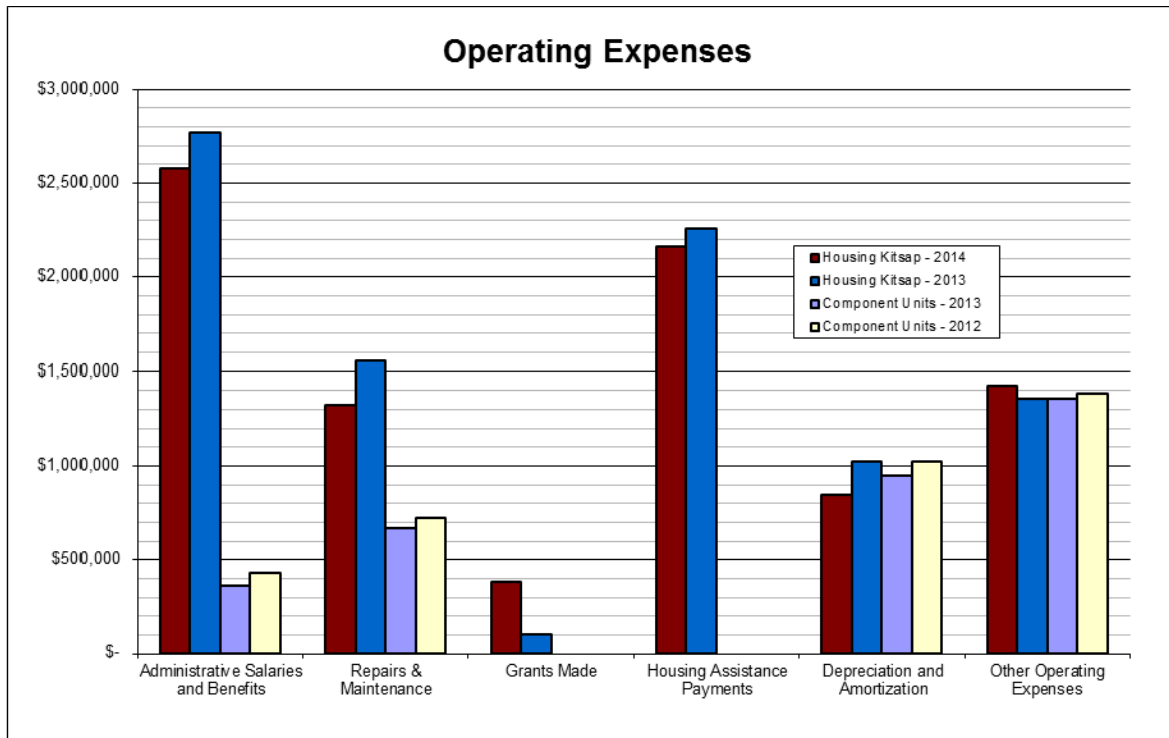
**HOUSING KITSAP
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Combined Funding Sources



The graphical representation above presents combined funding sources for both Housing Kitsap and its component units. While most federal funding sources have remained relatively unchanged in comparison to prior year, USDA – RD Technical Assistance funding declined by (18.1%) from prior year due to delays in equivalent unit production. Program income, in comparison to prior year, was also significantly impacted when SHOP loan forgiveness did not materialize until after year end. Decreases in local assistance are reflective of the 19th Hole Limited Partnership property transfer by the limited partners in the prior year.

**HOUSING KITSAP
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**



Housing Kitsap's total operating expenses experienced a (3.9%) decrease from the previous year with the most significant decrease recognized in Administrative Salaries and Benefits as well as Maintenance Salaries and Benefits categorized under Repairs & Maintenance. The previous year reflects an increase in these expense categories related to anticipated Social Security refunds. After a referendum vote by the employees resulted in discontinued participation in the federal Social Security Program, contributions made by the Agency during the prior three years (2010-2013) were due to be returned by the IRS. The Agency elected to fund those contributions into the 457 deferred compensation plans of current, PERS-eligible employees. A contingent liability and expense was established for an estimated \$486,255 as of June 30, 2013. Analysis of these expense categories without the contributions results in a slight increase of 1.4% from prior year. Grants made in the Rehab and Down Payment Assistance Programs nearly tripled in comparison to prior year due to renewed grant funding.

Component unit operating expenses decreased in total by (6.8%), due to the transfer of 19th Hole Limited Partnership to Housing Kitsap. However, investment in modernization and completion of deferred maintenance remained a continued focus at Kitsap Apartments during 2013 to maintain acceptable occupancy levels.

Statement of Cash Flows

The Statement of Cash Flows explains the sources and uses of cash provided for by operating activities, noncapital financing, capital and related financing, and investing activities during the periods reported. The net of these activities is added to the beginning year cash balance to reconcile to the cash balances at June 30, 2014. The Agency uses the direct method of presentation, however, a reconciliation of operating cash flows to operating income is also provided. The statement of cash flows is limited to actual inflows and outflows of cash and cash equivalents. Therefore, noncash transactions that affect recognized assets or liabilities and transactions that would not have been properly classified as cash flows from operating activities are presented in tabular format accompanying the statement of cash flows.

Capital Assets and Debt Administration

Housing Kitsap classifies capital assets as those assets supporting operating functions for the Agency. Assets expected to sell within the current year, including the Harborside condominium project, have been reclassified at their net realizable value as Assets Held for Sale on the face of the financial statements and depreciation, if applicable, suspended. Pledged assets not expected to sell within the year or are still continuing to support the Agency's operations are included as capital assets.

HOUSING KITSAP MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2014

The Agency's land holdings declined due to the \$1.4 million sale of the Self Help Program's Talon Glen Project, a 20 single family lot development. Further reduction of Agency capital assets took place on July 18, 2014, when Housing Kitsap transferred the deed of trust in a 6-unit affordable housing duplex known as Chico Passage Duplex to Inland Empire Residential Resources. Exterior painting and siding projects at Public Housing and Rural Development properties were the significant increases in construction in progress. Decreases in component unit capital assets are due primarily to the \$2.36 million transfer of the 19th Hole (Madrona Manor) Limited Partnership to Housing Kitsap in 2013 as well as normal depreciation of assets. The table below depicts the Agency's and its component units' capital assets, net of accumulated depreciation, at June 30, 2014 and December 31, 2013.

	Housing Kitsap			Component Units		
	2014	2013	Variance %	2013	2012	Variance %
Land	\$ 9,449,766	\$ 10,310,881	-8.35%	\$ 5,776,473	\$ 6,086,067	-5.09%
Buildings	15,195,858	15,657,668	-2.95%	25,624,273	28,474,470	-10.01%
Improvements	511,900	644,978	-20.63%	559,656	562,482	-0.50%
Equipment	150,871	225,501	-33.10%	19,748	53,556	-63.13%
Construction in Progress	284,610	136,836	107.99%	-	-	0.00%
Total Capital Assets, Net	\$ 25,593,006	\$ 26,975,864	-5.13%	\$ 31,980,150	\$ 35,176,575	-9.09%

For further detail on capital assets, please see Note 5 of the Notes to Financial Statements.

Total debt outstanding for Housing Kitsap and its component units decreased from the prior year by \$1 million or (1.97%) and \$2.32 million or (6.96%), respectively. Along with required annual repayments of all debt outstanding, Housing Kitsap reduced County Loan Agreement debt by \$179 thousand from the sale of pledged assets. Transfer of the Chico Passage Duplex further reduced the Agency's obligations as Inland Empire Residential Resources fully assumed a \$75,000 loan agreement held with the Washington State Department of Commerce Housing Trust Fund. Consolidated component unit debt was reduced by required annual repayments as well as a reduction of \$1.5 million when the 19th Hole Limited Partnership was gifted to Housing Kitsap in 2013. Kitsap Apartments, a LIHTC partnership and component unit of the Agency, received the final \$680 thousand in investor capital contributions. The contributions paid off notes to Housing Kitsap on the remaining developer fee and additional costs associated with re-development of the property.

	Housing Kitsap			Component Units		
	2014	2013	Variance %	2013	2012	Variance %
Short-Term Borrowing	\$ 3,540,448	\$ 3,576,447	-1.01%	\$ -	\$ -	0.00%
Notes Payable	29,155,116	29,656,906	-1.69%	5,300,260	6,910,025	-23.30%
Bonds Payable	17,417,169	17,885,648	-2.62%	-	-	0.00%
Capital Leases	-	-	0.00%	14,507,606	14,837,163	-2.22%
Notes Payable to Housing Kitsap	-	-	0.00%	11,179,729	11,553,174	-3.23%
Total Debt Outstanding	\$ 50,112,733	\$ 51,119,001	-1.97%	\$ 30,987,595	\$ 33,300,362	-6.95%

For further detail on short- and long-term debt obligations, please see Note 9 of the Notes to Financial Statements.

To gain a comprehensive understanding of the information presented in this discussion and analysis, please see the basic financial statements and notes to financial statements.

HOUSING KITSAP MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2014

Economic Factors Affecting Housing Kitsap's Future

The adopted 2015 Federal budget provided for largely flat funding for housing. Some programs such as public housing remained constant from 2014 levels. Unfortunately, funding for other programs such as Project Based Rental Assistance, Choice Neighborhoods, Community Development Block Grants, and the HOME program were reduced. The President's proposed 2016 budget anticipates substantial increases to many housing programs but the final outcome is nearly impossible to predict with any confidence as the nation approaches the start of the presidential election process. However, growth in the economy as a whole appears to be improving as suggested by higher employment numbers. And despite the potential for increased interest rates and uncertainty abroad, locally, commercial activity and new construction is increasing.

Regardless of the outcomes of the political process and future budget discussions in Washington DC, Housing Kitsap expects to see in the near future, the same mixed resourcing for its programs with grants further reduced, more competition for those resources and reduced tenant rents under the HOME program. We also anticipate improvements due to administrative fees in public housing and increased fees from our Self Help program. Our internal fiscal budgeting process will take into account the possibility of funding cuts and use conservative assumptions in making budget and operating projections.

Housing Kitsap owns and provides affordable multi-family and single family housing throughout the County of Kitsap, except within the City of Bremerton, and is subject to the local economy and real estate market conditions. Because Housing Kitsap's operations are limited to one county, economic diversification is not possible. Housing Kitsap's multi-family apartments typically track local trends for vacancy. The rental market has been steadily improving since 2012 and Housing Kitsap has seen increases in demand and a decrease in vacancies. The tight rental market is expected to continue in 2015. There are very few new affordable units under construction in the County, few planned, and great demand for affordable housing in general, and for special and vulnerable populations in specific.

Moving forward our single family homeownership program remains one of the most productive in the State of Washington. While we anticipate the potential for decreased program funding nationwide, our pipeline of lots under contract combined with a vigorous marketing program and strong demand will insure steady production for the next several years. Reverberations from the Great Recession still linger in the homeownership market. In Kitsap County, as in much of the State, the absorption and conversion of foreclosed units is a drag on the local economy. Housing Kitsap is working with the US Department of Agriculture's Department of Rural Development to acquire foreclosed units, rehab them and reposition them with new owners under modified financing which will help to restore these assets.

Housing Kitsap anticipates continued improvement in all of its operations in the coming years. For example, in 2009, Housing Kitsap entered into voluntary workout status with the Special Credit Departments at both KeyBank and US Bank. During 2014, both lines of credit have been resolved. On June 21, 2012, Housing Kitsap made a substantial payment of accrued interest and principal to Key Bank. Since then, the remaining balance has been reduced to zero and the line of credit closed. Housing Kitsap, again after making a substantial payment to US Bank in 2013, has negotiated a plan to pay the remaining balance over ten years. In early 2015, Housing Kitsap anticipates exiting one of its low income housing tax credit partnerships and closing several of its new market tax credit partnerships. Several more exits are planned by 2017. Support from grant and housing partners have helped restructure or defer debt repayments. All of these factors combined with an improving local and State economy allow the organization to look to new developments and opportunities for growth to meet the affordable housing needs in the County.

Contacting the Housing Kitsap's Financial Management

The financial report is designed to provide readers with a general overview of the Housing Authority's agency-wide finances. Questions concerning any of the information should be addressed to the Executive Director or Chief Financial Officer of Housing Kitsap, located at 345 6th Street, Suite 100, Bremerton, WA 98337, telephone number is (360) 535-6100.

**HOUSING KITSAP
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND DECEMBER 31, 2013**

	Housing Kitsap	Component Units
ASSETS		
Current Assets		
Cash & Cash Equivalents	\$ 1,607,244	\$ 677,235
Investments	1,061,098	-
Receivables		
Tenants - Net of Allowance for Uncollectible Accounts	78,002	64,538
Due from Other Governments	206,423	-
Due from Other Agencies	102,076	-
Accrued Interest Receivable	22,451	-
Prepaid & Other Current Assets	142,651	33,263
Current Portion of Lease Receivable	30,931	-
Current Portion of Notes Receivable	5,883	-
Current Portion of Mortgage Receivable	1,613,333	-
Current Portion Due from Component Units	1,562,616	-
Restricted Assets		
Cash & Cash Equivalents	4,181,661	1,099,027
Investments	529,274	1,204,771
Current Portion of Real Estate Contracts	28,301	-
Assets Held for Sale or Transfer	1,803,151	-
Due from Other Governments	220,642	-
Due from Other Agencies	8,539	-
Total Current Assets	<u>13,204,276</u>	<u>3,078,834</u>
Noncurrent Assets		
Capital Assets - Net of Accumulated Depreciation	25,593,006	31,980,151
Capital Lease Receivable - Net of Current Portion	708,829	-
Real Estate Contracts and Notes Receivable - Net of Current Portion	442,247	-
Premium/Discount - Net of Amortization	-	82,793
Investment in Tax Credit Partnerships	672,291	-
Due from Component Units - Net of Current Portion	35,226,013	-
Restricted Assets		
Real Estate Contracts - Net of Current Portion	747,662	-
Note Receivable - Net of Current Portion and Allowance	4,794,052	-
Total Noncurrent Assets	<u>68,184,100</u>	<u>32,062,944</u>
TOTAL ASSETS	<u>\$ 81,388,376</u>	<u>\$ 35,141,778</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	\$ 842,972	\$ -
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 842,972</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of These Statements.

(Continued)

**HOUSING KITSAP
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND DECEMBER 31, 2013**

	Housing Kitsap	Component Units
LIABILITIES		
Current Liabilities		
Salaries, Taxes & Employee Benefits Payable	\$ 391,680	\$ -
Accounts Payable	1,014,520	144,646
Current Portion of Long-Term Debt	4,932,820	86,300
Current Portion Due to Housing Kitsap	-	732,084
Current Portion of Unearned Revenue		
Component Unit Capital Lease Receivable	805,297	-
Port of Bremerton Capital Lease Receivable	22,368	-
Unearned Gain on Sale of Assets	566,585	-
Accrued PILOT	5,462	-
Interest Payable	637,325	3,545
Payable from Restricted Assets		
Security Deposits	146,000	120,166
Accounts Payable	86,256	-
Trust Funds	39,367	-
Debt Related to Assets Held for Sale or Transfer	2,288,680	-
Debt Reserve	256,255	-
Prepaid Rent	10,539	19,030
Other Liabilities	204,093	20,498
Total Current Liabilities	11,407,247	1,126,269
Noncurrent Liabilities		
Long Term Debt - Net of Current Portion	42,891,233	5,213,960
Due to Housing Kitsap - Net of Current Portion	-	25,332,323
Unearned Revenue - Net of Current Portion		
Component Unit Capital Lease Receivable	9,892,690	-
Port of Bremerton Capital Lease Receivable	267,206	-
Unearned Gain on Sale of Assets - Net of Current Portion	6,799,019	-
Payable from Restricted Assets		
Escrow	34,178	-
Other Long-Term Liabilities	104,279	202,662
Total Noncurrent Liabilities	59,988,605	30,748,945
TOTAL LIABILITIES	\$ 71,395,852	\$ 31,875,214
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Sale-Leaseback	\$ 89,571	\$ -
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 89,571	\$ -
NET POSITION		
Net Investment in Capital Assets	\$ 9,151,682	\$ 5,876,393
Restricted for:		
Capital Replacements	642,702	752,028
Project Debt Service and Construction	552,809	225,817
Housing Programs	7,278,241	-
Unrestricted (deficit)	(6,879,509)	(3,587,674)
TOTAL NET POSITION	\$ 10,745,925	\$ 3,266,564

The Accompanying Notes are an Integral Part of These Statements.

HOUSING KITSAP
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND DECEMBER 31, 2013

	Housing Kitsap	Component Units
Operating Revenues		
Rental Income, Net	\$ 1,549,304	\$ 2,082,343
Operating Grants and Subsidies	2,712,450	1,841,695
Housing Assistance Payment Subsidies	2,112,450	-
Management Fees	1,086,952	-
Program Income	1,342	-
Miscellaneous Income	124,175	32,229
Total Operating Revenues	<u>7,586,673</u>	<u>3,956,267</u>
Operating Expenses		
Administrative Salaries & Benefits	2,575,399	365,129
Professional Services	541,793	488,280
General & Administrative Expenses	177,281	82,420
Repairs & Maintenance	1,321,847	670,558
Maintenance - Replacements	102,210	138,604
Utilities	528,404	561,107
Rents	-	3,941
Payments in Lieu of Taxes	597	-
Insurance	74,129	80,322
Operating Grants and Loans Made	382,790	-
Housing Assistance Payments	2,164,271	-
Depreciation	797,769	946,137
Amortization	47,577	4,642
Total Operating Expenses	<u>8,714,067</u>	<u>3,341,140</u>
Operating Income (Loss)	(1,127,394)	615,127
Non Operating Revenues (Expenses)		
Investment Income	1,315,515	61,463
Gain on Disposal of Assets	824,244	-
Warranty Costs	(159,726)	-
Interest Expenses and Fiscal Charges	(1,910,592)	(1,380,320)
Total Non Operating Revenues (Expenses)	<u>69,441</u>	<u>(1,318,857)</u>
Income (Loss) Before Capital Grants and Contributions	(1,057,953)	(703,730)
Capital Grants Received	455,482	-
Contributions Received	-	680,119
Distributions Made	<u>-</u>	<u>(832,414)</u>
Change in Net Position	(602,471)	(856,025)
Net Position, Beginning of Year	<u>11,435,806</u>	<u>4,508,886</u>
Prior Period Adjustments	(87,410)	(386,297)
Net Position, End of Year	<u><u>\$ 10,745,925</u></u>	<u><u>\$ 3,266,564</u></u>

The Accompanying Notes are an Integral Part of These Statements.

**HOUSING KITSAP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

	Housing Kitsap
Cash Flows From Operating Activities:	
Cash Received From Customers and Users	\$ 1,878,138
Cash Received From Operating Grants	5,288,950
Cash Received in Program Loan Repayments	156,104
Cash Received From Other Operating Activities	1,078,096
Cash Payments Made to Suppliers and Employees	(5,698,640)
Cash Payments in Lieu of Property Taxes	(597)
Program Loans and Grants Made	(622,536)
Housing Assistance Payments Made	(2,164,271)
Net Cash Used in Operating Activities	<u>(84,756)</u>
Cash Flows From Noncapital Financing Activities:	
Advances Made to Component Units	(773,596)
Payments Received from Component Units	772,197
Principal Payments Made on County Loan Agreement	(178,278)
Principal Payments Made on Line of Credit	(36,000)
Principal Payments Made on Other Non-Capital Debt	(345,000)
Acquisition of Self Help Lots	(412,185)
Proceeds from Sale of Self Help Lots	1,725,730
Interest Paid on Non-Capital Long Term Debt	(476,947)
Net Cash Provided by Noncapital Financing Activities	<u>275,921</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(170,490)
Proceeds From Sale of Capital Assets	2,691
Capital Grants Received	455,482
Payments Received on Capital Leases	369,347
Principal Payments Made on Capital Debt	(344,942)
Interest Paid on Capital Long Term Debt	(1,443,675)
Net Cash Used by Capital and Related Financing Activities	<u>(1,131,587)</u>
Cash Flows From Investing Activities:	
Investment Income Received	51,975
Purchase of Investment Securities	(139,602)
Sale or Maturities of Investment Securities	1,095,915
Payments Received on Note Receivables	1,198,657
Payments Received on Assets Held for Sale	423,543
Payments Made on Warranty Costs	(159,726)
Release of Bond Reserves to Kitsap County	(106,028)
Net Cash Provided by Investing Activities	<u>2,364,734</u>
Net Increase in Cash and Cash Equivalents	1,424,312
Cash and Cash Equivalents at Beginning of Year	<u>4,364,593</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 5,788,905</u></u>
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and Cash Equivalents	\$ 1,607,244
Restricted Cash and Cash Equivalents	4,181,661
	<u><u>\$ 5,788,905</u></u>

(Continued)

The Accompanying Notes are an Integral Part of These Statements.

**HOUSING KITSAP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

	Housing Kitsap
Reconciliation of Operating Income to Net	
Operating Income (Loss)	\$ (1,127,394)
Adjustments to Reconcile Operating Income to Net Cash	
Used in Operating Activities	
Depreciation and Amortization	845,346
Cash Provided by (Used in) Changes in	
Assets and Liabilities:	
(Increase) Decrease in Receivables	312,267
(Increase) Decrease in Program Notes Receivable	270,347
(Increase) Decrease in Prepaid Expenses	(36,533)
Increase (Decrease) in Payables	(358,246)
Increase (Decrease) in Security Deposits Payable and Prepaid Rent	9,457
Total Adjustments	<u>1,042,638</u>
Net Cash Used in Operating Activities	<u><u>\$ (84,756)</u></u>
	-
Noncash Investing, Capital and Financing Activities:	
Amortization of Gain on Sale of Assets	\$ 570,919
Accrued Interest Receivable and Administrative Fees from Component Units	478,246
Write off of Uncollectible Debt and Mortgages	328,954
Loss on Transfer of Chico Property	71,351
Transfer of Debt Associated with Chico Property	75,000
Loss on Disposal of Obsolete Equipment	563
Loss on Investment in Partnership	8

The Accompanying Notes are an Integral Part of These Statements.

HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Program Descriptions

The Kitsap County Consolidated Housing Authority, DBA (doing business as) Housing Kitsap ("the Agency"), was created in 1982 as a municipal corporation, pursuant to the Revised Code of Washington (RCW) 35.82. The name change in 2010 to Housing Kitsap reflects a better understanding of the agency's mission to build and preserve safe, decent and affordable housing for low- and moderate-income families in Kitsap County, excluding the City of Bremerton which is served by the Bremerton Housing Authority. Housing Kitsap operates its housing programs in accordance with federal and state laws and regulations. It is administered through the U.S. Department of Housing and Urban Development (HUD) under provisions of the U.S. Housing Act of 1937, as amended, and U.S. Department of Agriculture – Rural Development (USDA-RD). Housing Kitsap's activities consists of owning and operating 477 units of affordable housing, administering 374 housing choice vouchers, as well as administering a multiplicity of rental subsidy programs to eligible low-income persons. The Agency's component units include seven low income housing tax credit partnerships consisting of an additional 467 units of affordable housing which the Agency operates as general partner. Housing programs are explained in detail in the Programs section below.

- Public Housing—Operated under HUD's Annual Contributions Contract (ACC), the Public Housing Program provides operating subsidies to the Agency in support of providing decent and affordable housing to residents qualifying at or under 30% of the area's median household income. The properties are owned, maintained, and managed by Housing Kitsap. Public Housing also includes a Capital Fund program, which is the primary funding source to modernize the Agency's 136 public housing units, of which 15 are specifically set-aside for disabled seniors.
- Senior & Disabled Affordable Housing – Housing Kitsap rents low-income units that it owns to seniors and qualified disabled persons. Operated under various program's funding sources, the Agency is able to provide housing at a rent that is based between 30% and 45% of the area's median household income. Some units are set aside for extremely low income seniors and disabled persons who are at or below 25% of the area's median household income.
- The Section 8 Housing Choice Voucher (HCV) Program – Housing Kitsap subcontracts the administration of its 374 Housing Choice Vouchers to Bremerton Housing Authority (BHA) through an inter-local agreement. Under the program, BHA contracts with independent landlords owning rental housing property. The Agency subsidizes the tenant family's monthly rental obligation through a Housing Assistance Payment made to the landlord. HUD provides annual contributions funding to enable the Agency to subsidize rents based on 30% of the area's median household income.
- Housing Stabilization Program – In 2005, as part of a strategic vision to reduce homelessness in each county by 50%, the Washington State legislature enacted HB 2163. The bill creates funding and resources in the effort to provide all homeless individuals and families with permanent housing.
- Mutual Self Help Housing Program –The Section 502 Mutual Self-Help Housing Loan Program, offered through U.S. Department of Agriculture – Rural Housing Service, provides homeownership opportunities to first time homebuyers with limited but stable income, good credit, and ability and willingness to meet future debt payments that are unable to buy clean, safe housing through conventional methods. Eligible participants provide their own "sweat equity" resulting in substantial savings which is then applied toward the goal of homeownership. Through funds provided by USDA-RD and other funding sources, Housing Kitsap provides down-payment assistance, low-interest mortgages (principal and interest based on income, not current market interest rate), building site and plans, and homeownership training to eligible applicants at or below 80% of median household income. Participants in a mutual self-help project operate within a Building Group of 8 – 14 households and perform approximately 65 percent of the construction labor on each other's homes under qualified supervision provided by Housing Kitsap.
- Down Payment Assistance (DPA) Program – Those low and very low-income households that do not qualify for conventional lending programs may participate in the Down Payment Assistance Program. With grant funding, Housing Kitsap provides loans in the form of second mortgages to the individuals. The second mortgages are repaid once the properties are sold or refinanced.
- Modernization/Lead Program – This unique program allows home owners the opportunity to repair roof leaks, wiring issues, and any health and safety concerns, as well as weatherization and lead-based paint remediation. Through Washington State funded Home Repair and Rehabilitation Program (HRRP), Housing Kitsap offers interest free deferred payment loans that are due upon sale of the home or 20 years, whichever comes first. Through HUD funded Lead-Based Paint Program, Housing Kitsap receives grant funding to remediate lead-based paint. Both programs are available to households at or below 50% of median household income.
- Low-Income Housing Tax Credits (LIHTC) – This program was created by the Tax Reform Act of 1986 as an alternate method of funding housing for low- and moderate- income households. The LIHTC program provides federal tax credits

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to investors, unrelated to the Agency, which hold limited interests in real estate partnerships with the Agency. The tax credits generally equal a large percentage of the cost invested and financed for development of low-income units in a rental housing project. Through the program, Housing Kitsap provides funding for the development, maintenance and operating costs of 467 low-income housing units of which at least 40% or more of the residential units are both rent restricted and occupied by individuals whose income is 50% of the area's median household income. Properties are required to remain eligible during a 15-year compliance period, which has since increased to 30-years for newly formed partnerships.

Financial Reporting Entity

Housing Kitsap is governed by a board consisting of six elected officials – Kitsap County Commissioners, Mayors of the Cities of Poulsbo and Port Orchard, Councilmember of the City of Bainbridge Island and one Public Housing resident that is appointed by the elected officials. Housing Kitsap is not financially dependent on Kitsap County and is not considered a component unit of the County.

As defined by generally accepted accounting principles (GAAP), Housing Kitsap's basic financial statements include all the accounts of Housing Kitsap's operations as the primary government, as well as its component units. The criteria for including organizations as component units with the Housing Kitsap's reporting entity, as set forth in GASB's *Codification of Government Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can be sued in its own name)
- Housing Kitsap holds the corporate powers of the organization
- Housing Kitsap appoints a voting majority of the organization's board
- Housing Kitsap is able to impose its will on the organization
- The organization has the potential to impose a financial burden/benefit on Housing Kitsap
- There is a fiscal dependency by the organization on Housing Kitsap

Component units are reported as part of the reporting entity under either the blended or discrete method of presentation. If it is determined the component unit's board is substantially the same as that of the primary government and serves the primary government exclusively, or almost exclusively, then the component unit's financial information is "blended" and presented in the aggregate with the primary government.

Based on the aforementioned criteria, Housing Kitsap is considered financially accountable for seven component units, and as general partner, the Agency has certain rights and responsibilities, which enable it to impose its will on the limited partnerships. However, the limited partnerships do not serve the Agency exclusively, or almost exclusively, and therefore, are shown as discretely presented component units. The seven limited partnerships operate under the Low Income Tax Credit Program administered by the Washington State Housing Finance Commission (WSHFC). Housing provided by the partnerships is subject to monitoring of tenant eligibility by WSHFC.

The seven discretely presented component units are: Dye's Inlet Associates Limited Partnership, Heritage Apartments Limited Partnership, Kitsap Apartments 2006 Limited Partnership, Liberty Bay Associates Limited Partnership, Railroad Avenue Associates Limited Partnership (Fjord Vista II), Red Barn Associates Limited Partnership (Port Orchard Vista), and Viewmont Apartment Limited Partnership.

Dye's Inlet Associates Limited Partnership is a legally separate entity formed in 1997 to construct, own and operate an 18-unit apartment project located in Silverdale, Washington. The Partnership has agreed to maintain all apartment units as both rent restricted and occupied by low-income elderly tenants for a minimum period of 50 years beginning in 1999. Housing Kitsap is a 0.1% general partner and also served as developer and property manager of the project. The project was completed and rental operations began in July 1999. The partnership agreement provides for the termination of the Partnership in 2063.

Heritage Apartments Limited Partnership is a legally separate entity formed in 2000 to acquire, construct, own, finance, lease and operate a 57- unit apartment project (Heritage Apartments) located in Port Orchard, Washington. Underlying financing for the acquisition and rehabilitation of the apartment project primarily consists of proceeds from single-purpose, tax-exempt revenue bonds issued by the 0.1% general partner, Housing Kitsap. Heritage Apartments receives a Section 8 Special Allocation rental subsidy provided by the U.S. Department of Housing and Urban Development on 56 of 57 units. The rental subsidy contract with HUD expires in October 21, 2014. The partnership agreement provides for the termination of the Partnership in 2099.

Kitsap Apartments 2006 Limited Partnership is a legally separate entity formed in 2006 to rehabilitate, own and operate 201 units, 91 market rate and 110 low income units, in 24 buildings located on three sites in Kingston, Port Orchard, and Bremerton (unincorporated), Washington. The Partnership has agreed to maintain all apartment units as both rent restricted and occupied by

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low-income tenants for a minimum period of 50 years beginning in 2008. Housing Kitsap is a 0.01% general partner and served as developer during rehabilitation of the project.

Liberty Bay Associates Limited Partnership is a legally separate entity formed in 2001 to construct, own and operate 16-units of affordable housing located on two sites in unincorporated Bremerton and Port Orchard, Washington. Construction was completed and rental operations began in December 2001. The Partnership has agreed to maintain all apartment units as both rent restricted and occupied by low-income elderly tenants for a minimum period of 50 years beginning in 2001. In addition, Kitsap Mental Health Services has entered into an agreement with the Partnership to provide affirmative marketing and referral services, tenant selection, tenant management and case management services for 10 years at no charge to the Partnership. Housing Kitsap is a .01% general partner.

Railroad Avenue Associates Limited Partnership is a legally separate entity formed in 2000 to construct, own and operate 16-units of affordable housing located in Poulsbo, Washington. Construction was completed and rental operations began July 2004. The Partnership has agreed to maintain all apartment units as both rent restricted and occupied by low-income elderly tenants for a minimum period of 50 years beginning in 2004. The Project was financed and constructed under the Section 515 of the National Housing Act. Under this program, the Partnership provides affordable housing to tenants subject to regulation by Rural Housing Service (RHS). The Partnership receives a rent subsidy and a mortgage interest subsidy from RHS, which expires October 2014. Housing Kitsap is .01% general partner.

Red Barn Associates Limited Partnership is a legally separate entity formed in 1998 to construct, own and operate 42 multi-family rental units including 41 units for low-income tenants and 1 common area unit for on-site management. Of the 41 units, 21 units are occupied by senior households that at the time of initial occupancy have gross annual household incomes at or below 30% of the area's median income; 10 units are occupied by senior households that at the time of occupancy have gross annual household incomes at or below 40% of the area's median income; and the remaining 10 units to be occupied by senior households that at the time of initial occupancy have gross annual household income at or below 60% of the area's median income. Construction was completed and rental operations began in 2004. The Partnership has agreed to maintain all apartment units as both rent restricted and occupied by low-income elderly tenants for a minimum period of 50 years beginning in 2001. Housing Kitsap is a .01% general partner.

Viewmont Apartments Limited Partnership is a legally separate entity formed in 2000 to acquire, rehabilitate, own and operate a 77-unit apartment project located in Port Orchard, Washington. Underlying financing for the acquisition and rehabilitation of the apartment project primarily consists of proceeds from single-purpose, tax-exempt revenue bonds issued by the 0.1% general partner, Housing Kitsap. Viewmont Apartments receives a Section 8 Special Allocation rental subsidy provided by the U.S. Department of Housing and Urban Development on 76 of 77 units. The rental subsidy contract with HUD expires in 2014. The partnership agreement provides for the termination of the Partnership in 2099.

In addition, Housing Kitsap has established a non-profit 501(c)(3) corporation known as Building Affordable Strategic Innovative Communities (BASIC) to assist in its mission of providing safe, decent, affordable housing for low- and moderate-income persons or families. Housing Kitsap does not include the organization within its reporting entity as BASIC's net assets are not significant to the Agency and contributions from BASIC to Housing Kitsap occur infrequently.

The discretely presented component units maintain financial records on a December 31 calendar year and their financial information is presented as of December 31, 2013. Requests for additional financial information should be addressed to the Executive Director of Housing Kitsap at 345 6th Street, Suite 100, Bremerton, WA 98337.

New Accounting Standards Adopted

The following GASB standards have been adopted. Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources, deferred inflows of resources, or current-period outflows and inflows. The requirements of GASB 65 are effective for periods beginning after December 15, 2012. Statement No. 66, *Technical Corrections – 2012-an amendment of GASB Statements No. 10 and No. 62*, which seeks to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements.

As of July 1, 2013, the Agency adopted the above GASB standards. Impact of this adoption is shown on the face of the Agency's financial statements as a Prior Period Adjustment and further described in Note 19.

New Accounting Standards to be Adopted in Future Years

Statement No. 68 *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27* improves accounting and reporting by state and local governments for pensions. The objective of this Statement is to improve information provided by state and local governmental employers about financial support for pensions that is provided by other

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entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement is effective for financial statements for fiscal years beginning after June 15, 2014.

Statement 69 – *Government Combinations and Disposals of Government Operations* provides specific accounting and financial reporting guidance for combinations in the governmental environment. Before the provisions set forth in this Statement, governments have accounted for mergers, acquisitions, and transfers of operations by analogizing to accounting and financial reporting guidance intended for the business environment, generally APB Opinion No. 16, Business Combination. The requirements of this Statement are effective beginning after December 15, 2013.

Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This issue relates to amounts associated with contributions, if any, made by a state or local government employer to nonemployer contributing entity to a defined benefit pension plan after the measurement date of the governments' beginning net pension liability. Provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

The Agency will evaluate these new standards and determine to what extent they have an impact on the financial statements.

Basis of Accounting and Presentation

Housing Kitsap has elected to report as a single-enterprise proprietary fund. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, whereby all revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

All assets and liabilities associated with the operations of Housing Kitsap are included on the Statements of Net Position, and the accompanying financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applicable to proprietary funds of government. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the most significant policies:

Accounting Methods

Cash and Cash Equivalents

For purposes of cash flows and classification in the financial statements, Housing Kitsap considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The exception would be instruments residing within the Washington State Investment Pool, which are highly liquid, but also which are treated as short or long-term investments because of investment policy, intent, and actual use. Cash equivalents are instruments readily convertible to known amounts of cash.

Housing Kitsap pools the cash resources of its various projects and programs to facilitate the management of cash. Cash applicable to a particular project or program is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. It is Housing Kitsap's policy to invest all temporary cash surpluses, which are classified on the balance sheet as cash and cash equivalents. The interest on these investments is prorated to the various projects and programs. The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. See Note 3 – Deposits and Investments.

Investments

The Agency accounts for its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools as amended by GASB Statement 40*, which requires the investments be reported at fair value. Fair value is determined based on quoted market prices for the investments. All of the Agency's investments are reported at fair value.

The Agency is authorized by HUD and its Board to invest in time deposits, certificates of deposits, and obligations of the U.S. Government or its agencies, and to enter into repurchase agreements. Repurchase agreements are secured by U.S. Treasury securities with a market value equal to or greater than the amount of the repurchase agreements. See Note 3 – Deposits and Investments.

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Tenant and Other Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based on historical trends and periodic aging of accounts receivable. Major receivable balances include tenant rents and charges.

Amounts Due To And From Other Governmental Units

These accounts include amounts due to or from other governments for grants, entitlements, temporary loans, and charges for services.

Note Receivables

Note receivables consist of second mortgage loans made under the down payment assistance or rehabilitation loan programs. Loans may be interest free, bear a stated interest rate, or other rate of return based on the change in fair market value of the real estate that secures the loan. Loans are made for periods of twenty years, contain renewal provisions, and typically do not require any payments until maturity. A significant number of loans are repaid prior to maturity and the rate of return cannot be reliably ascertained. Because the ultimate timing of loan repayments is uncertain, the reported balances have not been discounted to reflect the time value of money in these financial statements. An allowance for doubtful repayments has been established based on outstanding loans exceeding the twenty year term. The note receivables are shown on the financial statements net of the allowance.

Mortgage Receivables

Housing Kitsap issued a revenue bond in 2005 for the remaining construction of the Norm Dicks Government Center, a multi-governmental agency structure. The 2005 Bonds is partially secured by a promissory note established between Housing Kitsap and Bremerton Housing Authority for their proportionate ownership in the facility. Per the terms of the promissory note, monthly installments are required in advance of the bonds semi-annual interest and annual principal payments. The entire unpaid principal balance is due and payable in full on July 1, 2034. Expected receipts from each mortgage receivable through maturity are shown in Note 4. See Note 10 for the 2005 Bonds terms and maturity dates. Subsequent to year end, Bremerton Housing Authority refinanced their portion of the 2005 Bremerton Government Center bonds in an advanced refunding on September 30, 2014. Once refunded, the mortgage receivable due from the Bremerton Housing Authority will be paid in full, and the refunded amount will be held in escrow with US Bank, trustee, to pay bondholders until the bonds are called. The entire mortgage receivable balance has been classified as current as of June 30, 2014, as well as the related bonds payable.

Real Estate Contracts

Real estate contracts consist of sales transactions for the Harborside Condominium units developed and owned by Housing Kitsap. Housing Kitsap has entered into real estate contracts with private individuals for balances outstanding after buyer's investment. The real estate contracts bear a stated interest rate and a fixed monthly payment amount for a fixed duration, typically not to exceed five years. Using the full accrual method, recognition of the gain is made in full when the real estate is sold because (a) the gain is determinable, and (b) the earnings process is virtually complete.

Due from Component Units

Housing Kitsap has entered into capital financing leases with four of its component units (See Note 4 and 16). Through the lease agreements and related loan agreements, the partnerships have assumed the burdens and benefits of ownership classifying the arrangement as a capital financing lease for financial statement purposes.

During the course of operations, numerous transactions occur between Housing Kitsap activities and its component units that may result in amounts owed between them. Those related to goods and service type transactions are classified as "Accounts Receivable" or "Accounts Payable," and are short-term in nature. Long-term transactions that occur are classified as notes and long term accrued interest that result from developer fees or capital asset transactions. See Note 16 – Related Party Transactions.

Prepaid and Other Current Assets

Prepaid expenses are payments made during the current year for services or product received in the subsequent year. Inventory is also included in this caption that is stated at the lower of cost or market value and is valued using the first-in-first-out (FIFO) method (which approximates market value) and consists of expendable maintenance materials and supplies.

Restricted Assets and Liabilities

The Restricted Asset accounts contain resources for tenant security deposits, tenant escrows, capital replacement reserves, construction, and bond debt service. Related liabilities are shown as "Payable from Restricted Assets" in the Statement of Net Position. Lenders and government agencies may require that Housing Kitsap establish and maintain capital replacement or operating reserves as a condition to obtaining a loan, investment, or grant. For a detailed listing of restricted asset balances as of June 30, 2014 and December 31, 2013 see Note 3 – Deposits and Investments.

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Assets Held for Sale or Transfer

Assets held for sale represent assets sold or transferred subsequent to year end or expected to sell or be transferred within the year. These are collateralized properties and are classified as restricted assets due to the external restrictions placed on them as a result of financial workouts with creditors. Assets anticipated to sell beyond one year or have not currently been listed, but are intended for sale, are reported with capital assets and disclosed separately in Note 5 as Capital Assets not being depreciated.

Capital Assets

Housing Kitsap 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, Housing Kitsap has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable program.

Capital Assets are stated at historical cost. Where historical costs cannot be determined from the available records, estimated historical cost is used to record the estimated value of the asset. Assets acquired by gift or bequests are recorded at their fair market value at the date of transfer. Maintenance and repairs are charged to current period operating expenses while improvements are capitalized. Upon retirement or other disposition of property and equipment, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in nonoperating revenues and expenses.

Housing Kitsap's policy is to capitalize all assets with a value greater than \$750 and a useful life over one year. Capital assets are generally depreciated on the straight-line depreciation method with no salvage value. Depreciation of exhaustible capital assets is charged as an expense in the Statement of Revenues, Expenses and Changes in Net Position, and capital assets are reported net of accumulated depreciation in the Statement of Net Position.

The estimated useful lives for depreciable capital assets range from 30 to 50 years for buildings; 3 to 12 years for equipment, furniture and fixtures; and 20 years for improvements other than buildings. For a detailed schedule of Capital Assets at June 30, 2014 see Note 5 – Capital Assets.

Unamortized Charges

Unamortized charges consist of bond premium or discounts, which are amortized over the term of the related note or bond. Bonds are displayed net of premium or discount; annual interest expense is decreased by accretion of debt premium and increased by the amortization of debt discount. Amortization of these costs is included in operating expenses. With the Agency's adoption of GASB 65 effective July 1, 2013, debt issuance costs were written off retrospectively as an adjustment to prior period net position and are reflected as a cumulative effect on prior periods from a change in accounting principle in the Statement of Revenues, Expenses, and Changes in Net Position. See Notes 19 and 20 for further details.

Investment in Tax Credit Partnerships

Investments in Low-Income Housing Tax Credit Partnerships are recorded at the cost of contributions adjusted for the General Partner's share of annual income and losses. See Note 16 – Component Units.

Deferred Outflows/Inflows of Resources

A deferred outflow of resources is not an asset and is defined as a consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is not a liability and is defined as an acquisition of net position that is applicable to a future reporting period.

Compensated Absences

Housing Kitsap records liabilities for compensated absences as required by GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees, if the leave is attributable to past service and it is probable that the employer will compensate the employees for the benefits, through paid time off or some other means, such as cash payments at termination or retirement. Compensated Absences considered current are included within "Salaries, Taxes & Employee Benefits Payable". Those balances estimated to be long term in nature are included in "Other Long-Term Liabilities" on the face of the financial statements. See Note 6 for more details.

Permanent employees of Housing Kitsap earn vacation time in accordance with length of service. A maximum of 360 hours may be accumulated and, upon termination, employees are entitled to compensation for unused vacation. Sick leave may be accumulated up to 1200 hours, but is lost if the employee leaves or is terminated from Housing Kitsap. At retirement, employees receive compensation equivalent to 50 percent of their accumulated sick leave. Housing Kitsap recorded all accumulated costs associated with compensated absences, including payroll taxes that were accrued by and owed to employees as of June 30, 2014.

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The compensated absences liability was calculated based on the pay rates in effect at June 30, 2014. Also included is the additional liability for salary-related payments associated with the payment of compensated absences, using the rates in effect at the June 30, 2014. These salary-related payments include the employer's share of Medicare taxes and contributions to the retirement plans.

Other Current Liabilities

Other Current Liabilities consists of employee Social Security refunds from January 1, 2012 to March 31, 2013. These refunds are to be returned from the IRS as a result of the Section 218 employee referendum vote to no longer participate in the Social Security program.

Other Long-Term Liabilities

Other Long-Term Liabilities consist primarily of accrued interest expense due from component units.

Unearned Revenue

Unearned revenue consists of unearned income from financing lease receivables between Housing Kitsap and its component units. As Housing Kitsap has legal claim and revenue recognition has occurred, the liability associated with these unearned revenues is relieved and revenue is recognized in the period it is earned.

Unearned Gain on Sale of Assets

As part of the sale and subsequent capital financing lease of the three properties to the Kitsap Apartments 2006 Limited Partnership, Housing Kitsap realized \$11.3 million of gain on the sale of the three properties to the limited partnership. The gain is recognized over the life of the 20-year financing lease.

Operating Revenue and Expenses

The Agency's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenue results from exchange transactions associated with providing housing and related services directly related to the Agency's mission. Operating revenues and expenses also include federal operating subsidies and housing assistance payments provided by U.S. Department of Housing and Urban Development. The use of this classification is based on guidance from HUD, the primary user of these financial statements. Operating expenses are those expenses that are directly incurred in the operation of providing housing and development, consulting or other management activities, including administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, including but not limited to capital and noncapital federal grants, interest income and expense.

This presentation results in operating revenues that are higher than if subsidies and/or grants were presented as non-operating revenues. Overall it does not affect the presentation of the change in net position in the statement of revenues, expenses, and changes in net position, or the presentation of cash and cash equivalents in the statement of cash flows.

Income Taxes

Income received or generated by the Agency is not subject to federal income tax, pursuant to Internal Revenue Code Section 115.

The Agency is also exempt from State and local property taxes. Interest paid on tax-exempt debt obligations issued by the Agency is excludable from the gross income of the recipients, pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended. Contributions to the Agency are tax deductible contributions, pursuant to Sections 170(b)(1)(A)(v) and 170(c)(1) of the Internal Revenue Code of 1986, as amended.

Arbitrage

Housing Kitsap periodically monitors arbitrage interest associated with its tax-exempt debt for the existence of any rebates. 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, 2014, no cumulative rebate liability has been determined.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Impairment of Capital Assets

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Housing Kitsap is required to evaluate prominent events or

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changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. See Note 5 for Housing Kitsap's detailed impairment evaluation.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Bond and Loan Covenants

State laws and certain bond covenants require that Housing Kitsap maintain occupancy in housing projects at specified numbers of low income families. Housing Kitsap must also generate net operating income from each project at a level that meets the debt service requirements established by its respective bond covenant. During the fiscal year, Housing Kitsap satisfied all compliance requirements specified in its bond and loan covenants.

NOTE 3 – DEPOSITS AND INVESTMENTS

Policy, Laws, and Regulations

In accordance with state law, Housing Kitsap deposits all funds with banking institutions in accordance with the terms of the State of Washington Public Deposit Protection Act or insured by FDIC, a federal agency, and therefore, is protected from any loss that might result from the failure or default of a qualified public depository. As such, Housing Kitsap is not exposed to custodial credit risk for its deposits with banking institutions.

Housing Kitsap's investment policy is to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily and long term cash flow demands of the entity and conforming to all the federal, state, and local statutes governing the investment funds. The Agency makes all investments permitted under Chapter 39.29.020 of the Revised Code of Washington, policies established by the U.S. Department of Housing and Urban Development and the U.S. Department of Agriculture – Rural Development, and any Bond Trust Indentures. In general, permitted investments include: bonds or other obligations issued or guaranteed by the United States; bonds or other obligations issued by any state, county, city, town, special district, or other municipal corporation; time, money market, or savings deposits in qualified public depositories; or loans secured by real property.

Cash and Cash Equivalents

As of June 30, 2014, the Agency's carrying amount of deposits and cash equivalents was \$5,788,905 and the bank balance was \$5,136,315. The bank deposits are held with financial institutions and are entirely insured or collateralized and are classified as cash and cash equivalents in the statements of net position. All deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000, raised to \$250,000 from the previous limit of \$100,000, are covered by the Public Deposit Protection Commission of the State of Washington, which is a multiple financial institution collateral pool, established under Chapter 39.58 of the Revised Code of Washington.

As of December 31, 2013, the Agency's component units carrying amounts of all deposits and cash equivalents was \$1,776,262 and the bank balances were \$2,129,006 in the aggregate. Cash held in bank deposit accounts, at times, may exceed federally insured limits. The component unit partnerships have not experienced any losses in such accounts. Management believes there is no exposure to any significant custodial credit risk on cash in these depository accounts.

Cash and cash equivalents included in the financial statements of Housing Kitsap and Component Units as of June 30, 2014 and December 31, 2013, respectively, consist of the following:

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Asset Classification Per Financial Statements	Housing Kitsap June 30, 2014	Component Units December 31, 2013	Total
Unrestricted	\$ 1,607,244	\$ 677,235	\$ 2,284,479
Restricted			
Tenant Escrows	136,081	-	136,081
Tenant Security Deposits	146,600	120,166	266,766
Capital Replacements	642,702	752,028	1,394,730
Operating	854,143	226,833	1,080,976
Program Income	1,246,200	-	1,246,200
Program Escrows	971,003	-	971,003
Debt Reserve	184,932	-	184,932
Total Restricted	4,181,661	1,099,027	5,280,688
Totals	\$ 5,788,905	\$ 1,776,262	\$ 7,565,167

Tenant Escrows – Deposits held for the Section 8 Housing Choice Voucher Program.

Tenant Security Deposits – Tenants are required to pay a refundable security deposit when moving into their unit. Upon vacating the unit, the tenant will receive their security deposit so long as the condition of the unit is satisfactory.

Capital Replacements – In accordance with loan resolutions between the U.S. Department of Agriculture – Rural Development (Rural Housing Service) and the Agency, replacement reserves have been established and maintained at required levels for the following properties: Fjord Manor Apartments, Rhododendron Apartments, Windsong Apartments, and Finch Place Apartments. Withdrawals and uses of funds in these accounts are in accordance with 7 CFR Part 3560, subpart G and Part 1902, subpart A and are subject to approval and countersignature by USDA-RD. As of June 30, 2014 all deposits to the reserve accounts have been on schedule with minimum funding requirements, and there are no encumbrances on the reserve funds.

Replacement reserves were established for all component units pursuant to each individual partnership agreement. The partnerships may use deposits in the reserve accounts to fund major repairs, capital expenditures and replacement of capital items in the projects. The reserve accounts are interest-bearing and the interest earned is added to the balance of the reserve account. The limited partner has co-signatory authority and requires approval of any disbursements on the accounts.

Operating Reserves – In accordance with limited partnership agreements, the following component units are required to establish and maintain reserves for use by the partnership with the consent of the limited partner: Kitsap Apartments 2006 Limited Partnership, Liberty Bay Associates Limited Partnership, Railroad Avenue Associates Limited Partnership, and Red Barn Associates Limited Partnership. In addition, the Self Help Opportunity Program and Rural Development Project maintain operating reserves and accounts that are restricted solely for use within those programs.

Program Income – Cash classified as Program Income is related to Housing Kitsap's down payment assistance program.

Program Escrows – Program Escrows are construction funds held on behalf of the families participating in the Mutual Self Help Program. As part of the duties of administering the Section 523, Mutual Self-Help Program, Housing Kitsap manages a custodial bank account for all participants from which each individual participant's construction costs are paid and into which loan proceeds are deposited. Each individual participant's construction costs and loan balances are maintained outside of Housing Kitsap's books. However, the total of the custodial account is included in the balance sheet of Housing Kitsap as restricted cash offset by the trust fund liability. Housing Kitsap personnel prepare the checks, which can be written only for construction-related costs and require the signatures of two authorized representatives of the organization. All invoices are reviewed and approved by the construction supervisor and program manager, who also assign the expense to the applicable house. At monthly meetings between the construction supervisor, the program manager, the 523 bookkeeper and the participating borrowers, each participant's construction expenses and loan draws are reviewed with them individually.

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Debt Reserve—The Kitsap County Loan and Repayment Agreement also established a reserve fund of \$250,000 to advance funds necessary for operating and unbudgeted maintenance and repair costs associated with the unsold Harborside condo units and any other assets collateralized under the Agreement. Please see Note 9 for a detailed description of this refunding.

Investments

Housing Kitsap's investment policy is to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily and long term cash flow demands of the entity and conforming to all the federal, state and local statutes governing the investment of funds. Investments are to be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, nor for speculations, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Investments substantially represent equity in pooled investments and consist of deposits with qualified public depositories, obligations of the US Treasury and agencies, banker's acceptances, commercial paper, and certain collateralized repurchase agreements. All transactions are executed with authorized security dealers and financial institutions on a delivery-versus-payment basis. Certain investments may meet the criteria of cash and cash equivalents, but are treated as investments by Housing Kitsap because of their intended long-term use or requirement of bond covenants.

Investments included in the financial statements of Housing Kitsap and its Component Units as of June 30, 2014 and December 31, 2013 respectively consist of the following:

Investment Type (Stated at Fair Value)	S&P Credit Rating	Housing Kitsap	Component Units	Investment Maturities in Years				% of Portfolio
				Less than 1	1-5	6-10	More than 10	
Collateralized Repurchase Agreements	BBB	\$ -	\$ 821,538	\$ -	\$ -	\$ -	\$ 821,538	29.39%
Negotiable Certificates of Deposit	Not Rated	63,866	363,752	-	427,618	-	-	15.30%
Government Money Market Funds	AAAm	195,501	19,481	214,982	-	-	-	7.69%
Kitsap County Investment Pool	Not Rated	246,989	-	246,989	-	-	-	8.84%
Washington State (LGIP)	Not Rated	1,084,016	-	1,084,016	-	-	-	38.78%
Totals		\$ 1,590,372	\$ 1,204,771	\$ 1,545,987	\$ 427,618	\$ -	\$ 821,538	100.00%

According to GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and For External Investments Pools*, US Treasury and agency securities with maturities exceeding three months at time of purchase, are reported at fair value on the balance sheets and the net increase or decrease in fair value of those investments is reported as part of investment income. The Washington State Local Government Investment Pool (LGIP) and the Kitsap County Investment Pool (KCIP) are comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. Investments held in these unrated external pools are reported at cost as the average days-to maturity do not exceed the 90 day threshold.

Per GASB 40, *Deposit and Investment Risk Disclosures* (as amended), guidelines the balances are also not subject to custodial credit risk. The credit risk of the LGIP and KCIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposits. Investments or deposits held by the LGIP and KCIP are either insured or held by a third-party custody provider in the LGIP and KCIP's name. The fair value of the Agency's pool investments is determined by the pool's share price. The Agency has no regulatory oversight responsibility for the LGIP which is governed by the Washington State Finance Committee and is administered by the State Treasurer. The Agency has no regulatory oversight responsibility for the KCIP which is governed by Kitsap County and is administered by the County Treasurer. The LGIP and KCIP are audited annually by the Office of the State Auditor.

Restricted Investments

As of June 30, 2014 and December 31, 2013, the following funds were held in trust for debt service and housing program pursuant to the respective trust indentures, grant agreements, and other applicable agreements.

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Restricted Investments	Housing Kitsap June 30, 2014	Component Units December 31, 2013	Total
Debt Service			
<i>Revenue Bonds 2003 & 2005 (Bremerton Government Center)</i>			
<i>Principal and Interest Escrow</i>			
Investments are held in trust and are restricted for the payment of principal and interest. The investments consist of treasury obligations and bears interest at approximately 0.0%.	97,301	-	97,301
<i>Revenue Bonds 2003 & 2005 (Bremerton Government Center)</i>			
<i>Debt Service Reserve</i>			
Investments are held in trust and are restricted for the payment of principal and interest. The investments consist of shares in the Kitsap County Investment Pool and bear interest at approximately .7403%.	246,989	-	246,989
<i>Housing Revenue Bonds, 1996 (Rhododendron Apartments Project)</i>			
<i>Debt Service Reserve</i>			
Investments are held in trust and are restricted for the payment of principal and interest. The investments consist of treasury obligations and bears interest at approximately 0.0%.	98,200	-	98,200
<i>Housing Revenue Bonds, 2007 (Pooled Tax Credit Projects)</i>			
<i>Debt Service Reserve</i>			
Investments are held in trust and are restricted for the payment of principal and interest. The investments consist of repurchase agreements maturing 6/1/2037 and bear interest at approximately 4.940%	-	821,538	821,538
<i>Housing Revenue Bonds, 2001, Series A (Heritage Project)</i>			
<i>Debt Service Reserve</i>			
Investments are held in trust and are restricted for the payment of principal and interest. The investments consist of certificates of deposit maturing 10/31/2016 and bear interest at approximately 5.350%	-	171,206	171,206
<i>Housing Revenue Bonds, 2001, Series B (Viewmont Project)</i>			
<i>Debt Service Reserve</i>			
Investments are held in trust and are restricted for the payment of principal and interest. The investments consist of certificates of deposit maturing 10/31/2016 and bear interest at approximately 5.350%	-	212,027	212,027
Housing Programs			
<i>Mutual Self Help Program</i>			
Investments are restricted for the Talon Glen Self Help Project. The investments consist of a certificate of deposit maturing on 2/13/2015 and bears interest at approximately .4%.	63,866	-	63,866
<i>Section 8 Housing Choice Vouchers Program</i>			
Investments are restricted for administering the Section 8 Housing Choice Voucher Program. The investments consist of shares in the Washington State Investment Pool and bear interest at approximately .1746%.	22,918	-	22,918
Total Restricted Investments	\$ 529,274	\$ 1,204,771	\$ 1,734,045

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Interest Rate Risk

Housing Kitsap's Investment Policy limits investment maturities to five years or less, unless matched to a specific cash flow requirement, as a means of managing its exposure to fair value losses arising from varying interest rates. Investments that are matched to a specific cash flow requirement will be held until maturity. The trustee has valued the investments at fair value, but are not considered marketable, thus the likelihood the investments would be sold for less than cost is nonexistent.

Funds in the State Local Government Investment Pool and Kitsap County Investment Pool are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Investments in these pools can also be liquidated upon demand and therefore are included in the less than 1 year category.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is Housing Kitsap's investment policy to limit its' investment types to the following authorized investments: investments legally permitted for housing authorities in the State of Washington; the Kitsap County Investment Pool; the State of Washington's Treasurer's Local Government Investment Pool; and any federally insured account with a Public Depository as defined by the State of Washington Public Deposit Protection Commission. To further limit risk, state law does not allow governments such as Housing Kitsap to invest in corporate debt and limits investments in commercial paper to the highest short-term rating issued by nationally recognized statistical rating organizations. Furthermore, commercial paper holdings may not have maturities exceeding 180 days. State law does allow funds to be invested in collateralized repurchase agreements if the repurchase agreement is limited to and fully collateralized by obligations of the United States. Housing Kitsap is party to a collateralized repurchase agreement with DEPFA Bank. The collateralized repurchase agreement require the securities purchased as collateral be obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. Additionally, the agreement requires that the investment trust take delivery of the collateral either directly or through an authorized custodian per state law.

Custodial Risk

Custodial risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments with the exception of the collateralized repurchase agreement are insured, registered, or are securities held by Housing Kitsap or by Housing Kitsap's agent in Housing Kitsap's name. Investments held in the LGIP or KCIP are not exposed to custodial risk as they are not evidenced by securities that exist in physical or book entry form. Of Housing Kitsap and its component units \$2.8 million in investments, \$2.0 million are not exposed to custodial credit risk. The remaining \$821,000 is a fully collateralized repurchase agreement with a margin of 167% and held in the trustee's name, U.S. Bank Trust National Association, not directly in Housing Kitsap's name. Housing Kitsap's investments are not exposed to custodial credit risk.

Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Housing Kitsap has a policy that limits the amount that may be invested in any one financial institution or single security type to 50% of its investment portfolio. To limit risk, State law further prohibits commercial paper holdings exceeding 25% of the total assets of the portfolio. It also limits commercial paper purchases from any single issuer to 5% or less of the total assets of the portfolio.

The collateralized repurchase agreement with DEPFA Bank is 29.39% of Housing Kitsap's total investment portfolio market value. The contract requires the banking groups invest funds for collateral as if they were Housing Kitsap, therefore by extension may not invest more than 25% in commercial paper or more than 5% in any single issuer.

NOTE 4 – FINANCING LEASE, MORTGAGE RECEIVABLES AND REAL ESTATE CONTRACTS

Capital Finance Lease Receivables

Housing Kitsap purchased two parcels of land, which it has in turn leased under a long-term ground lease to the Liberty Bay, LP, a Component Unit, for \$12 per year. The lease is categorized as a capital financing lease for financial reporting purposes.

Housing Kitsap issued single-purpose, tax-exempt revenue bonds totaling \$5,005,000 in October 2001 to finance the purchase and rehabilitation of the Heritage Apartments and the Viewmont East Apartments. Housing Kitsap, as sole general partner, has in turn leased the property and loaned additional funds to the two limited partnerships. Through the lease agreements and related loan agreements, the partnerships have assumed the burdens and benefits of ownership. The lease and loan payments are made semi-annually in amounts sufficient to redeem the bonds over 30 years as scheduled, beginning in 2002. Substantially all of the rental property and equipment is pledged as collateral on the bonds. Housing

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Kitsap has assigned its rights to receive lease and loan payments to the bond trustee as security for payment of the principal and interest on the bonds.

In June 2007, Housing Kitsap issued single-purpose, tax-exempt revenue bonds known as the Pooled Tax Credit Projects Housing Revenue Bonds totaling \$11,845,000 for the purpose of loaning funds to Kitsap Apartments 2006 Limited Partnership, of which Housing Kitsap is the sole general partner. These bond funds along with a note of \$7,225,765 representing the seller's equity interest in the properties were used to finance the acquisition and rehabilitation of three apartment complexes owned by Housing Kitsap. Housing Kitsap has in turn leased these three properties, Conifer Woods, formerly named Port Orchard Valley Apartments, Park Place Apartments, and Kingston Ridge Apartments, to the Partnership to provide low-income housing within Kitsap County and to pay costs of the Pooled Tax Credit Projects bond issuance. Through the lease agreement and related loan agreement, the Partnership has assumed the burdens and benefits of ownership. The lease and loan payments are made semi-annually in amounts sufficient to redeem the bonds over 30 years as scheduled, beginning December 1, 2007. Substantially all of the rental property and equipment is pledged as collateral on the bonds. Housing Kitsap has assigned its rights to receive lease and loan payments to the bond trustee as security for payment of the principal and interest on the bonds.

The related receivable and payables are included in the amounts reported under the captions "Due from Component Units" and "Due to Housing Kitsap" in the Statements of Net Position. See Note 16 – Related Party Transactions.

The minimum lease payments receivable and net investment in financing leases with component units as of June 30, 2014 are as follows:

Year Ending June 30	Liberty Bay	Heritage	Viewmont East	Kitsap Apts	Total
2015	\$ 12	\$ 153,737	\$ 192,485	\$ 823,146	\$ 1,169,380
2016	12	150,428	193,115	819,900	1,163,455
2017	12	151,586	193,458	821,081	1,166,138
2018	12	152,468	193,516	821,438	1,167,433
2019	12	153,074	193,286	820,969	1,167,341
2019-2023	60	744,813	957,053	4,101,853	5,803,779
2024-2028	60	745,378	944,032	4,096,742	5,786,212
2029-2033	60	443,476	565,666	4,092,280	5,101,481
2034-2038	60	-	-	2,452,147	2,452,207
2039-2043	60	-	-	180	240
2044-2048	60	-	-	180	240
2049-2053	60	-	-	180	240
2054-2058	60	-	-	180	240
2059-2063	60	-	-	180	240
2064-2068	60	-	-	180	240
2069-2073	60	-	-	180	240
2074-2078	60	-	-	180	240
2079-2083	60	-	-	180	240
2084-2088	60	-	-	180	240
2089-2093	60	-	-	180	240
2094-2098	48	-	-	180	228
2099-2103	-	-	-	180	180
2104-2108	-	-	-	108	108
Minimum Lease Payments Receivable	1,008	2,694,960	3,432,610	18,852,004	24,980,582
Less Amounts Representing Interest	-	(1,035,895)	(1,320,087)	(8,342,004)	(10,697,986)
Net Investment in Financing Leases	\$ 1,008	\$ 1,659,065	\$ 2,112,522	\$ 10,510,000	\$ 14,282,597
Total Minimum Lease Payments Receivable	\$ 1,008	\$ 2,694,960	\$ 3,432,610	\$ 18,852,004	\$ 24,980,582
Less: Amounts Due Within One Year	(12)	(153,737)	(192,485)	(823,146)	(1,169,380)
Totals	\$ 996	\$ 2,541,223	\$ 3,240,125	\$ 18,028,858	\$ 23,811,201

On October 5, 2009, Housing Kitsap and the Port of Bremerton entered into an agreement to amend an existing operating lease of office space within the Bremerton Government Center. Amendments to the lease provided for a bargain purchase option, therefore, re-categorizing the lease as a capital lease for accounting purposes.

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The minimum lease payments receivable and net investment in the capital lease as of June 30, 2014 are as follows:

Year Ending June 30	Port of Bremerton
2015	\$ 30,931
2016	32,011
2017	33,158
2018	34,482
2019	35,711
2019-2023	183,191
2024-2028	183,286
2029-2033	182,684
2034-2038	24,306
Minimum Lease Payments Receivable	\$ 739,760
Less: Unearned Income	(289,574)
Net Investment in Financing Leases	\$ 450,186
Total Minimum Lease Payments Receivable	\$ 739,760
Less: Amounts Due Within One Year	(30,931)
Totals	\$ 708,829

Mortgage Receivables

In conjunction with the Bremerton Government Center 2005 bond issue (Note 9), Housing Kitsap and Bremerton Housing Authority (BHA) entered into a real estate purchase and sale agreement for BHA's partial ownership in the Norm Dicks Government Center (NDGC). BHA purchased the 2nd floor for \$2,059,000. The mortgage principal and interest payments are directly tied to the debt service on the bond. Monthly payments are paid to the Agency and subsequently placed in an escrow account with the trustee, U.S. Bank, for semi-annual debt service on the bonds.

Subsequent to year end, Bremerton Housing Authority entered into a Defeasance Trust Agreement with Housing Kitsap to defease their portion of the Bremerton Government Center 2005 bonds and prepay the obligations under the purchase and sale agreement with an outstanding balance of \$1,613,333 as of June 30, 2014. As such, the entire mortgage receivable and related bonds payable have been classified as a current asset as of June 30, 2014.

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Real Estate Contracts

In conjunction with exercising its powers as a community renewal agency, Housing Kitsap developed the project known as the Harborside Condominiums. Sales of the condominium units stalled because commercial banks were unwilling to make loans secured by mortgages due to pending litigation for latent construction defects involving the Harborside Home Owner's Association. Based on the statutory authority to sell property and the Washington Attorney General Opinions set forth in AGO 1978 No. 13, Housing Kitsap sold four condominium units by means of installment purchase contracts, commonly referred to as real estate contracts. The original value of the real estate contracts totaled \$850,472 and payments are made in monthly installments over the later of five years or within in six months after the construction defect litigation is resolved. The following details expected receipts on Harborside Real Estate Contracts as of June 30, 2014.

Year Ending June 30	Total
2015	\$ 64,098
2016	105,738
2017	60,789
2018	231,012
2019	444,891
Total Real Estate Contracts	\$ 906,528
Less: Amount Representing Interest	(130,566)
Net Investment in Real Estate Contracts	\$ 775,962
Current (Principal Only)	\$ 28,301
Long-Term	747,662
Totals	\$ 775,963

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NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in capital assets of the Agency for the year ended June 30, 2014.

	Beginning Balance July 1, 2013	Increases	Transfers	Decreases	Ending Balance June 30, 2014
Capital Assets not being depreciated:					
Land	\$ 10,310,882	\$ 412,184	\$ 222,931	\$ (1,496,232)	\$ 9,449,765
Construction in Progress	136,836	148,765	-	(991)	284,610
Assets Held For Sale or Transfer - Current	6,513,429	-	(1,302,319)	(1,987,518)	3,223,592
Total Capital Assets not being Depreciated	16,961,147	560,949	(1,079,388)	(3,484,741)	12,957,967
Less Loss Allowance for:					
Assets Held For Sale or Transfer - Current	(3,358,900)	-	852,025	1,086,433	(1,420,442)
Total Loss Allowance	(3,358,900)	-	852,025	1,086,433	(1,420,442)
Capital Assets being depreciated:					
Buildings	23,575,400	15,295	289,935	(191,920)	23,688,710
Improvements other than Buildings	3,169,051	980	7,334	-	3,177,365
Machinery and Equipment	1,923,797	3,340	3,632	(6,988)	1,923,781
Total Capital Assets being Depreciated	28,668,248	19,615	300,901	(198,908)	28,789,856
Less Accumulated Depreciation for:					
Buildings	(7,917,732)	(569,053)	(69,217)	63,151	(8,492,852)
Improvements other than Buildings	(2,524,072)	(140,705)	(688)	-	(2,665,465)
Machinery and Equipment	(1,698,297)	(89,179)	(3,632)	18,198	(1,772,910)
Total Accumulated Depreciation	(12,140,101)	(798,937)	(73,537)	81,349	(12,931,226)
Total Capital Assets, being Depreciated, Net	16,528,147	(779,322)	227,364	(117,559)	15,858,630
Less: Assets Held For Sale or Transfer - Current, Net of Allowance	(3,154,530)	-	450,294	901,085	(1,803,150)
Capital Assets, Net of Depreciation and Assets Held for Sale - Current	\$ 26,975,864	\$ (218,373)	\$ 450,295	\$ (1,614,782)	\$ 25,593,006

Substantial restrictions are imposed by HUD, as well as by state and local governments, on the use and collateralization of the Agency's capital assets.

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The following is a summary of changes in capital assets of the Agency's component units for the year ended December 31, 2013.

	Beginning Balance January 1, 2013	Increases	Transfers	Decreases	Ending Balance December 31, 2013
Capital Assets not being depreciated					
Land	\$ 6,086,067	\$ -	\$ -	\$ (309,594)	\$ 5,776,473
Construction In Progress	-	-	-	-	-
Total Capital Assets not being Depreciated	6,086,067	-	-	(309,594)	5,776,473
Capital Assets being Depreciated					
Buildings	36,156,534	77,796	-	(3,455,643)	32,778,687
Improvements other than Buildings	1,098,672	-	-	(9,053)	1,089,619
Machinery and Equipment	789,738	10,467	-	(137,223)	662,982
Total Capital Assets being Depreciated	38,044,944	88,263	-	(3,601,919)	34,531,288
Less Accumulated Depreciation					
Buildings	\$ (7,682,064)	(844,508)	-	1,372,159	(7,154,413)
Improvements other than Buildings	(536,190)	(57,059)	-	63,287	(529,962)
Machinery and Equipment	(736,182)	(44,570)	-	137,518	(643,234)
Total Accumulated Depreciation	(8,954,436)	(946,138)	-	1,572,964	(8,327,610)
Total Capital Assets, being Depreciated, Net	29,090,508	(857,875)	-	(2,028,955)	26,203,678
Component Units Capital Assets, Net	\$ 35,176,575	\$ (857,875)	\$ -	\$ (2,338,549)	\$ 31,980,151

Purchase Commitments

Housing Kitsap has purchase and sale agreements pending to acquire 27 lots of real property in FY2015. The following schedule details the pending lot purchases at June 30, 2014:

Description of Property	Location	Expected Closing Date	Amount
Land-27 Lots	Silver View - South Kitsap, WA	August 2014	\$ 1,431,000

Loss on Impairment of Assets

Considering the delay in Harborside Condominium sales and given the current real estate market conditions that have occurred, it is reasonable to determine impairment has occurred as current sales prices and appraisal values reveal a significant and unexpected decline in value from the construction value. According to GASB Statement No. 42, "Accounting and Financial Reporting for the Impairment of Capital Assets and for Insurance Recoveries" paragraph 9, "Impairment is indicated when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined." Housing Kitsap has applied guidance from GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" paragraph 372, which states "the carrying amount of a real estate project, or parts thereof, held for sale or development and sale shall not exceed net realizable value. If costs exceed net realizable value, capitalization of costs associated with development and construction of a property shall not cease, but rather an allowance shall be provided to reduce the carrying amount to estimated net realizable value, determined on the basis of an evaluation of individual projects."

Given this assessment, beginning in 2009, Housing Kitsap established a loss allowance for impairment value on the unsold units to appropriately present the Harborside Condominium Project at net realizable value. The net realizable value was estimated to be the lower of either appraised value (obtained in March 2009) or the listing price in effective as of June 30, 2014. Many of the units displayed some deficiencies that required repairs or replacements of items such as countertops, A/C units, etc. before they were able to be sold. Housing Kitsap further decreased the net realizable value by the actual costs incurred subsequent to year end to bring unsold units to a market-ready status and an estimated 10% commission and concession cost per unit. Thus, the total impairment loss allowance recognized as of June 30, 2009 was estimated to be \$13.2 million, which is an average loss on each

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unsold unit of 48% and approximately 28% for the project overall. Listing prices continued to decline under the current market conditions. For fiscal years after 2009, impairment was considered and estimated to be an additional \$914,224. No further impairment was taken during the current year.

The Agency implemented similar methodologies used in reducing the Harborside Condominium project to net realizable value on other assets held for sale. Based on market conditions and impending foreclosure by lien holders for unpaid pre-development fees and interest, it was determined impairment existed on the Agency's vacant land in Poulsbo known as the Nordic Property and North Almira. Total impairment of vacant land as of June 30, 2014 is \$1.5 million.

Realized gain/loss on the future condo and vacant lot sales will be adjusted by the loss allowance established for each unit. In regards to changes in impairment resulting from market fluctuations, GASB 42 generally considers an impairment to be permanent and states, "impairment losses recognized in accordance with this Statement should not be reversed in future years, even if the events or circumstances causing the impairment have changed." Pursuant to GASB 42, there will be no adjustment to improve this impairment value in future years even though the impairment was caused by and is subject to market fluctuation.

NOTE 6 - COMPENSATED ABSENCES

The compensated absence balance as of June 30, 2014 is as follows:

Compensated absences at June 30, 2013	\$ 212,369
Increase during fiscal year end 2014	<u>6,810</u>
Compensated absences at June 30, 2014	<u>\$ 219,179</u>
Current portion of compensated absences at June 30, 2014	\$ 164,384
Noncurrent portion of compensated absences at June 30, 2014	<u>54,795</u>
	<u>\$ 219,179</u>

NOTE 7 – DEFERRED COMPENSATION PLAN

Housing Kitsap offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The Plan is managed by VOYA (formerly ING). Pursuant to GASB Statement 2, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, since Housing Kitsap is not the owner of these assets, the plan assets and liabilities are not reported as part of Housing Kitsap.

Acting as the Washington State Social Security Administrator, the Washington State Department of Public Employees Retirement System (PERS) informed Housing Kitsap that the Agency had not entered into an agreement with the state to voluntarily participate in the federal Social Security Program. In 1991, mandatory Social Security coverage was extended to most state and local governments unless they were already members of a retirement system such as PERS. In order to receive Social Security coverage, those state and local agencies would have to enter into an agreement known as a 218 agreement with the State of Washington. As a member of PERS since 1989, Housing Kitsap had no such agreement in place though contributions to the federal program were paid by Housing Kitsap and its employees. The Housing Kitsap Board authorized a referendum election conducted by PERS for eligible employees. On April 15, 2013, Housing Kitsap employees, by majority vote, decided not to participate in the federal Social Security Program. The Agency and qualified employees submitted wage report amendments to the IRS requesting refund of contributions made during the past three years (2010-2012), which the IRS considered to be open for correction. In a resolution adopted by the Housing Kitsap Board on December 3, 2013, Housing Kitsap elected to contribute the agency-matched refunds into the 457 deferred compensation plans of current, PERS-eligible employees. Beginning April 1, 2013, in lieu of Social Security, Housing Kitsap will equally match PERS-eligible employees' voluntary pre-tax 457 contributions up to a maximum of 6.2% (the current Social Security tax rate) of gross wages, not to exceed the Social Security wage base limit.

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NOTE 8 - PENSION PLAN

Substantially all Housing Kitsap full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State 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 publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

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- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	44,273
Total	263,347

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

The methods used to determine the contribution requirements 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, 2013, are as follows:

Members Not Participating in JBM:

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	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** Plan 3 defined benefit portion only.

*** Minimum rate.

Both Housing Kitsap and the employees made the required contributions. Housing Kitsap's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	\$1,133	\$151,978	\$61,626
2012	\$0	\$136,795	\$51,548
2011	\$0	\$101,391	\$36,812

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NOTE 9 - LONG TERM AND SHORT TERM OBLIGATIONS

The following is a schedule of outstanding revenue bonds as of June 30, 2014:

Revenue Bonds-Name of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Bonds Outstanding June 30, 2014
Housing Revenue Bond, 1995 Golden Tides II Project	26-Jul-1995	1-Jul-2025	7.50%	\$ 225,000	\$ 146,244
Housing Revenue Bonds, 1996 Rhododendron Apartments	15-May-1996	1-Jun-2016	6.65 - 6.75%	1,265,000	790,000
Housing Revenue Bonds, 1997 Madrona Manor Apartments	18-Nov-1997	1-Dec-2027	8.25%	190,000	133,271
Housing Revenue Bonds, 2001 Series A (Heritage Project)	1-Oct-2001	1-Oct-2031	3.8 - 6.1%	2,220,000	1,775,000
Series B (Viewmont Project)	1-Oct-2001	1-Oct-2031	3.8 - 6.1%	2,785,000	2,175,000
Bremerton Government Center 2005	30-Jun-2005	1-Jul-2034	3.0 - 4.5 %	2,325,000	1,935,000
Housing Revenue Bonds, 2007 Pooled Tax Credit Projects	29-Jun-2007	1-Jun-2037	5.5 - 5.6%	11,845,000	10,510,000
Total Bonds Payable					\$ 17,464,515
Less: Bond Premium/Discount					(47,346)
Less: Revenue Bonds Due Within One Year					(2,068,158)
Total Long Term Bonds Payable					\$ 15,349,011

Housing Revenue Bonds, 1995 (Golden Tides II Project)

In July 1995, Housing Kitsap issued Housing Revenue Bonds, 1995 (Golden Tides II Project) in the principal amount of \$225,000. As general partner, the Agency loaned proceeds from the issuance to Golden Tides Associates Limited Partnership, a low income housing tax credit project. The funding provided a portion of the permanent financing for the acquisition and construction of the Golden Tides II Apartments. The bonds bear interest at 7.5% and the Partnership's monthly loan payments of \$1,622.42 are made in amounts sufficient to redeem the bonds over 30 years as scheduled. Partnership loan payments and assignments of a deed of trust on the Project are pledged as security for repayment of the Bonds.

Housing Revenue Bonds, 1996 (Rhododendron Apartments Project)

On May 15, 1996, Housing Kitsap issued \$1,265,000 in tax-exempt revenue bonds to finance the acquisition of a 50 unit (38 one- and 12 two- bedrooms) multi-family apartment complex known as Rhododendron Apartments located in the City of Bainbridge Island, Washington. Principal and interest on the bonds will be payable from, and secured by a pledge of, certain revenues and receipts from the project. The bonds are further secured by a deed of trust and general revenue pledge of the Agency.

The bonds have interest rates ranging from 4.3% to 6.75% and are payable semi-annually on June 1 and December 1 of each year until maturity. The bonds are fully registered and issued in integrals of \$5,000. Bonds maturing in 2016 and 2026 are term bonds and are subject to mandatory redemption at par plus accrued interest to the date of redemption based on the following schedule:

Housing Revenue Bonds, 1996 Rhododendron Apartments								
Due June 1	Principal Due	Coupon Rate	Due June 1	Principal Due	Coupon Rate	Due June 1	Principal Due	Coupon Rate
2015	\$ 45,000	6.65%	2020	\$ 65,000	6.75%	2025	\$ 85,000	6.75%
2016 (1)	50,000	6.65%	2021	65,000	6.75%	2026 (1)	90,000	6.75%
2017	50,000	6.75%	2022	70,000	6.75%			
2018	55,000	6.75%	2023	75,000	6.75%			
2019	60,000	6.75%	2024	80,000	6.75%			

(1) Term Bond Maturity

SOURCE: Official Statement

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Housing Revenue Bonds, 1997 (Madrona Manor Project)

In November 1997, Housing Kitsap issued Housing Revenue Bonds, 1997 (Madrona Manor Project) in the principal amount of \$190,000. Proceeds from the issuance were loaned to 19th Hole Limited Partnership, which the Agency is the sole general partner, to provide a portion of the permanent financing for the acquisition and construction of the Project, otherwise known as Madrona Manor Apartments, a Low Income Tax Credit Project. The bonds bear interest at 8.25% and the Partnership's monthly loan payments of \$1,427.41 are made in amounts sufficient to redeem the bonds over 30 years as scheduled. Partnership loan payments and assignments of a deed of trust on the Project are pledged as security for repayment of the Bonds.

Housing Revenue Bonds, 2001 Series A & B (Heritage and Viewmont Apartments Project)

On October 1, 2001, Housing Kitsap issued Housing Revenue Bonds, 2001 Series A (Heritage Project) and Series B (Viewmont Project) in the aggregate principal amount of \$5,005,000, of which \$2,220,000 are Series A and \$2,785,000 are Series B. These tax-exempt revenue bonds were issued to finance the acquisition and rehabilitation of an existing 57-unit apartment complex known as Heritage Apartments and an existing 77-unit apartment complex known as Viewmont Apartments, both located in Port Orchard, Washington. Under capital lease and loan provisions (Note 4), the Agency leases both complexes to Heritage Apartments Limited Partnership and the Viewmont Apartments Limited Partnership, of which the Agency is the sole general partner. At least 50% of the units are rent restricted to low-income households. Principal and interest on the bonds will be payable from, and secured by a pledge of, lease and loan payments of the projects. The bonds are further secured by deeds of trust and a general revenue pledge of the Agency.

The bonds have interest rates ranging from 3.8% to 6.10% and are payable semi-annually on October 1 and April 1 of each year until maturity. The interest rates and maturity schedules are as follows:

Housing Revenue Bonds, 2001 Series A Heritage Project								
Due Oct 1	Principal Due	Coupon Rate	Due Oct 1	Principal Due	Coupon Rate	Due Oct 1	Principal Due	Coupon Rate
2014	\$ 60,000	5.90%	2020	\$ 80,000	5.90%	2026	\$ 115,000	6.10%
2015	60,000	5.90%	2021	85,000	5.90%	2027	120,000	6.10%
2016	65,000	5.90%	2022	90,000	6.10%	2028	130,000	6.10%
2017	70,000	5.90%	2023	95,000	6.10%	2029	140,000	6.10%
2018	50,000	5.90%	2024	105,000	6.10%	2030	145,000	6.10%
2019	75,000	5.90%	2025	110,000	6.10%	2031	155,000	6.10%

SOURCE: Bond Purchase Contract

Housing Revenue Bonds, 2001 Series B Viewmont Project								
Due Oct 1	Principal Due	Coupon Rate	Due Oct 1	Principal Due	Coupon Rate	Due Oct 1	Principal Due	Coupon Rate
2014	\$ 70,000	5.90%	2020	\$ 100,000	5.90%	2026	\$ 140,000	6.10%
2015	75,000	5.90%	2021	105,000	5.90%	2027	150,000	6.10%
2016	80,000	5.90%	2022	110,000	6.10%	2028	160,000	6.10%
2017	85,000	5.90%	2023	120,000	6.10%	2029	170,000	6.10%
2018	90,000	5.90%	2024	125,000	6.10%	2030	180,000	6.10%
2019	95,000	5.90%	2025	130,000	6.10%	2031	190,000	6.10%

SOURCE: Bond Purchase Contract

Bremerton Government Center 2005 Revenue Bonds

On June 6, 2005, Housing Kitsap issued \$2,325,000 in tax-exempt variable rate revenue bonds to finance and refinance the completion of the construction of the Norm Dicks Government Center (NDGC), an office building located in Bremerton, Washington. The office building is partially owned and operated by the Agency and used by various government entities. The Agency has pledged payments made by lessees of the NDGC pursuant to real estate contracts and security agreements (Note 4) to the repayment of the bonds, as well as the General Revenue of the Agency. The bonds are insured by the MBIA Insurance Corporation. In addition, Kitsap County entered into a Contingent Loan Agreement to loan funds to the Agency, if necessary, to pay the debt service on the bonds.

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The bonds have interest rates ranging from 3.0% to 4.5% and are payable semi-annually on July 1 and January 1 of each year until maturity. The bonds are in integral multiples of \$5,000 and mature based on the following schedule:

Bremerton Government Center, 2005								
Due July 1	Principal Due	Coupon Rate	Due July 1	Principal Due	Coupon Rate	Due July 1	Principal Due	Coupon Rate
2014	\$ 55,000	4.00%	2021	\$ 80,000	4.25%	2028	\$ 105,000	4.50%
2015	65,000	4.10%	2022	80,000	4.25%	2029	\$ 110,000	4.50%
2016	65,000	4.25%	2023	85,000	4.25%	2030	115,000	4.50%
2017	70,000	4.25%	2024	85,000	4.25%	2031	120,000	4.50%
2018	70,000	4.25%	2025 (1)	90,000	4.25%	2032	125,000	4.50%
2019	75,000	4.25%	2026	95,000	4.50%	2033	130,000	4.50%
2020	75,000	4.25%	2027	100,000	4.50%	2034 (1)	140,000	4.50%

(1) Term Bond Maturity

SOURCE: Bond Purchase Contract

Bonds maturing in 2025 and 2034 are term bonds and are subject to mandatory redemption at par plus accrued interest to the date of redemption based on the schedule above. Bonds maturing on or before July 1, 2015 are not subject to optional redemption prior to their stated maturities. The Bonds maturing on and after July 1, 2016 are subject to redemption to whole or in part at the option and written direction of the Agency at a price of par plus accrued interest to the date of redemption.

Subsequent to year end, Bremerton Housing Authority entered into a Defeasance Trust Agreement with Housing Kitsap to defease a portion of the Bremerton Government Center 2005 bonds secured by the mortgage payable to the Agency. See Note 4 for further details.

Housing Revenue Bonds, 2007 (Pooled Tax Credit Projects)

On June 29, 2007 Housing Kitsap issued tax-exempt Housing Revenue Bonds, 2007 (Pooled Tax Credit Projects) in the principal amount of \$11,845,000 to provide funds to loan Kitsap Apartments 2006 Limited Partnership, of which the Agency is the sole general partner. Pursuant to a loan agreement between the Partnership and the Agency, the funds were used to finance the acquisition for federal tax purposes and rehabilitation of three apartment complexes (Port Orchard Valley, Park Place, and Kingston Ridge Apartments) owned by the Agency, which were then leased (Note 4) back to the Partnership to provide housing for low-income persons within Kitsap County. At least 50% of the units are rent restricted to low-income households. Principal and interest on the bonds will be payable from, and secured by a pledge of loan payments made by the Partnership. The bonds are further secured by deeds of trust and a general revenue pledge of the Agency.

The bonds have interest rates ranging from 5.5% to 5.6% and are payable semi-annually on June 1 and December 1 of each year until maturity. The bonds are fully registered and issued in integrals of \$5,000. Bonds maturing in 2027 and 2037 are term bonds and are subject to mandatory redemption at par plus accrued interest to the date of redemption based on the following schedule:

Housing Revenue Bonds 2007, Pooled Tax Credit								
Due June 1	Principal Due	Coupon Rate	Due June 1	Principal Due	Coupon Rate	Due June 1	Principal Due	Coupon Rate
2015	\$ 240,000	5.50%	2023	365,000	5.50%	2031	560,000	5.60%
2016	250,000	5.50%	2024	385,000	5.50%	2032	595,000	5.60%
2017	265,000	5.50%	2025	405,000	5.50%	2033	625,000	5.60%
2018	280,000	5.50%	2026	430,000	5.50%	2034	660,000	5.60%
2019	295,000	5.50%	2027 (1)	450,000	5.50%	2035	695,000	5.60%
2020	310,000	5.50%	2028	475,000	5.60%	2036	735,000	5.60%
2021	330,000	5.50%	2029	505,000	5.60%	2037 (1)	780,000	5.60%
2022	345,000	5.50%	2030	530,000	5.60%			

(1) Term Bond Maturity

SOURCE: Bond Purchase Contract

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The following is a schedule of Housing Kitsap's outstanding notes payable as of June 30, 2014:

Description of Note	Loan Date	Maturity Date	Interest Rate	Original Amount	Outstanding June 30, 2014
Mutual Self Help Program					
Community Frameworks KCCHA-08-5	11-Aug-2009	Sale of Property	0.00%	135,000	135,000
Community Frameworks KCCHA-08-9	11-Aug-2009	Sale of Property	0.00%	63,930	123,930
Community Frameworks KCCHA-09-1	30-Nov-2010	Sale of Property	0.00%	150,000	150,000
Community Frameworks KCCHA-09-2	30-Nov-2010	Sale of Property	0.00%	86,070	26,070
Community Frameworks KCCHA-09-3	15-Aug-2012	Sale of Property	0.00%	135,000	135,000
Community Frameworks KCCHA-10-1	5-Apr-2013	Sale of Property	0.00%	300,000	300,000
Golden Tides II Senior Apartments					
Kitsap County, HOME Investment Partnership Program	24-Oct-1994	30-Jun-2046	1.00%	300,000	300,000
Washington State Department of Community Development, HOME Investment Partnership Program	7-Aug-1995	30-Jun-2046	0.00%	1,800,000	1,352,843
19th Hole Limited Partnership (Madrona Manor)					
Kitsap County, HOME Investment Partnership Program	6-Oct-1997	31-Dec-2046	1.00%	350,000	350,000
Washington State Department of Community Development, Housing Trust Fund	19-Sep-1996	31-Dec-2052	0.00%	1,200,000	1,187,609
Orchard Bluff Mobile Home Park					
Kitsap County Bond	28-Jul-1999	31-Dec-2019	5.26%	1,490,000	580,000
State of Washington Housing Trust Fund	4-Sep-1996	31-Dec-2046	0.00%	1,800,000	1,561,629
Fjord Manor Apartments					
U.S. Department of Agriculture Rural Development Mortgage	1-Aug-1988	19-Aug-2038	8.50%	1,348,604	1,191,833
U.S. Department of Agriculture Rural Development Mortgage	19-Aug-1988	19-Aug-2038	9.50%	30,940	28,050
Rhododendron Apartments					
U.S. Department of Agriculture Rural Development Mortgage	30-May-1996	31-May-2029	6.75%	571,558	406,484
U.S. Department of Agriculture Rural Development Mortgage	31-Aug-2002	30-Sep-2032	6.75%	150,197	122,306
Bainbridge Island Housing Trust Fund	15-Feb-2008	1-Mar-2028	0.00%	59,171	59,171
Windsong Apartments					
U.S. Department of Agriculture Rural Development Mortgage	31-Jul-2003	31-Aug-2032	8.25%	310,112	242,057
Anchor Savings Bank - Windsong	31-Jul-2003	1-Aug-2033	6.50%	975,000	809,297
State of Washington (HOME)	8-Oct-2003	31-Dec-2043	0.00%	300,948	300,948

HOUSING KITSAP

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Description of Note	Loan Date	Maturity Date	Interest Rate	Original Amount	Outstanding June 30, 2014
Finch Place Apartments					
Housing Assistance Council 0-001-0608	4-Aug-2006	28-Feb-2036	3.00%	505,000	416,405
U.S. Department of Agriculture Rural Development Mortgage	21-Mar-2007	1-Mar-2057	5.75%	978,811	948,684
550 Madison Apartments					
Tax Exempt - Columbia Bank, formerly American Marine Bank	8-Sep-2004	1-Sep-2019	3.675%	450,000	360,181
Taxable - Columbia Bank, formerly American Marine Bank	8-Sep-2004	1-Sep-2019	3.675%	50,000	40,016
Lines of Credit					
Key Bank - Line of Credit	28-Oct-2009	30-Aug-2014	LIBOR plus 375 bps, subject to overall cap of 8%	2,244,113	2,126,618
US Bank - Line of Credit	31-Aug-2006	10-Mar-2015	Prime Rate or 57% of Prime Rate	Not to Exceed \$3,000,000	1,413,829
Kitsap County Loan Agreement (Loan A)	25-Apr-2013	30-Jun-2053	See Note 10 for details	4,944,039	4,925,056
Kitsap County Loan Agreement (Loan B)	25-Apr-2013	30-Jun-2053	See Note 10 for details	13,273,216	13,102,549
Total Notes Payable				\$	32,695,565
Less: Amounts Due Within One Year					(5,153,341)
Total Long Term Notes Payable				\$	27,542,224

Housing Kitsap Notes Payable

Mutual Self Help Program - Community Frameworks Notes

The Loan Agreements with Community Frameworks (CF) state that CF shall make a determination upon maturity of the notes to forgive all or a portion of the notes. Forgivable portions must continue to be used for eligible purposes. At maturity, Housing Kitsap continues to use the funds for eligible purposes, and reports the notes as a liability until such time as Community Frameworks makes their determination.

Golden Tides II Senior Housing

Golden Tides II, located in Silverdale, Washington, houses very low and extremely low-income senior citizens ages 55 and older and/or disabled. Originally established as a Low Income Housing Tax Credit (LIHTC) project in 1994, equity interest of 99% in the Golden Tides Associates Limited Partnership held by the limited partner was gifted to the Agency after the tax credit investment period expired during fiscal year 2012. While the partner is no longer involved in the project, the complex will remain under tax credit compliance for 25 additional years. As a result of the equity transfer, partnership obligations originally funded by Kitsap County HOME in the original amount of \$300,000 and Washington State Department of Commerce loan in the original amount of \$1,354,136 were absorbed by the Agency. Both obligations were deferred. The 15 year deferral period for the HOME loan ends on June 30, 2011 with annual principal and interest payments of \$11,359.30 beginning June 2012 through maturity in June 2046. Expiration of the 5 year deferral period for the Washington State Department of Commerce loan is June 30, 2013 and annual payments of \$42,300 commence in June 2013. Both note payables will be repaid from rent and fees charged sufficient to meet debt service.

Madrona Manor

Madrona Manor located in Port Orchard Washington is a 40-unit apartment project that provides affordable rental housing for elderly low-income households in Kitsap County. Originally established as a Low Income Housing Tax Credit (LIHTC) project in 1995, equity interest of 99% in the 19th Hole Limited Partnership held by the limited partner was gifted to the Agency after the tax credit investment period expired during fiscal year 2013. While the partner is no longer involved in the project, the complex will remain under tax credit compliance for 25 additional years. As a result of the equity transfer, partnership obligations were absorbed by the Agency. The note in the original amount of \$350,000 payable to Kitsap County, HOME Investment Partnership Program accrues interest at 1 percent annually. Payments are deferred for the first 15 years. Upon completion of the deferral period, the principal and interest of \$13,576 will be amortized and paid through December 2046. The

HOUSING KITSAP
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June 30, 2014

second note in the original amount of \$1,200,000 payable to the Washington State Department of Community Development was amended to defer payments for five years beginning after December 31, 2008. All interest accrued from the inception of the original contract to December 31, 2008 was included in the principal balance and re-amortized at a 0% interest rate. The deferment period ends with annual principal payments of \$30,451 commencing at December 31, 2013 and every year thereafter until December 31, 2052. Housing revenue bonds in the amount of \$190,000 payable to Bank of America has interest that is adjusted at the reset date according to the terms of the note (6.08 percent at December 31, 2013). Monthly principal and interest installments of \$1,208 are paid until the bond matures in December 2027.

Orchard Bluff Mobile Home Park

In July 1999, the Agency assisted Kitsap County in purchasing and relocating residents to a new mobile home park, known as the Orchard Bluff Project. In the interest of present value savings, Kitsap County issued long-term general obligation bonds (1999 Series B LTGO Bonds) to refund the Agency's Housing Revenue Bonds, 1996 originally issued to provide funds to acquire and improve the Project's 88-pad mobile home park located near the City of Port Orchard, Washington. The County then loaned the LTGO bond proceeds to the Agency to own and operate the new mobile home park, Orchard Bluff Mobile Estates. The note payable will be repaid from rent and fees charged sufficient to meet bond debt service.

On September 4, 1996, Housing Kitsap was selected to receive Housing Assistance Program funding through the Housing Trust Fund in the loan amount of \$1,800,000 to be used solely for the acquisition of Orchard Bluff Mobile Home Estates. The loan is secured by a deed of trust. On January 16, 2006, the contract was amended for the purpose of reducing annual principal and interest payments from \$45,922.92 to \$18,000 for five years. The contract was again amended June 29, 2010, in which all parties agreed to defer loan payments until December 31, 2012 and change the interest rate from 1% to 0%. Annual payments of \$45,930.28 shall begin on December 31, 2013 and shall be due each December 31 for 34 years. Loan covenants limit the use of the project to housing for low income households that at the time of initial occupancy have gross annual household incomes at or below fifty percent of the median income for Bremerton-Silverdale, WA MSA.

Fjord Manor Apartments

In August 1988, the U.S. Department of Agriculture – Rural Development issued the Agency two Rural Rental Housing loans for \$1,348,604 and \$30,940, respectively, to finance the acquisition of a 38 unit apartment complex known as Fjord Manor Apartments. The apartment complex provides affordable elderly rental housing for low and moderate income households. Interest accrues at 8.5% and 9.5% per year with monthly payments of \$9,693.97 and \$247.13, respectively. U.S. Department of Agriculture – Rural Development provides for monthly interest subsidies on both loans in the amounts of \$6,833.15 and \$181.50, respectively. Interest expense is reported net of interest subsidies in the statement of revenues, expenses and changes in net position. In the event of default, U.S. Department of Agriculture maintains a security interest in the property.

Rhododendron Apartments

On May 30, 1996, the U.S. Department of Agriculture – Rural Development issued the Agency a Rural Rental Housing loan for \$571,558 to finance the acquisition of a 50 unit apartment complex known as Rhododendron Apartments. The apartment complex provides affordable rental housing for low and moderate income households. Interest accrues at 6.75% per year with monthly payments of \$3,608.66. U.S. Department of Agriculture – Rural Development provides for monthly interest subsidy in the amounts of \$1,909.89. Interest expense is reported net of interest subsidies in the statement of revenues, expenses and changes in net position. In the event of default, U.S. Department of Agriculture maintains a security interest in the property.

On August 31, 2002, the U.S. Department of Agriculture – Rural Development issued the Agency a Rural Rental Housing loan for \$150,197 to finance the rehabilitation and repairs of Rhododendron Apartments. Interest accrues at 6.75% per year with monthly payments of \$975.01. U.S. Department of Agriculture – Rural Development provides for monthly interest subsidy in the amounts of \$490.77. Interest expense is reported net of interest subsidies in the statement of revenues, expenses and changes in net position. In the event of default, U.S. Department of Agriculture maintains a security interest in the property.

On February 19, 2008, the City of Bainbridge Island Council approved a loan to Housing Kitsap for \$59,171 from the City's Housing Trust Fund. The emergency funding covered the cost to replace and/or repair decks, rails and stairs of the Rhododendron Apartments. Interest accrues at 0% and matures on March 1, 2028. The City retains sole discretion to forgive and waive repayment of any portion of the funds based in part upon the approval of the loan request pending before the U.S. Department of Agriculture – Rural Development (USDA-RD). If the USDA-RD loan request is approved for less than the original amount of \$350,000, the City will deem its loan a grant, forgiving and waiving repayment of the entire loan amount. As of June 30, 2013 no determination has been made on the USDA-RD loan request.

HOUSING KITSAP
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Windsong Apartments

On July 31, 2003, the U.S. Department of Agriculture – Rural Development issued the Agency a Rural Rental Housing loan for \$310,112 to finance the acquisition of a 36 unit apartment complex known as Windsong Apartments. The apartment complex provides affordable rental housing for low and moderate income households. Interest accrues at 8.25% per year with monthly payments of \$2,457.65. U.S. Department of Agriculture – Rural Development provides for monthly interest subsidy in the amounts of \$1,271.49. Interest expense is reported net of interest subsidies in the statement of revenues, expenses and changes in net position. In the event of default, U.S. Department of Agriculture maintains a security interest in the property.

In July 2003, Housing Kitsap entered into a loan agreement in the principal amount of \$975,000 with the Washington Community Reinvestment Association, a banking consortium of for-profit banks and thrifts that band together to participate in community development lending for low- and moderate-income housing at below market rates. The loan funds were used to provide partial funding to acquire and rehabilitate the Windsong Apartments, 36 units of low income housing. The 30 year loan bears interest at 6.5% per annum and monthly principal and interest installments of \$6,162.66 are payable to Anchor Bank, which is designated by the consortium. The loan is secured by a deed of trust.

In October 2003, Housing Kitsap entered into a loan agreement with the State of Washington Department of Community, Trade and Economic Development (Department). The funds were appropriated from the US Department of Housing and Urban Development's HOME Investment Partnership Program which provides financial assistance to local governments, housing authorities and certified 501(c)(3) nonprofit organizations to assist very low-income households in meeting their basic housing needs. The purpose of the loan in the principal amount of \$300,948 was to acquire and rehabilitate 36 units of affordable housing for low income families and individuals who at the time of initial occupancy have gross annual household incomes at or below 50% of median income for Kitsap County, Washington. The loan accrues interest at 0% and is deferred for 40 years. If the terms and conditions of the contract are met, the loan will convert to a grant with no expectation of repayment on December 31, 2043. However, if the property is sold, refinanced, transferred or the use changes during the 40 year deferral period, the award amount, plus a proportional share of the appreciated value of the property will become due. The loan is secured by a subordinate lien position deed of trust to the Department.

Finch Place Apartments

In August 2006, the Housing Assistance Council approved Housing Kitsap's loan request in the principal amount of \$505,000 from the Preservation Revolving Loan Fund. The purpose of the loan was to provide partial financing for the 29-unit affordable, senior housing project, known as Finch Place Apartments, located on Bainbridge Island, Washington. The housing units must be affordable to households earning 80% of the area's median income in Kitsap County. The 30 year loan bears interest at 3% and principal and interest payments of \$6,533.71 are due quarterly. The loan is secured by a deed of trust.

On March 21, 2007, the U.S. Department of Agriculture – Rural Development issued the Agency a Rural Rental Housing loan for \$978,811 to finance the acquisition of Finch Place Apartments. Interest accrues at 5.75% per year with monthly payments of \$4,974.04. U.S. Department of Agriculture – Rural Development provides for monthly interest subsidy in the amounts of \$2,897.67. Interest expense is reported net of interest subsidies in the statement of revenues, expenses and changes in net position. In the event of default, U.S. Department of Agriculture maintains a security interest in the property.

550 Madison Apartments

In September 2004, Housing Kitsap entered into two loan agreements with Columbia Bank, formerly American Marine Bank, for principal amounts of \$450,000 and \$50,000 with the greater amount being tax-exempt and subject to rebate requirements imposed by Section 148(f) of the IRS Code. Initially, the Agency issued Tax-Exempt Revenue Bond, 2004 (550 Madison Project) and Taxable Revenue Bond, 2004 (550 Madison Project) in the same principal amounts as discussed above and subsequently sold the bonds to American Marine Bank making the bank the registered owner of the bonds. The purpose of the bond issuances was to provide partial financing to acquire and renovate a 13-unit apartment complex located at 550 Madison Avenue on Bainbridge Island, Washington. Interest on both notes coincides with the bond interest of 5.5% per annum through and including October 1, 2011 on a 30-year amortization with a balloon principal payment due at the end of the 15 year maturity. After October 1, 2011, the notes will adjust to the Federal Home Loan Bank 7-year amortizing rate plus 1.25% for the remaining term of the loan. The notes are secured by a First Deed of Trust on the 550 Madison apartment complex, including assignments of rents.

On January 29, 2010, American Marine Bank, Bainbridge Island, WA was closed by the Washington Department of Financial Institutions, and the Federal Deposit Insurance Corporation (FDIC) was named Receiver. In addition to assuming all of the deposits of the failed bank, Columbia State Bank agreed to purchase essentially all of the assets, and the above referenced notes contractually continued under the same terms.

HOUSING KITSAP

NOTES TO FINANCIAL STATEMENTS

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Lines of Credit

The Key Bank Line of Credit consisted of two notes, one taxable and one tax-exempt. The combined aggregate outstanding balance could not exceed \$7,500,000, and the first \$3,000,000 of the note was guaranteed by Kitsap County. Advances on the line were used to acquire property or make loans to Housing Kitsap clients and were to be repaid immediately as a result of the sale of the property or repayment of the loans by Housing Kitsap clients. During 2009, Housing Kitsap, Kitsap County, and Key Bank entered into a Tri-Party Credit Agreement to restructure Housing Kitsap's existing debt with Key Bank (see Note below). This line was included in the Key Bank Tri-Party Agreement. Under the terms of the agreement, Key Bank agreed to refinance a new loan to Housing Kitsap in the amount of \$2,244,113 consisting of the unguaranteed portion of the two notes discussed above. Interest is also payable monthly and is calculated from LIBOR assumed to be no lower than 1.0%. The interest rate is based on the 3 month LIBOR index rate plus 200 basis points. A rate reduction of 3 month LIBOR index rate plus 175 basis points will occur 12 months from initial closing of October 28, 2009 and an additional rate reduction will occur 24 months from initial closing to 3 month LIBOR index rate plus 160 basis points. The line expired in April 2013, however, negotiations have commenced with Key Bank for a discounted workout plan. See Note 21, Subsequent Events, for further information.

The Line of Credit with U.S. Bank consists of two notes, one taxable and one tax-exempt. The combined aggregate outstanding balance may not exceed \$3,000,000, and may be used for development projects approved by the bank on a project-by-project basis. The interest rate is the Prime Rate for Taxable debt or 57% of the Prime Rate for Tax Exempt balances. On April 16, 2014, U.S. Bank and Housing Kitsap entered into an agreement to extend the line of credit to March 10, 2015. As part of the agreement, monthly principal and interest payments are required until the obligation is paid in full on the extended maturity date.

The following is a summary of changes in Housing Kitsap's short-term borrowings as of June 30, 2014:

	July 1, 2013	Additions	Decreases	June 30, 2014
US Bank - Line of Credit	\$ 1,449,829	\$ -	\$ (36,000)	\$ 1,413,829
Key Bank - Line of Credit	2,126,618	-	-	2,126,618
	<u>\$ 3,576,447</u>	<u>\$ -</u>	<u>\$ (36,000)</u>	<u>\$ 3,540,447</u>

Kitsap County Bonds and Housing Kitsap Loan and Repayment Agreement

On April 25, 2013, Kitsap County issued Limited Tax General Obligation Refunding Bonds 2013 ("County Bonds"), in the original amount of \$48,280,000 for the purpose of (a) refinancing the Bank of America and Key Bank Tri-Party Agreements established with Housing Kitsap in 2009; (b) refund the Norm Dicks Government Center Bonds, in which Housing Kitsap is the bond holder and mortgagor for the portion of the building the County currently owns; (c) establish a source of funds to manage, market and sell the remaining collateralized property under the Tri-Party Agreements; and (d) refinance certain other debt independently owed by the County.

A portion of the County Bonds has a 7 year maturity date, is callable after five years, and has a par value of \$2,430,000. These bonds are referred to as the "Short Term Bonds". Another portion of the County Bonds has a 16 year maturity date, is callable after ten years, and has a par value of \$9,335,000. These bonds are referred to as the "Long Term Bonds".

With the issuance of the County LTGO Bonds on April 25, 2013 and subsequent "New County Loan Agreement", Housing Kitsap acknowledged indebtedness to Kitsap County for the principal amounts shown in the following schedule under "Total Sources".

HOUSING KITSAP

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

	Kitsap County LTGO 2013 Bonds (HK Portion)			
	Loan A NDGC Refunding	Loan B Short Term Bonds	Loan B Long Term Bonds	Total
Housing Kitsap Loans				
Par Amount of Bonds	\$ 4,615,000	\$ 2,430,000	\$ 9,335,000	\$ 16,380,000
Reoffering Premium	329,039	408,629	1,099,588	1,837,256
Total Sources	\$ 4,944,039	\$ 2,838,629	\$ 10,434,588	\$ 18,217,256
Cost of Bond Issuance	\$ 66,544	\$ 34,978	\$ 134,369	\$ 235,891
NDGC 2003 Bond Refunding Escrow	4,877,495	-	-	4,877,495
Bank of America Tri-Party Debt Payoff	-	2,553,651	8,748,797	11,302,448
Key Bank Tri-Party Debt Payoff	-	-	1,559,263	1,559,263
Reserve Account Funded	-	250,000	-	250,000
Credit from County - Property Transfer	-	-	(52,913)	(52,913)
Excess Cash	-	-	45,072	45,072
Total Uses	\$ 4,944,039	\$ 2,838,629	\$ 10,434,588	\$ 18,217,256

The loans are secured by the "NDGC Pledge" of Agency general revenues for the portion covered under the NDGC refunding and the remaining real property collateralized under the Tri-Party Agreements described below.

In addition, Housing Kitsap will be assessed, or credited, an amount known as the Lost Investment Income (LII) Assessment. The LII Assessment will be calculated by multiplying the current monthly Kitsap County Investment Pool investment rate by the amount representing the difference between the outstanding County Bond balance versus the loans outstanding between Housing Kitsap and the County. The LII Assessment will cease on the later of the 16th Anniversary Date of the New County Loan or the date the County Bonds are paid in full.

Semi-annual payments made under Loan A will remain consistent with the original NDGC bond payments prior to the refunding. Amounts saved on the original NDGC bond payments due to the County refinance will be allocated to Loan B. Housing Kitsap will pay the County all excess funds, exclusive of all revenues and receipts reasonable necessary to enable Housing Kitsap to pay the cost of all operating and overhead costs associated with the core functions of the Agency. Housing Kitsap payment milestones are as follows:

Year	Milestone Date	Loan Payment
8	12/1/2019	\$ 3,150,000 plus accrued LII Assessment
10	6/30/2022	\$ 4,637,000 plus accrued LII Assessment
15	6/30/2027	\$ 6,976,000 plus accrued LII Assessment
20	6/30/2032	\$ 9,865,000 plus accrued LII Assessment
25	6/30/2037	\$ 12,646,000 NA
30	6/30/2042	\$ 16,115,000 NA
35	6/30/2047	\$ 19,631,000 NA
40	6/30/2052	\$ 23,330,000 NA
41	6/30/2053	Residual balance

Refunding of the Bremerton Government Center 2003 Bonds into the Kitsap County CLA (Loan A) resulted in reduced debt service payments of \$1.012 million over the next 22 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$830,753.

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Component Units

The following is a schedule of outstanding Notes as of December 31, 2013.

Description of Note	Loan Date	Maturity Date	Interest Rate	Original Amount	Balance Outstanding December 31, 2013
Dyes Inlet Limited Partnership					
Key Bank	31-Dec-1999	31-Dec-2019	7.48%	185,000	84,485
Kitsap County, HOME Investment Partnership Program	2-Nov-1998	31-Dec-2048	1.00%	300,000	300,000
Washington State Department of Community Development, Housing Trust Fund	31-Mar-1999	31-Dec-2049	1.00%	305,793	305,793
Washington State Department of Community Development, HOME Investment Partnership Program	31-Mar-1999	31-Dec-2049	1.00%	273,461	273,461
Liberty Bay Limited Partnership					
Kitsap County, HOME Investment Partnership Program	1-Jan-2002	31-Dec-2051	1.00%	50,000	45,228
Washington State Department of Community Development, HOME Investment Partnership Program	18-Sep-2000	31-Dec-2051	0.00%	524,102	461,930
Railroad Avenue Limited Partnership					
Kitsap County, HOME Investment Partnership Program	16-Oct-2003	31-Dec-2053	1.00%	75,000	62,828
Kitsap County, HOME Investment Partnership Program	29-Sep-2004	31-Dec-2054	1.00%	197,392	197,392
United States Department of Agriculture, Rural Development Multiple Family Housing	29-Apr-2005	29-Apr-2035	1.00%	1,000,156	960,142
Washington State Department of Community Development, HOME Investment Partnership Program	12-May-2003	1-May-2054	1.00%	373,929	319,147
Red Barn Limited Partnership					
Washington State Department of Community Development, HOME Investment Partnership Program	12-Dec-2003	30-Jun-2044	0.00%	1,041,426	978,618
Kitsap County, HOME Investment Partnership Program	25-Nov-2003	31-Dec-2054	1.00%	440,622	440,622
Kitsap County, HOME Investment Partnership Program	29-Sep-2004	31-Dec-2053	1.00%	129,252	129,252
CRE Ventures, LLC (formerly West Sound Bank)	21-Feb-2005	21-Feb-2020	7.25%	850,000	741,362
					<u>\$ 5,300,260</u>
Total Face Value of Notes					\$ 5,300,260
Less: Notes Due Within One Year					(86,300)
					<u>\$ 5,213,960</u>

HOUSING KITSAP
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Component Unit Notes Payable

Dye's Inlet Associates Limited Partnership

The note in the original amount of \$185,000 is payable to an affiliate of the limited partner, Key Bank, in monthly installments of \$1,495, including interest at 7.48 percent through January 2019.

The note in the original amount of \$300,000 is payable to Kitsap County, HOME Investment Partnership Program. Interest accrues at 1 percent annually. Payments are deferred for the first 15 years. Upon completion of the deferral period, the principal and accrued interest will be amortized and paid over the remaining 35-year life of the loan.

The note payable, funded from the Washington State Housing Trust Fund and the HOME Investment Partnership Program, in the original amount of \$579,254 is payable to Washington State Department of Community Development. Interest accrues at 1 percent annually. Payments are deferred for the first 15 years. Upon completion of the deferral period, the principal and accrued interest will be amortized and paid over the remaining 35-year life of the loan.

No partner is individually liable on the mortgage notes.

Liberty Bay Associates Limited Partnership

The note payable issued by Washington State Department of Community Development was amended to defer payments for five years beginning after December 31, 2008. The amendment also converted the annual interest rate to 0% for the remaining 39 year period. The deferment period ends with annual principal payments of \$12,156 commencing at December 31, 2013 and every year thereafter until December 31, 2051.

The note payable issued by Kitsap County through the HOME Investment Partnership Program is to be repaid in annual installments of \$1,276 including interest at 1 percent, based on a 50-year amortization schedule, through December 31, 2051. Annual payments of principal and interest are deferred from December 31, 2009 to December 31, 2014.

No partner is individually liable on the mortgage notes.

Railroad Avenue Associates Limited Partnership

In April 2005, Rural Development funded a permanent loan in the principal amount of \$1,000,156, with an interest rate of 5.625 percent per year. The note is to be repaid in monthly installments of \$4,991 beginning on June 1, 2005 and thereafter on the 1st of each month until the principal and interest is fully paid. The note matures in April 29, 2035. The mortgage note is nonrecourse. Loan proceeds were used to pay down general partnership construction advances. The stated rate of 5.625 percent varies from the effective rate of 1% due to a mortgage interest subsidy provided by Rural Housing Service (RHS).

The note in the original amount of \$373,929 is payable to Washington State Department of Community Development. It is to be paid in annual installments of \$9,527 including interest at 1 percent beginning May 2005, based on a 39-year amortization schedule, through May 31, 2054.

The notes in the original amounts of \$197,392 and \$75,000 are payable to Kitsap County through the HOME Investment Partnership Program. Annual payments of principal and interest begin December 31, 2020 continuing on December 31 for each successive year until the maturity date at which time the notes shall be payable in full.

No partner is individually liable on the mortgage notes.

HOUSING KITSAP

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Red Barn Associates Limited Partnership

CRE Ventures, LLC purchased the note payable formerly held by Westsound Bank before it went into FDIC receivership and services by Situs Asset Management. In March 2012, Midland Loan Services took over the servicing of the loan from Situs Asset Management. The note is to be repaid in monthly payments of \$5,491 including interest at 6.75%, based on an 8-year amortization schedule, through 2020.

The note payable to Washington State Department of Community Development in the original amount of \$1,401,426 is to be repaid in quarterly installments of \$8,214 including interest at 1 percent beginning December 2005, based on a 39-year amortization schedule, through June 30, 2044. Payments were made each quarter in the amount of \$8,214.73 through September 30, 2008. The contract was amended to defer the remaining balance of \$986,639.42 for five (5) years at zero percent (0%) interest. Then, the remaining balance of \$986,639.42 will be amortized quarterly at zero percent (0%) interest for the remaining 35.75 years. Quarterly payments in the amount of \$8,021.46 will commence on December 31, 2013 and will continue to be due each September 30, December 31, March 31, and June 30 for 30.75 years. The final payment of principal and interest will be due on or before June 30, 2044.

The note payable to Kitsap County in the original amount of \$569,874 bears interest at 1 percent per annum beginning January 1, 2005. Annual payments of principal and interest begin December 31, 2020 continuing on December 31 for each successive year until the maturity date at which time the note shall be payable in full.

No partner is individually liable on the mortgage notes.

Annual Requirements to Retire Debt Obligations

The annual debt service requirements on revenue bonds and notes currently outstanding are as follows:

Housing Kitsap					
Year Ending June 30	Revenue Bonds	Lines of Credit	Notes	Interest	Total
2015	\$ 2,095,373	\$ 3,540,447	\$ 421,214	\$ 1,410,579	\$ 7,467,612
2016	466,467	-	442,515	1,347,493	2,256,475
2017	487,640	-	466,708	1,303,572	2,257,919
2018	628,304	-	505,147	1,249,380	2,382,830
2019	541,867	-	538,124	1,852,636	2,932,627
2020-2024	3,184,667	-	3,938,264	5,478,708	12,601,639
2025-2029	3,805,198	-	3,211,891	4,147,774	11,164,863
2030-2034	4,024,999	-	3,295,464	3,054,613	10,375,076
2035-2039	2,230,000	-	3,518,106	769,265	6,517,370
2040-2044	-	-	4,740,442	123,911	4,864,353
2045-2049	-	-	4,271,018	81,907	4,352,925
2050-2054	-	-	3,654,739	153,455	3,808,194
2055-2059	-	-	151,486	-	151,486
	<u>\$ 17,464,515</u>	<u>\$ 3,540,447</u>	<u>\$ 29,155,118</u>	<u>\$ 20,973,290</u>	<u>\$ 71,133,370</u>

HOUSING KITSAP
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Year Ending December 31	Component Units		
	Notes	Interest	Total
2014	86,300	114,599	200,898
2015	88,829	155,928	244,757
2016	91,364	110,813	202,177
2017	94,374	107,802	202,177
2018	97,445	104,731	202,177
2019-2023	1,102,568	299,727	1,402,296
2024-2028	550,765	180,510	731,275
2029-2033	613,533	121,889	735,422
2034-2038	655,020	80,402	735,422
2039-2043	705,579	41,359	746,938
2044-2048	606,845	22,794	629,639
2049-2053	483,481	8,568	492,049
2054-2058	119,102	796	119,898
2059-2063	5,055	129	5,184
	<u>\$ 5,300,260</u>	<u>\$ 1,350,047</u>	<u>\$ 6,650,307</u>

Changes in Long-Term Liabilities

Housing Kitsap long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Bonds and Notes payable:					
Revenue bonds	\$ 17,936,017	\$ -	\$ (471,503)	\$ 17,464,514	\$ 2,095,373
Less Issue Premiums/Discounts	(50,370)	-	3,024	(47,346)	(27,214)
Notes Payable:	33,249,200	-	(553,635)	32,695,565	5,153,341
Total Bonds and Notes Payable	51,134,847	-	(1,022,114)	50,112,733	7,221,500
Payable from Restricted Assets					
Escrow, Debt Service, & Construction	882,855	16,819	(609,241)	290,433	256,255
Unearned Revenue					
Financing Lease Receivable	11,835,137	-	(847,577)	10,987,560	827,664
Deferred Gain on Sale of Assets	7,932,190	-	(566,585)	7,365,605	566,585
Other Long Term Liabilities	234,740	-	(130,461)	104,279	-
Total Long-Term Liabilities	<u>\$ 72,019,769</u>	<u>\$ 16,819</u>	<u>\$ (3,175,978)</u>	<u>\$ 68,860,610</u>	<u>\$ 8,872,004</u>

Component Units long-term liability activity for the year ended December 31, 2013, was as follows:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due Within One Year
Notes Payable	\$ 6,910,025	\$ -	\$ (1,609,765)	\$ 5,300,260	\$ 86,300
Accrued Interest	243,579	16,939	(57,856)	202,662	-
Due to the Housing Authority					
Notes	11,410,761	523,040	(754,071)	11,179,731	5,930
Capital Leases	14,837,159	12	(329,565)	14,507,606	349,082
Total Long-Term Liabilities	<u>\$ 33,401,524</u>	<u>\$ 539,992</u>	<u>\$ (2,751,257)</u>	<u>\$ 31,190,259</u>	<u>\$ 441,312</u>

HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10– OPERATING LEASES

Operating Lease Income

Housing Kitsap maintains two separate leases for portions of office space it owns in the Norm Dicks Government Center, including some improvements and equipment, totaling approximately 5,730 square feet. These leases are considered operating leases for accounting purposes. Of the 5,730 square feet of leased space, 4,726 square feet was leased for one year to Bremerton Housing Authority, expiring June 6, 2014. The remaining 1,104 of square feet is leased for two years to Representative Derek Kilmer, U.S. House of Representatives, and expires January 2, 2015. Bremerton Housing Authority did not renew their lease when it expired, and the space remains vacant at year end. The cost allocable to building and equipment for the portions under lease is approximately \$2,618,448, less accumulated depreciation through June 30, 2014 of \$719,260. Minimum lease revenue for the year ended June 30, 2014 amounted to \$149,065.

Future minimum rental income under these leases is as follows:

Fiscal Year Ending			
June 30	Buildings	Equipment	
2015	\$ 8,359	\$ 251	
Total	\$ 8,358	\$ 252	

On January 1, 2011, Housing Kitsap entered into a sublease agreement with Port of Bremerton for 1,131 square feet of space in the Norm Dicks Government Center. The sublease term is for three years with optional two, three year extensions. The total lease cost during 2014 was \$13,007.

NOTE 11 – PAYMENTS IN LIEU OF TAXES

Payments in Lieu of Taxes (PILOT) are payments made by one government to another in lieu of taxes it would have to pay, had its property and expenses been subject to taxation by the recipient government on the same basis as privately owned property. The Housing Kitsap has negotiated amounts to be paid for services provided by other governments in lieu of payment of real estate taxes. Total PILOT reported on the financial statements is \$5,462 for Housing Kitsap and \$0 for Component Units.

HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 12 – RECONCILIATION OF NET POSITION

The following discloses the components of net position invested in capital assets, net of related debt and restricted net position.

	Housing Kitsap June 30, 2014	Component Units December 31, 2013
Capital Assets, Net of Accumulated Depreciation	\$ 25,593,006	\$ 31,980,155
Related Debt		
Bonds and Note Payable, net of Premium Discount	16,550,120	27,289,052
Less: Bond Proceeds Financing Debt Service Reserves	(108,796)	(1,185,290)
Total Related Debt	<u>16,441,324</u>	<u>26,103,762</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ 9,151,682</u>	<u>\$ 5,876,393</u>
Restricted Assets		
Cash & Cash Equivalents	\$ 4,181,662	\$ 1,099,027
Investments	529,274	1,204,771
Assets Held for Sale	1,803,152	-
Due from Other Governments and Agencies	229,180	-
Note Receivable	4,794,052	-
Real Estate Contracts	775,963	-
Total Restricted Assets	<u>12,313,283</u>	<u>2,303,798</u>
Payable from Restricted Assets		
Security Deposits	146,000	120,166
Accounts Payable	86,256	-
Trust Funds	39,367	-
Debt Related to Assets Held for Sale	2,288,680	-
HSP Prepaid Rent and Unclaimed Property	10,000	-
Tenant Escrow	34,178	-
Debt Escrow	-	20,497
Debt Reserve	1,126,255	-
Bond Proceeds Financing Debt Service Reserves	108,795	1,185,290
Total Payable from Restricted Assets	<u>3,839,530</u>	<u>1,325,953</u>
Restricted Net Position	<u>\$ 8,473,752</u>	<u>\$ 977,845</u>

NOTE 13 – CONDUIT FINANCING

Housing Kitsap is authorized to facilitate the issuance of tax-exempt nonrecourse revenue bonds to finance housing projects. Revenue bonds issued by Housing Kitsap 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 Housing Kitsap 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 Housing Kitsap's financial statements, as they represent conduit debt obligations under GASB Interpretation No. 2.

Housing Kitsap issued and sold tax-exempt and taxable revenue bonds through a private placement on behalf of Hostmark Village Cove, LLC totaling \$4,620,000 on June 30, 2003. There was \$4,212,238 in bonds outstanding at June 30, 2014. The proceeds were used to finance the cost of acquiring an existing 120 unit elderly housing project known as the Hostmark Apartments located in Poulsbo, Washington. The bonds are a special obligation of Housing Kitsap payable solely from loan payments received from

HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Hostmark Village Cove, LLC, 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 referenced property.

Housing Kitsap 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 of the bonds 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 Housing Kitsap payable solely from money and investments held by the trustee under the indenture relating to the Bonds, consisting primarily of fully modified mortgage-backed securities guaranteed as to principal and interest by the Government National Mortgage Association (GNMA). In January 2006, Martha and Mary restructured their debt related to the bond transaction. As a part of this process all of the bonds have been repurchased on the open market by the mortgage lender. The mortgage lender prepaid the outstanding bond balance of \$15,019,000 on January 18, 2006. Housing Kitsap will continue to have a monitoring obligation until the year 2016.

NOTE 14 – SEGMENT INFORMATION

Housing Kitsap issues separate revenue bonds or other debt to finance the acquisition, rehabilitation, and construction of housing and community development projects. The financial activity is reported within Housing Kitsap activities. Investors in the revenue bonds and lenders rely on the revenue generated by the individual activities for repayment. In addition, the bonds are secured by a pledge of the General Revenues of Housing Kitsap. Summary financial information for activities that meet these criteria is presented on the following pages.

HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

CONDENSED STATEMENTS OF NET POSITION

Assets

	Orchard Bluff Mobile Home Park	550 Madison Apartments	Golden Tides II	Madrona Manor	Fjord Manor Apartments
Current Assets	\$ 120,573	\$ 34,912	\$ 109,859	\$ 158,847	\$ 5,846
Restricted Assets	10,750	6,675	54,299	109,518	155,648
Capital Assets	4,895,490	727,022	2,276,005	2,293,929	740,354
Other Assets	1,375	-	-	-	-
Total Assets	5,028,188	768,609	2,440,163	2,562,294	901,848

Deferred Outflows of Resources

Deferred Loss on Refunding	40,384	-	-	-	-
Total Deferred Outflows of Resources	40,384	-	-	-	-

Liabilities

Current Liabilities	-	1,938	9,354	1,750	4,120
Current Portion of LT Debt	95,000	13,913	51,099	37,025	15,935
Due to Other Programs	376,366	181,831	460,548	-	26,306
Current Liabilities					
Payable from Restricted Assets	10,750	6,675	13,055	8,550	15,507
Noncurrent Liabilities	2,045,503	386,283	1,757,750	1,663,575	1,203,948
Total Liabilities	2,527,619	590,640	2,291,806	1,710,900	1,265,816

Deferred Inflow of Resources

Deferred Gain on Sale-Leaseback	-	-	-	-	-
Total Deferred Outflows of Resources	-	-	-	-	-

Net Assets

Net Investment in Capital Assets	2,795,371	326,826	476,919	623,048	(479,530)
Restricted	-	1,442	42,512	100,968	140,154
Unrestricted (Deficit)	(254,418)	(150,299)	(371,074)	127,378	(24,592)
Total Net Position	\$ 2,540,953	\$ 177,969	\$ 148,357	\$ 851,394	\$ (363,968)

CONDENSED STATEMENTS OF REVENUE, EXPENSE, AND CHANGES IN NET POSITION

Operating Income (Loss)

Operating Revenue	\$ 371,470	\$ 91,601	\$ 345,720	\$ 287,761	\$ 221,904
Depreciation Expense	(189,540)	(30,536)	(105,165)	(115,604)	(33,126)
Other Operating Expense	(194,594)	(49,917)	(171,426)	(177,702)	(141,832)
Total Operating Income (Loss)	(12,664)	11,148	69,129	(5,545)	46,946

Nonoperating Revenue (Expense)

Investment Income	20	18	44	54	57
Capital Grant	-	-	-	-	-
Interest Expense	(17,550)	(14,754)	(18,472)	(15,674)	(20,375)
Gain (Loss) on Sale of Assets	(173)	-	-	-	-
Total Nonoperating Revenue (Expense)	(17,703)	(14,736)	(18,428)	(15,620)	(20,318)

Change in Net Position	(30,367)	(3,588)	50,701	(21,165)	26,628
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Net Position, Beginning of Year	2,571,320	181,557	97,656	872,559	(390,596)
Net Position, End of Year	\$ 2,540,953	\$ 177,969	\$ 148,357	\$ 851,394	\$ (363,968)

CONDENSED STATEMENTS OF CASH FLOWS

Net Cash Provided (Used) by

Operating Activities	\$ 58,603	\$ 23,015	\$ 59,136	\$ 8,418	\$ 61,832
Noncapital Financing Activities	76,990	4,615	42,548	(24,716)	18,259
Capital Financing Activities	(38,536)	(13,396)	(3,159)	(33)	(50,193)
Investing Activities	20	18	44	54	57
Net Increase (Decrease)	97,077	14,252	98,569	(16,277)	29,955
Cash and Cash Equivalents, Beginning of Year	12,944	25,893	53,559	272,023	125,706
Cash and Cash Equivalents, End of Year	\$ 110,021	\$ 40,145	\$ 152,128	\$ 255,746	\$ 155,661

HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Rhododendron Apartments	Windsong Apartments	Finch Place Apartments	Bremerton Government Center
\$ 29,611	\$ 12,542	\$ 11,572	\$ 2,191,870
448,543	151,786	294,308	344,290
1,837,465	1,617,188	1,661,402	3,556,721
-	-	-	708,829
2,315,619	1,781,516	1,967,282	6,801,710
-	-	-	82,676
-	-	-	82,676
7,999	9,310	5,343	50,287
64,919	31,886	19,074	55,000
25,602	18,042	23,780	-
27,730	17,205	16,549	-
1,297,911	1,320,416	1,346,015	7,311,477
1,424,161	1,396,859	1,410,761	7,416,764
-	-	-	89,571
-	-	-	89,571
572,835	264,886	296,313	(1,521,189)
325,598	134,945	282,158	77,470
(6,975)	(15,174)	(21,950)	821,770
\$ 891,458	\$ 384,657	\$ 556,521	\$ (621,949)
\$ 447,478	\$ 261,706	\$ 218,249	\$ 140,271
(52,294)	(44,753)	(33,205)	92,793
(215,754)	(123,581)	(154,520)	(107,691)
179,430	93,372	30,524	125,373
100	71	81	97,303
-	-	-	-
(66,457)	(58,297)	(32,587)	(247,517)
-	-	-	4,334
(66,357)	(58,226)	(32,506)	(145,880)
113,073	35,146	(1,982)	(20,507)
778,386	349,511	558,503	(601,442)
\$ 891,458	\$ 384,657	\$ 556,521	\$ (621,949)
\$ 173,837	\$ 82,364	\$ 28,724	\$ 248,618
19,675	(60,899)	10,524	-
(57,398)	(29,725)	14,046	(351,278)
100	71	81	494,745
136,214	(8,189)	53,375	392,085
217,114	160,338	245,313	133,070
\$ 353,328	\$ 152,149	\$ 298,688	\$ 525,155

HOUSING KITSAP

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 15 - COMPONENT UNITS

The component units are formed as limited partnerships with the Housing Kitsap serving as general partner. These partnerships provide housing for low income families, seniors, and disabled individuals. Ownership percentages and general partner equity through June 30, 2014 are summarized as follows:

Component Unit	General Partner Percentage	General Partner Equity Balance
Dye's Inlet, LP (Golden Tides III)	0.10%	\$ (656)
Heritage Apartments, LP	0.10%	(181)
Kitsap Apartments 2006, LP	0.01%	(258)
Liberty Bay, LP	0.01%	395,626
Railroad Avenue, LP	0.01%	118,473
Red Barn, LP	0.01%	158,965
Viewmont East Apartments, LP	0.10%	322
Total Investment		\$ 672,291

As general partner, Housing Kitsap complies with the duties and responsibilities established with each limited partner in the related partnership agreement. In general, Housing Kitsap is obligated to provide funds to each partnership for any operating deficit during the initial break-even period as a contribution to capital in an amount equal to the operating deficit, except Liberty Bay, LP for which there is no limit. All of the partnerships have met the break even requirement. Liberty Bay incurred an operating deficit during the calendar year of 2001, in which the general partner contributed \$38,633 to the original contribution of \$448,757. The Red Barn and Railroad Avenue partnerships incurred operating deficits during the 2005 calendar year prior to the stabilization (break-even) date of approximately \$90,000 and \$30,000, respectively, for which Housing Kitsap is obligated to advance funds. Housing Kitsap satisfied its commitment to fund the deficit for Railroad Avenue, LP by obtaining an operating grant in the amount of \$35,000, which was received and reported as revenue in January 2006. Pursuant to the agreements set forth in the partnerships, Housing Kitsap has additional obligations to make capital contributions for Railroad Avenue, LP up to \$65,000 and Red Barn, LP up to \$400,000 to cover subsequent operating deficits during the term of the partnership. Pursuant to the partnership agreement, Housing Kitsap is obligated to fund unlimited operating deficits generated by Kitsap Apartments, 2006, LLP through the stabilization date. In the event operating deficits are generated, these funds would be loans to the partnership, repayable without interest. After the stabilization date, the maximum operating deficit required to be funded by Housing Kitsap is \$ 423,000. Housing Kitsap is released from the operating deficit obligation on the date the project has operated at break-even for at least three consecutive calendar years following the stabilization date and the balance in the operating reserve equals or exceeds \$849,472. As of June 30, 2014, Housing Kitsap has funded operating deficits of \$346,785 generated by Kitsap Apartments 2006, LLP.

HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

CONDENSED STATEMENTS OF NET POSITION

ASSETS

	Dye's Inlet	Heritage	Liberty Bay
Current Assets	\$ 31,216	\$ 109,538	\$ 39,259
Restricted Assets	34,038	235,509	78,411
Capital Assets	1,278,485	2,086,834	1,455,387
Other Assets	-	-	-
(Bond Premium, net of amortization)	-	36,390	-
Total Assets	1,343,739	2,468,271	1,573,057

LIABILITIES

Current Liabilities	26,241	23,194	21,399
Current Portion of Long Term Debt	11,969	-	-
Current Portion Due to Housing Authority	5,792	97,432	1,248
Current Liabilities Payable from			
Restricted Assets	5,300	10,781	3,000
Due to Housing Authority, Long Term	50,831	1,986,434	146,298
Long Term Debt, net of Current Portion	951,770	-	495,002
Other Noncurrent Liabilities	130,830	-	2,783
Total Liabilities	1,182,733	2,117,841	669,730

NET POSITION

Net Investment in Capital Assets	263,915	510,723	947,209
Restricted	28,737	62,229	75,411
Unrestricted (Deficit)	(131,646)	(222,522)	(119,293)
Total Net Position	\$ 161,006	\$ 350,430	\$ 903,327

CONDENSED STATEMENTS OF REVENUE, EXPENSE, AND CHANGES IN NET POSITION

Operating Income (Loss)

Operating Revenue	\$ 130,296	\$ 522,978	\$ 149,388
Depreciation Expense	(48,353)	(71,211)	(61,858)
Other Operating Expense	(95,724)	(289,471)	(117,743)
Total Operating Income (Loss)	(13,781)	162,296	(30,213)

Non-operating Revenue (Expense)

Investment Income	61	8,811	91
Interest Expense	(18,746)	(135,414)	(1,311)
Total Non-Operating Revenue (Expense)	(18,685)	(126,603)	(1,220)

Capital Contributions	-	-	-
Distributions Made	-	-	-

Change in Net Position	(32,466)	35,693	(31,433)
Net Position, Beginning of Year	196,843	332,134	939,377
Cumulative Effect on Prior Periods Due to GASB 65	(3,371)	(17,397)	(4,617)

Net Position, End of Year	\$ 161,006	\$ 350,430	\$ 903,327
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HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Madrona Manor	Railroad Avenue	Red Barn	View mont East	Kitsap Apartments
\$ -	\$ 41,985	\$ 62,756	\$ 205,750	\$ 284,532
-	176,584	205,907	381,497	1,191,854
-	1,898,701	4,111,951	2,801,277	18,347,520
-	-	-	-	-
-	-	-	46,401	-
-	2,117,270	4,380,614	3,434,925	19,823,906
-	7,017	18,094	20,283	63,129
-	13,664	48,511	-	-
-	1,179	17,815	115,082	493,536
-	7,481	29,598	17,615	66,910
-	64,952	406,999	2,291,269	20,385,542
-	1,525,845	2,241,343	-	-
-	17,765	51,285	-	-
-	1,637,903	2,813,645	2,444,249	21,009,117
-	359,192	1,713,129	873,932	1,208,293
-	169,102	176,309	162,650	303,407
-	(48,927)	(322,469)	(45,906)	(2,696,911)
\$ -	\$ 479,367	\$ 1,566,969	\$ 990,676	\$ (1,185,211)
\$ 73,498	\$ 138,806	\$ 347,344	\$ 688,527	\$ 1,905,431
(22,911)	(69,827)	(126,519)	(89,724)	(460,379)
(48,819)	(84,488)	(244,661)	(384,945)	(1,124,510)
1,768	(15,509)	(23,836)	213,858	320,542
2	193	293	11,020	40,992
(4,397)	(26,069)	(62,388)	(159,170)	(972,825)
(4,395)	(25,876)	(62,095)	(148,150)	(931,833)
-	-	-	-	680,119
(832,414)	-	-	-	-
(2,627)	(41,385)	(85,931)	65,708	(611,291)
853,768	552,560	1,687,223	944,602	(997,620)
(18,727)	(31,808)	(34,323)	(19,634)	(256,419)
\$ -	\$ 479,367	\$ 1,566,969	\$ 990,676	\$ (1,185,211)

HOUSING KITSAP

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 16 – RELATED PARTY TRANSACTIONS

Receivables and payables as of June 30, 2014 resulted from various transactions between Housing Kitsap activities and component units, and are summarized as follows:

	Due From Component Units June 30, 2014	Adjustment for Difference in Fiscal Year Ends and Accounting Treatment	Due to Housing Kitsap December 31, 2013
Accounts Receivable and Payable (Net)	\$ 1,259,115	\$ (80,155)	\$ 1,178,960
Notes	8,312,155	-	8,312,155
Capital Leases	24,980,581	(10,472,975)	14,507,606
Less Unearned Revenue on Capital Lease	(10,697,986)	10,697,986	-
Long Term Accrued Interest	2,236,778	(171,092)	2,065,686
Net Due from (Due to)	<u>\$ 26,090,643</u>	<u>\$ (26,236)</u>	<u>\$ 26,064,407</u>
Current			
Accounts Receivable and Payable (Net)	\$ 279,019	\$ (11,265)	\$ 267,754
Notes Receivable/Payable	5,930	-	5,930
Accrued Interest Receivable/Payable	108,287	1,031	109,318
Capital Financing Lease Receivable/Payable	1,169,380	(820,298)	349,082
Total Due To/From - Current	1,562,616	(830,532)	732,084
Unearned Revenue on Capital Lease Receivable	(805,297)	805,297	-
Current Due From (Due To) - Net	757,319	(25,235)	732,084
Long-Term			
Accounts Receivable and Payable (Net)	3,108,586	(241,012)	2,867,574
Notes Receivable/Payable	8,306,226	-	8,306,226
Capital Financing Lease Receivable/Payable	23,811,201	(9,652,678)	14,158,523
Total Due To/From - Net of Current	35,226,013	(9,893,690)	25,332,323
Unearned Revenue on Capital Lease Receivable	(9,892,689)	9,892,689	-
Long-Term Due From (Due To) - Net	25,333,324	(1,001)	25,332,323
Totals	<u>\$ 26,090,643</u>	<u>\$ (26,236)</u>	<u>\$ 26,064,407</u>

Accounts Receivable and Payable (net)

Throughout the year, Housing Kitsap advances funds to the component units for short-term cash flow needs. These advances do not bear interest, are payable upon demand, and are considered short-term and temporary in nature. Housing Kitsap also receives quarterly management fees specified in each limited partnership agreement.

In accordance with Liberty Bay Associates Limited Partnership Agreement, Housing Kitsap, as general partner, is entitled to a \$10,000 annual fee for supervisory and administrative services with increases at the rate of four percent per year. Payment of the fee is contingent upon available cash flow, as defined by the partnership agreement, and is deducted as an expense in the year actually paid. Unpaid fees may accrue interest. For the year ended 2013, \$4,968 in partnership \$15,395 and are payable should sufficient cash flow become available in future years. As of December 31, 2013, partnership administration fee outstanding totaled \$145,290.

In accordance with Red Barn Associates Limited Partnership Agreement, Housing Kitsap, as general partner, is entitled to a \$15,000 annual fee for supervisory and administrative services. The fee is paid over the term of the agreement, commencing in 2004, and increases at the rate of two percent per year. Payment of the fee is contingent upon available cash flow, as defined by the partnership agreement, and is deducted as an expense in the year actually paid. For the year ended 2013, no partnership administration fees were paid and deducted as an expense. Unpaid partnership administration fees for 2013 are \$16,433 and are payable should sufficient cash flow become available in future years. As of December 31, 2013, partnership administration fee outstanding totaled \$62,872.

HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

In accordance with Red Barn Associates Limited Partnership Agreement, Housing Kitsap, as general partner, is entitled to a \$10,000 annual tenant services fee for certain social services for the benefit of the residents of the Project. The fee is paid over the term of the agreement, commencing in 2004, and increases at the rate of two percent per year. Payment of the fee is contingent upon available cash flow, as defined by the partnership agreement, and is deducted as an expense in the year actually paid. Unpaid tenant services fees for 2013 are \$13,445 and are payable should sufficient cash flow become available in future years. As of December 31, 2013, tenant services fee outstanding totaled \$105,158.

In accordance with Railroad Avenue Associates Limited Partnership Agreement, Housing Kitsap, as general partner, is entitled to a \$3,000 annual fee for supervisory and administrative services. The fee is paid over the term of the agreement, commencing in 2004, and increases at the rate of three percent per year. Payment of the fee is contingent upon available cash flow, as defined by the partnership agreement, and is deducted as an expense in the year actually paid. Unpaid fees accrue interest. USDA-Rural Development restricts the annual combined totals of the partnership administration fee and the investor services fee to \$4,210. For the year ended 2013, there were no partnership administration fees paid or deducted as an expense. Unpaid partnership administration fees for 2013 are \$2,905 and are payable should sufficient cash flow become available in future years. As of December 31, 2013, partnership administration fee outstanding totaled \$30,336.

In accordance with Kitsap Apartments 2006 Limited Partnership Agreement, Housing Kitsap, as general partner, is entitled to a \$50,000 annual fee for supervisory and administrative services. The annual fee shall increase at the rate of 3 percent per year. Payment of the fee is contingent upon available cash flow, as defined by the partnership agreement. The fee shall accumulate from year to year, provided however, that no amount shall be deducted as an expense until such amount is paid. For the year ended 2013, there were no partnership administration fees paid or deducted as an expense. As of December 31, 2013, the accumulated administration fees totaled \$358,123.

Notes Payable to Housing Kitsap

During construction, the general partner, Housing Kitsap, made an advance of \$78,400 to Dye's Inlet Associates Limited Partnership to pay a portion of the construction costs. Advances were funded through Housing Kitsap's line of credit with Key Bank (See Note 10). The interest rate for the line of credit varies based on Key Bank's prime rate. Monthly payments of interest only are required and are passed through as charges to the partnership. During 2013, no payment was made towards principal. As of December 31, 2013, principal is \$50,831 and interest payments made were \$2,432 respectively.

Heritage Apartments Limited Partnership has entered into a developer services agreement with the general partner, Housing Kitsap. The developer services agreement provides for a developer fee of \$219,171. The developer services agreement provides for \$196,000 of the developer fee to be secured. Interest is charged on the note at 6 percent. During 2013, interest charged totaled \$10,685. At December 31, 2013, accrued interest payable totaled \$7,822. As of December 31, 2013, the developer fee principal note payable outstanding balance totaled \$155,524.

During 2013, the general partner, Housing Kitsap, charged Heritage Apartments Limited Partnership a tax credit monitoring fee, according to the terms of the partnership agreement, in the amount of \$10,640. Tax credit monitoring fee payable at December 31, 2013 totaled \$108,088.

Housing Kitsap, as general partner, issued single-purpose, tax exempt revenue bonds to finance the purchase and rehabilitation of the Heritage Apartments project. Bond proceeds were split between a capital financing lease (93.4684%) and a related loan agreement (6.5316%). See Note 12 for details on the capital financing lease. Lease and loan payments are made semi-annually in amounts sufficient to redeem the bonds over 30 years as scheduled. The interest rate varies between 3.8% and 6.1% based on the maturity schedule of the underlying bonds, which is detailed in Note 10. The outstanding balance of the note payable as of December 31, 2013 was \$115,936.

Kitsap Apartments 2006 Limited Partnership has entered into a developer services agreement with Housing Kitsap, the general partner, which provides for a developer fee of \$2,076,339. The developer fee was adjusted to \$1,952,671 due to the limitation set forth by the Washington State Housing Finance Commission and changes in depreciable basis. The fee is payable from capital contributions. Any developer fee not paid from capital contributions will be treated as deferred developer fee. Payment of any deferred developer fee is subject to available cash flow as defined in the partnership agreement. At December 31, 2013, the developer fee payable balance of \$499,233 was paid to Housing Kitsap.

As required by the Kitsap Apartments 2006 Limited Partnership agreements, the general partner is required to fund Partnership operating deficits in the form of a loan. As of December 31, 2013, operating deficit notes payable totaled \$346,785. The commitment to fund operating deficits is unlimited through the stabilization date and is capped at \$423,000 after the stabilization date.

HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

As part of the acquisition and rehabilitation financing, Housing Kitsap advanced Kitsap Apartments 2006 Limited Partnership \$94,247 to fund construction costs required for completion of the project. The loan does not bear interest and will be payable from available cash flow. As of December 31, 2013, the loan balance of \$94,247 was paid to Housing Kitsap.

Housing Kitsap, as general partner, issued single-purpose, tax exempt revenue bonds to finance the purchase and rehabilitation of the Kitsap Apartments project. Bond proceeds and seller equity were lent to the Partnership in the forms of a capital financing lease and a related seller's loan agreement. See Note 4 and 12 for details on the capital financing lease. Lease payments are made semi-annually in amounts sufficient to redeem the bonds over 30 years as scheduled. The interest rate varies between 5.5% and 5.6% based on the maturity schedule of the underlying bonds, which is detailed in Note 10. The seller's note is representative of \$5,555,000 in seller's equity and \$1,670,765 in advances to fund rehabilitation, cost of bond issuance, and operating deficits. The seller's note incurs interest at a rate of 5.04%. The outstanding balance of the seller note payable as of December 31, 2013 was \$7,225,765 and accrued interest for the year was \$364,179.

Housing Kitsap holds a mortgage note of \$49,551 with Liberty Bay Associates Limited Partnership. The note is to be repaid at the lesser of available cash flow as defined in the partnership agreement or annual installments of \$4,151 including interest at 3% based on a 15- year amortization schedule. The note matures on April 1, 2018. As of December 31, 2013, the mortgage note balance of \$15,851 was paid to Housing Kitsap.

Railroad Avenue Associates Limited Partnership has entered into a developer services agreement with Housing Kitsap, the general partner. At December 31, 2013, development fees payable totaled \$34,616. The fee is payable from net cash flow, as defined in the partnership agreement, and does not bear interest. In the event any portion of the developer fee remains unpaid on December 31, 2012, the general partner is required to make an additional capital contribution in order to pay the remaining balance. As of December 31, 2013, the general partner has not made a capital contribution to pay the developer fee which is not in accordance with the provisions in the partnership agreement. The general partner will seek a modification of the partnership agreement extending the due date for the unpaid developer fee. In addition, the general partner will discuss agreement modification and repayment options with U.S.D.A – R.D. The partnership will have the ability to pay the developer fee payable in the future or a capital contribution will be made at the end of the initial 15 year tax credit compliance period, April 2019. During 2013, payments to the developer fee totaled \$2,943.

Through the use of a U.S. Bank line of credit (see Note 10), Housing Kitsap also advanced Red Barn Associates Limited Partnership \$62,968 for the purposes of providing construction financing to the project. The loan bears interest at a rate equal to the bank's prime rate. Monthly payments of interest only are required and are passed through as charges to the partnership. From Housing Kitsap's Key Bank line of credit (see Note 10), an additional \$46,000 was advanced to the partnership. As of December 31, 2013, principal is \$46,000 and interest payments made were \$2,201 respectively.

Housing Kitsap also advanced Red Barn Associates Limited Partnership discretionary funding of \$130,000. The loan does not bear interest and is payable upon demand.

During 2013, the general partner, Housing Kitsap, charged Viewmont Apartments Limited Partnership a tax credit monitoring fee, according to the terms of the partnership agreement, in the amount of \$14,149. Tax credit monitoring fee payable at December 31, 2013 totaled \$101,340.

Viewmont Apartments Limited Partnership has entered into a developer services agreement with the general partner, Housing Kitsap. The developer services agreement provides for a developer fee of \$285,660. The developer services agreement provides for \$257,072 of the developer fee to be secured. Interest is charged on the note at 6 percent. During 2013, a payment for \$41,605 was made towards principal and interest. In addition, interest charged for 2013 totaled \$5,449. At December 31, 2013, accrued interest payable totaled \$3,677. As of December 31, 2013, the developer fee principal note payable outstanding balance totaled \$84,929.

Housing Kitsap, as general partner, issued single-purpose, tax exempt revenue bonds to finance the purchase and rehabilitation of the Viewmont Apartments project. Bond proceeds were split between a capital financing lease (97.1275%) and a related loan agreement (2.8725%). See Note 12 for details on the capital financing lease. Lease and loan payments are made semi-annually in amounts sufficient to redeem the bonds over 30 years as scheduled. The interest rate varies between 3.8% and 6.1% based on the maturity schedule of the underlying bonds, which is detailed in Note 10. The outstanding balance of the note payable as of December 31, 2013 was \$62,478.

Four Component Units (as lessees), Liberty Bay, Heritage Apartments, LP, Viewmont East, LP, and Kitsap Apartments 2006, LP have entered into lease agreements with the Housing Kitsap (as lessor) for financing the acquisition of real property. Through the lease agreements, the Partnerships have assumed the burdens and benefits of ownership and, therefore, qualify as capital leases for accounting purposes. The leases have been recorded at the present value of the future minimum lease payments as of the inception date. Land leased for a term of ninety-nine years by Liberty Bay Limited Partnership was capitalized at \$161,742. Assets

HOUSING KITSAP

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

leased by Heritage Apartments Limited Partnership and Viewmont East Limited Partnership were capitalized at \$4,789,495, and the accumulated amortization was \$1,247,266 at December 31, 2013. Assets under lease with Kitsap Apartments Limited Partnership 2006 were capitalized at \$17.4 million, and the accumulated amortization was \$2,166,244 as of December 31, 2013.

The future minimum lease obligation and the net present value for the minimum lease payments as of December 31, 2012 are as follows:

Year Ending December 31	Liberty Bay	Heritage	Viewmont East	Kitsap Apts	Total
2014	\$ 12	\$ 155,391	\$ 194,490	\$ 814,402	\$ 1,164,296
2015	12	152,082	195,264	816,546	1,163,904
2016	12	153,378	195,751	813,025	1,162,166
2017	12	154,398	195,951	813,794	1,164,155
2018	12	155,142	195,865	813,738	1,164,757
2019-2023	60	756,705	972,462	4,057,503	5,786,730
2024-2028	60	761,912	964,916	4,036,559	5,763,448
2029-2033	60	456,018	581,662	4,016,823	5,054,564
2034-2038	60	-	-	3,189,427	3,189,487
2039-2043	60	-	-	180	240
2044-2048	60	-	-	180	240
2049-2053	60	-	-	180	240
2054-2058	60	-	-	180	240
2059-2063	60	-	-	180	240
2064-2068	60	-	-	180	240
2069-2073	60	-	-	180	240
2074-2078	60	-	-	180	240
2079-2083	60	-	-	180	240
2084-2088	60	-	-	180	240
2089-2093	60	-	-	180	240
2094-2098	60	-	-	180	240
2099-2103	-	-	-	180	180
2104-2108	-	-	-	126	126
Total Minimum Lease Payments	\$ 1,020	\$ 2,745,028	\$ 3,496,362	\$ 19,374,283	\$ 25,616,693
Less Amounts Representing Interest	-	(1,085,965)	(1,383,840)	(8,639,283)	(11,109,088)
Present Value of Minimum Lease Payments	\$ 1,020	\$ 1,659,063	\$ 2,112,521	\$ 10,735,000	\$ 14,507,605
Current (Principal Only)	\$ 12	\$ 56,081	\$ 67,989	\$ 225,000	\$ 349,082
Long - Term	1,008	1,602,982	2,044,532	10,510,000	14,158,523
Totals	\$ 1,020	\$ 1,659,063	\$ 2,112,521	\$ 10,735,000	\$ 14,507,605

NOTE 17 – RISK MANAGEMENT

Housing Kitsap is a member of the Housing Authorities Risk Retention Pool (HARRP). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), fifty-five public housing authorities in the states of Washington, Oregon and California originally formed HARRP in March 1987. HARRP was created for the purposes of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. HARRP currently has a total of ninety-two members in the states of Washington, Oregon, Nevada and California. Thirty-six of the ninety two members are Washington public housing entities.

New members originally contract for a three year term and thereafter automatically renew on an annual basis. Members may quit (after completion of the three year commitment) upon giving notice to HARRP prior to their renewal date. HARRP can terminate the members after giving a sixty (60) day notice prior to the renewal date. Termination does not relieve a former member from its unresolved losses incurred during membership.

General and Automobile Liability coverage is written on an occurrence basis, without member deductibles. Errors & Omissions coverage (which includes Employment Practices Liability) is written on a claims made basis, and the members are responsible for ten percent (10%) of the incurred costs of the claims. (Due to special underwriting circumstances, some members may be subject to a greater E&O co-payment.) The Property coverage offered by HARRP is on a replacement cost basis with deductibles ranging

HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

from \$1,000 to \$25,000. Fidelity coverage, with limits of \$100,000 (with options up to \$500,000) for employee dishonesty and forgery or alteration and \$10,000 for theft are also provided with deductibles the same as Property.

Coverage limits for General Liability, Error & Omissions and Property are \$2,000,000 per occurrence and \$2,000,000 annual aggregate. (Some members have chosen greater Property limits for higher valued properties.) Limits for Automobile Liability are \$1,000,000/\$1,000,000.

HARRP self insures the full layer of coverage for liability lines (\$2,000,000 per occurrence and \$2,000,000 annual aggregate). There is no purchased reinsurance above this limit. For property, HARRP retains \$2,000,000 and \$63,000,000 of reinsurance from St. Paul/Travelers Insurance Company for a combined total of \$65,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

HARRP provides loss control services, claim investigation and adjusting, litigation management and defense with in-house staff and retained third party contractors.

HARRP is fully funded by member assessments that are adjusted annually by the HARRP Board on the basis of independent actuarial studies. These assessments cover loss, loss adjustment expenses, reinsurance and other administrative expenses. HARRP does not have the right to assess the membership for any shortfall in its funding. Such shortfalls are made up through future rate adjustments.

Settled claims have not exceeded insurance coverage during the past three years.

NOTE 18 – CONTINGENCIES

Housing Kitsap has recorded in its financial statements all material liabilities, including estimates for situations which are not yet resolved, but where management believes, based on available information, it is probable that Housing Kitsap will have to make payment. In the opinion of management, Housing Kitsap's insurance policies are adequate to pay all known or pending claims.

The Housing Kitsap participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants are subject to audit by the appropriate grantor government. Such audits could result in requests for reimbursement to the grantors for expenditures disallowed under the terms of the grants. As of June 30, 2014, not all grant expenses have been audited. The Housing Kitsap is not aware of any noncompliance issues, and believes that in the unlikely event any expense is disallowed it would be immaterial.

In April 2013, a referendum vote by PERS-eligible employees resulted in discontinuance of Social Security coverage and contributions to the federal program during the years 2010-2013 would be returned to the Agency. Housing Kitsap elected to contribute the refunded contributions to the 457 deferred compensation plans of current, PERS-eligible employees. As of June 30, 2014, an estimated contingent liability of \$204,093 was established for those contributions. See Note 8, Deferred Compensation Plan for further details.

NOTE 19 – ACCOUNTING AND REPORTING CHANGES

In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, all debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prior GAAP guidance required debt issuance costs to be capitalized as assets and amortized on a straight-line basis over the life of the debt issuance.

Implementation of GASB 65 resulted in a Prior Period Adjustment on the face of the Statement of Revenues, Expenses and Changes in Net Position further described in Note 20 – Prior Period Adjustments.

NOTE 20 – PRIOR PERIOD ADJUSTMENTS

As a result of implementing GASB Statement No. 65, a prior period adjustment was recognized to expense the unamortized debt issuance costs at June 30, 2013. The prior period adjustment totaled \$87,410, which did not surpass the materiality threshold necessary to restate prior year's financial statements.

The separately issued financial statements of the Agency's discretely presented component units are prepared and audited under standards set forth by the Financial Accounting Standards Board (FASB). Although there are no changes to the recognition, measurement, or disclosure standards for the separately issued financial statements, when incorporated into the

HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Agency's financial statements, the discretely presented component unit financial information has been changed to comply with classification and display requirements in Statement 34, as amended. As a result, the discretely presented component units recognized \$386,297 in a prior period adjustment to expense the unamortized debt issuance costs at December 31, 2012.

NOTE 21 – SUBSEQUENT EVENTS

Subsequent to year end and before this report was issued, the following events occurred:

In July 2014, Community Frameworks provided notice modifying the outstanding SHOP loan terms for the Mutual Self Help Program resulting in \$570,000 of SHOP loans being forgiven and recognized as revenue in the 2015 fiscal year end. This change in loan terms will convert 1/3 (\$190 thousand) into unrestricted grant funds and 2/3 (\$380 thousand) into non-loan restricted grant funds that must still be expended for continued SHOP requirements per the federal CFR.

In August 2014, Housing Kitsap's Mutual Self-Help Program purchased 27 vacant lots, known as Silverview, for \$1,431,000.

In August 2014, Housing Kitsap, authorized by the Housing Authorities Law (Chapter 35.82 RCW), made a short-term loan to Community Frameworks for \$1,498,500 to acquire and improve certain land in unincorporated Kitsap County. The land is to be used in the development of single family housing for low-income individuals and households whose annual incomes do not exceed 80 percent of the area median income.

In August 2014, Housing Kitsap entered into a settlement agreement for the most cost-effective option to resolve the \$2.1 million outstanding line of credit held with Key Bank, removing the necessity to make payments over the next 10 years.

In an advance refunding, Bremerton Housing Authority refinanced their portion of the 2005 Bremerton Government Center bonds in September 2014. Monies will be held in escrow with US Bank, trustee, to pay bondholders until the bonds are called.

On September 26, 2014, a Satisfaction of Judgment was recorded between the Harborside Condominiums Owners Association and Housing Kitsap for \$2.8 million in regards to a settlement agreement entered into by both parties for alleged latent defects at the Harborside Condominium Project. In exchange for a complete release of all potential liability in the matter, Housing Kitsap's primary insurer agreed to contribute a confidential sum to the owners and Housing Kitsap agreed to assign its rights to pursue non-participating insurance companies and an insurance broker to the Owner's Association. The resolution insulates Housing Kitsap from further exposure to the Owner's Association and will eventually result in the dismissal of the suit against the Agency.

In October 2014, Housing Kitsap was conditionally awarded a \$2.05 million 523 Technical Assistance Grant from USDA – Rural Development. The grant is for a two year period beginning January 2015 through December 31, 2017 to operate the Mutual Self-Help Program.

In November 2014, Housing Kitsap entered into a settlement agreement with Olhava Associates Limited Partnership regarding vacant land located in Poulsbo, Washington and owned by the Authority. When entering into the Purchase and Sale Agreement for purchase of the property on December 11, 2003, Housing Kitsap agreed to pay a portion of certain obligations encumbered on the property and described in a Common Easement and Development Agreement. Housing Kitsap did not pay the obligations and Olhava Associates Limited Partnership filed a lien on the property on August 3, 2009. The settlement agreement entered into on November 24, 2014 provided for a release of the lien for \$500,000 and right of assignment of development rights executed in an Assignment Agreement also dated November 24, 2014.

HOUSING KITSAP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014

Federal Agency Name / Pass Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Debt Liability Balance	Total Federal Awards	Foot- note Ref.
				From Pass Through Awards	From Direct Awards	Current Year Subtotal			
U.S. Department of Agriculture - Rural Development	Rural Rental Housing Loans (Interest Subsidy)	10.415	551170445 02-0 Fjord Manor		\$ 84,176	\$ 84,176	\$ 1,219,883	\$ 1,304,059	4
			551170445 03-1 Rhododendron		28,808	28,808	528,790	557,598	4
			551170445 05-5 Windsong		15,258	15,258	242,057	257,315	4
			551170445 06-7 Finch Place		34,772	34,772	948,684	983,456	4
	Subtotal	10.415		-	163,014	163,014	2,939,414	3,102,428	
U.S. Department of Agriculture - Rural Development	Rural Self-Help Technical Assistance	10.420	U013		1,069,390	1,069,390		1,069,390	
	Subtotal	10.420		-	1,069,390	1,069,390		1,069,390	
Total U.S. Department of Agriculture - Rural Development				-	1,232,404	1,232,404	2,939,414	4,171,818	
U.S. Department of HUD / pass through from Kitsap County	Community Development Block Grants / Entitlement Grants	14.218	KC-174-11	65,054		65,054		65,054	3A
			KC-321-13	138,374		138,374		138,374	3A
			KC-267-12	5,077		5,077		5,077	
			KC-373-12A	18,578		18,578		18,578	3B
			KC-286-12	102,761		102,761		102,761	
	Subtotal	14.218		329,844	-	329,844	-	329,844	
U.S. Department of HUD / pass through from Kitsap County	Home Investment Partnership Program (Down Payment Assistance Program Income)	14.239	KC-442-13	26,830		26,830		26,830	3C
U.S. Department of HUD / pass through from Community Frameworks	Self Help Homeownership Opportunity Program (SHOP)	14.247	HN08	-		-	258,930	258,930	3D
			HN09	-		-	311,070	311,070	3D
			HN10	-		-	300,000	300,000	3D
	Subtotal	14.247		-	-	-	870,000	870,000	
U.S. Department of HUD	Public and Indian Housing (CY 2013 & CY 2014)	14.850	WA03620202013D		204,011	204,011		204,011	
			WA03620202014D		245,734	245,734		245,734	
	Subtotal	14.850		-	449,745	449,745	-	449,745	
U.S. Department of HUD	Resident Opportunity and Supportive Services	14.870	WA036RPS001A01 0		72,978	72,978		72,978	
U.S. Department of HUD	Section 8 Housing Choice Vouchers	14.871	WA036VO		2,354,375	2,354,375		2,354,375	
U.S. Department of HUD	Public Housing Capital Fund	14.872	WA19P03650111		85,003	85,003		85,003	
U.S. Department of HUD / pass through from WA State DOC	Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	12-43207-427	115,784		115,784		115,784	
Total U.S. Department of HUD				472,458	2,962,101	3,434,559	870,000	4,304,559	
Total Federal Awards				\$ 472,458	\$ 4,194,505	\$ 4,666,963	\$ 3,809,414	\$ 8,476,377	

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule.

HOUSING KITSAP
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of the federal programs administered by Housing Kitsap (HK).

From time to time, Housing Kitsap may assist others in managing assistance programs. These programs would not be included as part of Housing Kitsap for financial reporting purposes, and therefore would also not be included in the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as Housing Kitsap's financial statements. Housing Kitsap uses the accrual basis of accounting and presents its financial reporting for its business type activities as of fiscal year end June 30, 2014 and for its component unit's activities as of calendar year end December 31, 2013.

NOTE 2 – PROGRAM INCOME AND COSTS

The amounts shown as current year expenditures represent only the Federal portion of the program costs. Actual program costs, including Housing Kitsap's portion, may be more than shown. Program income is netted in current year expenditures for purposes of Schedule of Expenditures of Federal Awards reporting.

NOTE 3 – REVOLVING LOAN - PROGRAM INCOME

Housing Kitsap administers multiple revolving loan programs for low-income housing. Under these grants, repayments to HK are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures.

(A) Housing Rehabilitation Loans – CDBG 14.218

The amount of loans/grants and administrative funds disbursed to program participants for the year was \$114,524 and \$138,374 for KC-174-11 and KC-321-13 respectively. The amount of principal and interest received in loan repayments for the year was \$49,470 and \$0 for KC-321-13 respectively. The net amount of expenditures reported was \$65,054 for KC-174-11 and \$138,374 for KC-321-13 during the year.

(B) Down Payment Assistance – CDBG 14.218

The amount of loans/grants and administrative funds disbursed to program participants for the year was \$37,510 KC-373-12A. The amount of principal and interest received in loan repayments for the year was \$18,932 leaving net expenditures of \$18,578.

(C) Down Payment Assistance – HOME 14.239

For KC-442-13, the amount of loan funds disbursed to program participants during the year was \$26,830 as presented in this schedule; the amount of principal and interest received in loan repayments during the year was \$27,134.

(D) Self Help Opportunity Program – SHOP 14.247

Housing Kitsap periodically receives Self Help Opportunity Program (SHOP) loans as pass through awards from the Department of Housing & Urban Development (HUD) by Community Frameworks. These funds are used to purchase home sites and develop or improve the infrastructure needed to establish mutual self-help homeownership programs for eligible low-income persons and families. The amounts listed on the schedule include loan proceeds received during the year and outstanding loan balances. Both the current and prior year loans are also reported as HK's liabilities and schedule of long-term debt until they are determined to be eligible for debt forgiveness, or repaid if deemed non-eligible for forgiveness. During the year, no loan amounts were forgiven and no new loan funding was received. The combined outstanding loan balances total \$870,000 as reported on the schedule.

NOTE 4 – FEDERAL LOANS

Housing Kitsap receives interest subsidy on the loans from the US Department of Agriculture – Rural Development according to the terms of the respective loan agreements.

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	10.420 Rural Self-Help Housing Technical Assistance	10.415 Rural Rental Housing Loans	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services
111 Cash - Unrestricted	\$69,073			\$19,069	
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted	\$2,677	\$43	\$866,327		
114 Cash - Tenant Security Deposits	\$29,997		\$76,973		
115 Cash - Restricted for Payment of Current Liabilities			\$16,526		
100 Total Cash	\$101,747	\$43	\$959,826	\$19,069	\$0
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	\$90,000				\$11,392
124 Accounts Receivable - Other Government		\$14,976		\$19,419	
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	\$65,302	\$0	\$62,789	\$0	\$0
126.1 Allowance for Doubtful Accounts - Tenants	-\$48,942	\$0	-\$10,959	\$0	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$106,360	\$14,976	\$51,830	\$19,419	\$11,392
131 Investments - Unrestricted					
132 Investments - Restricted			\$98,200		
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets				\$7,202	
143 Inventories	\$18,127				

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133 Fiscal Year End: 06/30/2014

	Project Total	10.420 Rural Self-Help Housing Technical Assistance	10.415 Rural Rental Housing Loans	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services
143.1 Allowance for Obsolete Inventories	\$0				
144 Inter Program Due From				\$70,639	
145 Assets Held for Sale					
150 Total Current Assets	\$226,234	\$15,019	\$1,109,856	\$116,329	\$11,392
161 Land	\$1,223,718		\$1,486,148		
162 Buildings	\$7,057,596		\$5,336,981	\$684,070	
163 Furniture, Equipment & Machinery - Dwellings	\$83,123		\$32,762		
164 Furniture, Equipment & Machinery - Administration	\$153,692		\$59,839	\$16,148	
165 Leasehold Improvements	\$1,299,814		\$98,923		
166 Accumulated Depreciation	-\$5,960,824		-\$2,122,232	-\$170,105	
167 Construction in Progress			\$43,107	\$240,757	
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,857,119	\$0	\$4,935,528	\$770,870	\$0
171 Notes, Loans and Mortgages Receivable - Non-Current				\$1,497,511	
172 Notes, Loans, & Mortgages Receivable - Non Current - Past				\$84,384	
173 Grants Receivable - Non Current					
174 Other Assets					
176 Investments in Joint Ventures				\$315,000	
180 Total Non-Current Assets	\$3,857,119	\$0	\$4,935,528	\$2,667,765	\$0
200 Deferred Outflow of Resources					
290 Total Assets and Deferred Outflow of Resources	\$4,083,353	\$15,019	\$6,045,384	\$2,784,094	\$11,392

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	10.420 Rural Self-Help Housing Technical Assistance	10.415 Rural Rental Housing Loans	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services
311 Bank Overdraft					
312 Accounts Payable <= 90 Days			\$8,580		
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable					
322 Accrued Compensated Absences - Current Portion					
324 Accrued Contingency Liability					
325 Accrued Interest Payable			\$15,175		
331 Accounts Payable - HUD PHA Programs			\$16		
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government					
341 Tenant Security Deposits	\$29,997		\$76,973		
342 Unearned Revenue	\$853		\$3,018		
343 Current Portion of Long-term Debt - Capital			\$131,814		
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other					
347 Inter Program - Due To		\$15,019	\$93,731	\$120,321	\$249,381
348 Loan Liability - Current					
310 Total Current Liabilities	\$30,850	\$15,019	\$329,307	\$120,321	\$249,381
351 Long-term Debt, Net of Current - Capital Projects/Mortgage			\$4,808,171		
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other	\$2,576				
354 Accrued Compensated Absences - Non Current					
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133 Fiscal Year End: 06/30/2014

	Project Total	10.420 Rural Self-Help Housing Technical Assistance	10.415 Rural Rental Housing Loans	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$2,576	\$0	\$4,808,171	\$0	\$0
300 Total Liabilities	\$33,426	\$15,019	\$5,137,478	\$120,321	\$249,381
400 Deferred Inflow of Resources					
508.4 Net Investment in Capital Assets	\$3,857,119		\$93,743	\$770,870	
511.4 Restricted Net Position	\$123,735	\$43	\$933,238	\$1,580,221	
512.4 Unrestricted Net Position	\$69,073	-\$43	-\$119,075	\$312,682	-\$237,989
513 Total Equity - Net Assets / Position	\$4,049,927	\$0	\$907,906	\$2,663,773	-\$237,989
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$4,083,353	\$15,019	\$6,045,384	\$2,784,094	\$11,392

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.239 HOME Investment Partnerships Program	9 Other Federal Program 2	1 Business Activities
111 Cash - Unrestricted	\$295,680	\$677,235	\$59,457		\$2,225,062
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted	\$150,792	\$978,861			\$1,241,089
114 Cash - Tenant Security Deposits		\$120,166			\$39,030
115 Cash - Restricted for Payment of Current Liabilities	\$5,530				\$80,724
100 Total Cash	\$452,002	\$1,776,262	\$59,457	\$0	\$3,585,905
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government					\$238,257
125 Accounts Receivable - Miscellaneous					\$126,562
126 Accounts Receivable - Tenants		\$134,953			\$30,599
126.1 Allowance for Doubtful Accounts - Tenants		-\$70,415			-\$20,836
126.2 Allowance for Doubtful Accounts - Other					\$0
127 Notes, Loans, & Mortgages Receivable - Current					\$1,678,448
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					\$22,451
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$64,538	\$0	\$0	\$2,075,481
131 Investments - Unrestricted					
132 Investments - Restricted		\$1,204,771			\$246,989
135 Investments - Restricted for Payment of Current Liability					\$97,301
142 Prepaid Expenses and Other Assets		\$33,263			\$1,678,179
143 Inventories					\$314
143.1 Allowance for Obsolete Inventories					\$0

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.239 HOME Investment Partnerships Program	9 Other Federal Program 2	1 Business Activities
144 Inter Program Due From	\$5,074		\$27,943		\$13,174,986
145 Assets Held for Sale					\$1,803,151
150 Total Current Assets	\$457,076	\$3,078,834	\$87,400	\$0	\$22,662,306
161 Land					
162 Buildings		\$5,776,472		\$420,585	\$5,983,836
163 Furniture, Equipment & Machinery - Dwellings		\$32,778,689	\$561,879		\$10,048,182
164 Furniture, Equipment & Machinery - Administration	\$372	\$252,876			\$52,789
165 Leasehold Improvements		\$410,105			\$1,519,477
166 Accumulated Depreciation	-\$372	\$1,089,618			\$2,113,237
167 Construction in Progress		-\$8,327,609	-\$74,350		-\$4,600,049
168 Infrastructure		\$0			
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$31,980,151	\$487,529	\$420,585	\$15,117,472
171 Notes, Loans and Mortgages Receivable - Non-Current			\$1,743,218		\$3,146,611
172 Notes, Loans, & Mortgages Receivable - Non Current - Past					\$221,065
173 Grants Receivable - Non Current					
174 Other Assets		\$82,793			\$57,044,756
176 Investments in Joint Ventures			\$374,703		
180 Total Non-Current Assets	\$0	\$32,062,944	\$2,605,450	\$420,585	\$75,529,904
200 Deferred Outflow of Resources					\$842,971
290 Total Assets and Deferred Outflow of Resources	\$457,076	\$35,141,778	\$2,692,850	\$420,585	\$99,035,181
311 Bank Overdraft					

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.239 HOME Investment Partnerships Program	9 Other Federal Program 2	1 Business Activities
312 Accounts Payable <= 90 Days	\$5,588	\$412,369			\$1,102,310
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable					\$227,296
322 Accrued Compensated Absences - Current Portion					\$164,384
324 Accrued Contingency Liability					
325 Accrued Interest Payable		\$112,863			\$620,930
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					\$228
333 Accounts Payable - Other Government		\$31			\$261,716
341 Tenant Security Deposits		\$120,166			\$39,030
342 Unearned Revenue		\$19,030			\$1,400,918
343 Current Portion of Long-term Debt - Capital		\$442,414			\$483,452
344 Current Portion of Long-term Debt - Operating Borrowings					\$6,606,233
345 Other Current Liabilities					\$243,460
346 Accrued Liabilities - Other		\$20,498			
347 Inter Program - Due To			\$22,965	\$43,276	\$12,656,351
348 Loan Liability - Current					
310 Total Current Liabilities	\$5,588	\$1,127,371	\$22,965	\$43,276	\$23,806,308
351 Long-term Debt, Net of Current - Capital Projects/Mortgage		\$26,929,430	\$300,948		\$10,948,795
352 Long-term Debt, Net of Current - Operating Borrowings		\$476,785			\$25,963,320
353 Non-current Liabilities - Other	\$31,603	\$3,341,628			\$39,696,564
354 Accrued Compensated Absences - Non Current					\$54,795
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					

Kitsap County Consolidated Housing Auth (WA036)

Bremerton, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14,239 HOME Investment Partnerships Program	9 Other Federal Program 2	1 Business Activities
350 Total Non-Current Liabilities	\$31,603	\$30,747,843	\$300,948	\$0	\$76,663,474
300 Total Liabilities	\$37,191	\$31,875,214	\$323,913	\$43,276	\$100,469,782
400 Deferred Inflow of Resources					\$89,571
508.4 Net Investment in Capital Assets		\$5,876,393	\$186,581	\$420,585	\$3,818,878
511.4 Restricted Net Position	\$119,189	\$977,845	\$1,788,432		\$3,040,157
512.4 Unrestricted Net Position	\$300,696	-\$3,587,674	\$393,924	-\$43,276	-\$8,383,207
513 Total Equity - Net Assets / Position	\$419,885	\$3,266,564	\$2,368,937	\$377,309	-\$1,524,172
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$457,076	\$35,141,778	\$2,692,850	\$420,585	\$99,035,181

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14,900 Lead-Based Paint Hazard Control in Privately-Owned Housing	14,247 Self-Help Homeownership Opportunity Program	Subtotal	ELIM	Total
111 Cash - Unrestricted			\$3,345,576		\$3,345,576
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted		\$1,694,870	\$4,934,659		\$4,934,659
114 Cash - Tenant Security Deposits			\$266,166		\$266,166
115 Cash - Restricted for Payment of Current Liabilities			\$102,780		\$102,780
100 Total Cash	\$0	\$1,694,870	\$8,649,181	\$0	\$8,649,181
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects			\$101,392		\$101,392
124 Accounts Receivable - Other Government	\$53,021		\$325,673		\$325,673
125 Accounts Receivable - Miscellaneous			\$126,562	-\$15,947	\$110,615
126 Accounts Receivable - Tenants	\$0		\$293,643		\$293,643
126.1 Allowance for Doubtful Accounts - Tenants	\$0		-\$151,152		-\$151,152
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current			\$1,678,448		\$1,678,448
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable			\$22,451		\$22,451
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$53,021	\$0	\$2,397,017	-\$15,947	\$2,381,070
131 Investments - Unrestricted					
132 Investments - Restricted		\$63,866	\$1,613,826		\$1,613,826
135 Investments - Restricted for Payment of Current Liability			\$97,301		\$97,301
142 Prepaid Expenses and Other Assets	\$1,495		\$1,720,139		\$1,720,139
143 Inventories			\$18,441		\$18,441
143.1 Allowance for Obsolete Inventories			\$0		\$0

Kitsap County Consolidated Housing Auth (WA036)

Bremerton, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14.900 Lead-Based Paint Hazard Control in Privately-Owned Housing	14.247 Self-Help Homeownership Opportunity Program	Subtotal	ELIM	Total
144 Inter Program Due From		\$70,860	\$13,349,502	-\$13,349,502	\$0
145 Assets Held for Sale			\$1,803,151		\$1,803,151
150 Total Current Assets	\$54,516	\$1,829,596	\$29,648,558	-\$13,365,449	\$16,283,109
161 Land			\$14,890,759		\$14,890,759
162 Buildings			\$56,467,397		\$56,467,397
163 Furniture, Equipment & Machinery - Dwellings	\$7,200		\$428,750		\$428,750
164 Furniture, Equipment & Machinery - Administration			\$2,159,633		\$2,159,633
165 Leasehold Improvements			\$4,601,592		\$4,601,592
166 Accumulated Depreciation	-\$3,294		-\$21,258,835		-\$21,258,835
167 Construction in Progress			\$283,864		\$283,864
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,906	\$0	\$57,573,160	\$0	\$57,573,160
171 Notes, Loans and Mortgages Receivable - Non-Current					
172 Notes, Loans, & Mortgages Receivable - Non Current - Past			\$6,387,340		\$6,387,340
173 Grants Receivable - Non Current			\$305,449		\$305,449
174 Other Assets		\$852,009	\$57,979,558	-\$22,688,165	\$35,291,393
176 Investments in Joint Ventures			\$689,703		\$689,703
180 Total Non-Current Assets	\$3,906	\$852,009	\$122,935,210	-\$22,688,165	\$100,247,045
200 Deferred Outflow of Resources					
			\$842,971		\$842,971
290 Total Assets and Deferred Outflow of Resources	\$58,422	\$2,681,605	\$153,426,739	-\$36,053,614	\$117,373,125
311 Bank Overdraft					

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14,900 Lead-Based Paint Hazard Control in Privately-Owned Housing	14,247 Self-Help Homeownership Opportunity Program	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days			\$1,528,847	-\$15,947	\$1,512,900
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable			\$227,296		\$227,296
322 Accrued Compensated Absences - Current Portion			\$164,384		\$164,384
324 Accrued Contingency Liability					
325 Accrued Interest Payable		\$1,219	\$750,187		\$750,187
331 Accounts Payable - HUD PHA Programs			\$16		\$16
332 Account Payable - PHA Projects			\$228		\$228
333 Accounts Payable - Other Government			\$261,747		\$261,747
341 Tenant Security Deposits			\$266,166		\$266,166
342 Unearned Revenue			\$1,423,819		\$1,423,819
343 Current Portion of Long-term Debt - Capital			\$1,057,680		\$1,057,680
344 Current Portion of Long-term Debt - Operating Borrowings			\$6,606,233		\$6,606,233
345 Other Current Liabilities			\$243,460		\$243,460
346 Accrued Liabilities - Other			\$20,498		\$20,498
347 Inter Program - Due To	\$115,144	\$33,314	\$13,349,502	-\$13,349,502	\$0
348 Loan Liability - Current					
310 Total Current Liabilities	\$115,144	\$34,533	\$25,900,063	-\$13,365,449	\$12,534,614
351 Long-term Debt, Net of Current - Capital Projects/Mortgage			\$42,987,344		\$42,987,344
352 Long-term Debt, Net of Current - Operating Borrowings		\$870,000	\$27,310,105		\$27,310,105
353 Non-current Liabilities - Other			\$43,072,371	-\$22,688,165	\$20,384,206
354 Accrued Compensated Absences - Non Current			\$54,795		\$54,795
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					

Kitsap County Consolidated Housing Auth (WA036)

Bremerton, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14,900 Lead-Based Paint Hazard Control in Privately-Owned Housing	14,247 Self-Help Homeownership Opportunity Program	Subtotal	ELIM	Total
350 Total Non-Current Liabilities	\$0	\$870,000	\$113,424,615	-\$22,688,165	\$90,736,450
300 Total Liabilities	\$115,144	\$904,533	\$139,324,678	-\$36,053,614	\$103,271,064
400 Deferred Inflow of Resources			\$89,571		\$89,571
508.4 Net Investment in Capital Assets	\$3,906	\$0	\$15,028,075		\$15,028,075
511.4 Restricted Net Position		\$888,737	\$9,451,597		\$9,451,597
512.4 Unrestricted Net Position	-\$60,628	\$888,335	-\$10,467,182		-\$10,467,182
513 Total Equity - Net Assets / Position	-\$56,722	\$1,777,072	\$14,012,490	\$0	\$14,012,490
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$58,422	\$2,681,605	\$153,426,739	-\$36,053,614	\$117,373,125

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	10.420 Rural Self-Help Housing Technical Assistance	10.415 Rural Rental Housing Loans	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services
70300 Net Tenant Rental Revenue	\$390,186		\$1,171,963		
70400 Tenant Revenue - Other	\$20,429		\$15,247		
70500 Total Tenant Revenue	\$410,615	\$0	\$1,187,210	\$0	\$0
70600 HUD PHA Operating Grants	\$534,748			\$4,882	\$72,978
70610 Capital Grants				\$347,432	
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue					
70800 Other Government Grants		\$1,069,390			
71100 Investment Income - Unrestricted					
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$4		\$6,481	\$1,082	
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted		\$10	\$309		
70000 Total Revenue	\$945,367	\$1,069,400	\$1,194,000	\$353,396	\$72,978
91100 Administrative Salaries	\$76,841	\$225,770	\$69,076	\$18,142	\$40,645

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	10.420 Rural Self-Help Housing Technical Assistance	10.415 Rural Rental Housing Loans	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services
91200 Auditing Fees	\$3,237	\$11,271	\$9,914		
91300 Management Fee			\$107,500		
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$43,250	\$83,989	\$30,696	\$5,812	\$20,344
91600 Office Expenses	\$38	\$2,461	\$2,795		
91700 Legal Expense	\$3,017	\$3,560	\$2,250		
91800 Travel	\$10	\$1,823	\$131		\$6
91810 Allocated Overhead					
91900 Other	\$34,268	\$89,497	\$20,769	\$4,000	\$7,403
91000 Total Operating - Administrative	\$160,661	\$418,371	\$243,131	\$27,954	\$68,398
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs	\$492				
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other			\$700		\$2,330
92500 Total Tenant Services	\$492	\$0	\$700	\$0	\$2,330
93100 Water					
93200 Electricity	\$30,918		\$15,249		
93300 Gas	\$224		\$25,662		
93400 Fuel					
93500 Labor					
93600 Sewer	\$81,022		\$72,878		
93700 Employee Benefit Contributions - Utilities					

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	10.420 Rural Self-Help Housing Technical Assistance	10.415 Rural Rental Housing Loans	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services
93800 Other Utilities Expense	\$11,373		\$10,512		
93000 Total Utilities	\$133,228	\$0	\$124,301	\$0	\$0
94100 Ordinary Maintenance and Operations - Labor	\$126,454	\$230,002	\$72,572		
94200 Ordinary Maintenance and Operations - Materials and	\$42,707	\$2,086	\$20,062		
94300 Ordinary Maintenance and Operations Contracts	\$113,085	\$2,486	\$67,395		
94500 Employee Benefit Contributions - Ordinary Maintenance	\$51,928	\$97,471	\$33,849		
94000 Total Maintenance	\$334,174	\$332,045	\$193,878	\$0	\$0
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs	\$2,074		\$2,327		
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$2,074	\$0	\$2,327	\$0	\$0
96110 Property Insurance	\$12,622		\$12,578		
96120 Liability Insurance					
96130 Workmen's Compensation					
96140 All Other Insurance					
96100 Total Insurance Premiums	\$12,622	\$0	\$12,578	\$0	\$0
96200 Other General Expenses	\$239,721	\$361,180	\$3,319	\$199,072	\$34,336
96210 Compensated Absences					
96300 Payments in Lieu of Taxes					
96400 Bad debt - Tenant Rents	\$78,149		\$9,916		
96500 Bad debt - Mortgages				\$100,044	

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	10.420 Rural Self-Help Housing Technical Assistance	10.415 Rural Rental Housing Loans	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$317,870	\$361,180	\$13,235	\$299,116	\$34,336
96710 Interest of Mortgage (or Bonds) Payable					
96720 Interest on Notes Payable (Short and Long Term)			\$208,833		
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$208,833	\$0	\$0
96900 Total Operating Expenses	\$961,121	\$1,111,596	\$798,983	\$327,070	\$105,064
97000 Excess of Operating Revenue over Operating Expenses	-\$15,754	-\$42,196	\$395,017	\$26,326	-\$32,086
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized			\$15,104		
97300 Housing Assistance Payments			\$807		
97350 HAP Portability-In					
97400 Depreciation Expense	\$202,971		\$151,881	\$17,081	
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$1,202,037	\$1,111,596	\$966,775	\$344,151	\$105,064
10010 Operating Transfer In	\$223,601				
10020 Operating transfer Out	-\$85,003				

Kitsap County Consolidated Housing Auth (WA036)

Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	10.420 Rural Self-Help Housing Technical Assistance	10.415 Rural Rental Housing Loans	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$138,598	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$118,072	-\$42,196	\$227,225	\$9,245	-\$32,086
11020 Required Annual Debt Principal Payments	\$0	\$0	\$121,359	\$0	\$0
11030 Beginning Equity	\$4,167,999	\$42,196	\$723,543	\$2,654,528	-\$205,903
11040 Prior Period Adjustments, Equity Transfers and Correction			-\$42,862		
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity					
11180 Housing Assistance Payments Equity					

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	10.420 Rural Self-Help Housing Technical Assistance	10.415 Rural Rental Housing Loans	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services
11190 Unit Months Available	1632		1836		
11210 Number of Unit Months Leased	1617		1814		
11270 Excess Cash	\$94,487				
11610 Land Purchases	\$0				
11620 Building Purchases	\$0				
11630 Furniture & Equipment - Dwelling Purchases	\$0				
11640 Furniture & Equipment - Administrative Purchases	\$0				
11650 Leasehold Improvements Purchases	\$0				
11660 Infrastructure Purchases	\$0				
13510 CFFP Debt Service Payments	\$0				
13901 Replacement Housing Factor Funds	\$0				

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.239 HOME Investment Partnerships Program	9 Other Federal Program 2	1 Business Activities
70300 Net Tenant Rental Revenue		\$2,221,540			\$1,080,060
70400 Tenant Revenue - Other		\$125,917			\$23,391
70500 Total Tenant Revenue	\$0	\$2,347,457	\$0	\$0	\$1,103,451
70600 HUD PHA Operating Grants	\$2,354,375	\$1,679,083	\$1,040		\$6,000
70610 Capital Grants			\$25,790		
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue					
70800 Other Government Grants					\$141,473
71100 Investment Income - Unrestricted	\$902	\$1,399			\$15,277
71200 Mortgage Interest Income			\$444		\$1,298,460
71300 Proceeds from Disposition of Assets Held for Sale					\$2,372,224
71310 Cost of Sale of Assets					-\$1,966,643
71400 Fraud Recovery					
71500 Other Revenue		\$39,657			\$1,152,978
71600 Gain or Loss on Sale of Capital Assets					\$418,663
72000 Investment Income - Restricted		\$60,065			\$1,198
70000 Total Revenue	\$2,355,277	\$4,127,661	\$27,274	\$0	\$4,543,081
91100 Administrative Salaries	\$2,820	\$264,270			\$1,304,478
91200 Auditing Fees	\$2,275	\$42,600			\$37,854

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.239 HOME Investment Partnerships Program	9 Other Federal Program 2	1 Business Activities
91300 Management Fee	\$192,812	\$423,889			\$3,725
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$1,017	\$96,847			\$467,558
91600 Office Expenses		\$1,948			\$7,033
91700 Legal Expense		\$15,385			\$62,010
91800 Travel		\$3,249			\$34,881
91810 Allocated Overhead					
91900 Other	\$2,388	\$59,456	\$867		\$227,669
91000 Total Operating - Administrative	\$201,312	\$907,644	\$867	\$0	\$2,145,208
92000 Asset Management Fee					
92100 Tenant Services - Salaries	\$13,075				
92200 Relocation Costs		\$10,378			
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$1,935	\$14,616			\$3,558
92500 Total Tenant Services	\$15,010	\$24,994	\$0	\$0	\$3,558
93100 Water		\$114,036			\$20,412
93200 Electricity		\$97,880			\$34,248
93300 Gas		\$2,662			\$7,955
93400 Fuel					
93500 Labor					
93600 Sewer		\$255,984			\$118,319
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense		\$15,307			\$8,373

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.239 HOME Investment Partnerships Program	9 Other Federal Program 2	1 Business Activities
93000 Total Utilities	\$0	\$485,869	\$0	\$0	\$189,307
94100 Ordinary Maintenance and Operations - Labor		\$247,787			\$172,716
94200 Ordinary Maintenance and Operations - Materials and		\$128,334			\$156,259
94300 Ordinary Maintenance and Operations Contracts		\$360,366			\$108,489
94500 Employee Benefit Contributions - Ordinary Maintenance					\$80,066
94000 Total Maintenance	\$0	\$736,487	\$0	\$0	\$517,530
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs		\$9,309			\$6,078
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$0	\$9,309	\$0	\$0	\$6,078
96110 Property Insurance	\$622	\$80,322			\$44,554
96120 Liability Insurance					
96130 Workmen's Compensation					
96140 All Other Insurance					
96100 Total Insurance Premiums	\$622	\$80,322	\$0	\$0	\$44,554
96200 Other General Expenses	\$8,331	\$53,574	\$5,482		-\$553,426
96210 Compensated Absences					\$6,810
96300 Payments in Lieu of Taxes		\$480			\$597
96400 Bad debt - Tenant Rents		\$109,932			\$32,441
96500 Bad debt - Mortgages					\$228,910
96600 Bad debt - Other					

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.239 HOME Investment Partnerships Program	9 Other Federal Program 2	1 Business Activities
96800 Severance Expense					
96000 Total Other General Expenses	\$8,331	\$163,986	\$5,482	\$0	-\$284,668
96710 Interest of Mortgage (or Bonds) Payable		\$847,389			\$929,052
96720 Interest on Notes Payable (Short and Long Term)		\$486,007			\$792,786
96730 Amortization of Bond Issue Costs		\$2,031			
96700 Total Interest Expense and Amortization Cost	\$0	\$1,335,427	\$0	\$0	\$1,721,838
96900 Total Operating Expenses	\$225,275	\$3,744,038	\$6,349	\$0	\$4,343,405
97000 Excess of Operating Revenue over Operating Expenses	\$2,130,002	\$383,623	\$20,925	\$0	\$199,676
97100 Extraordinary Maintenance		\$138,604			\$198,850
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments	\$2,163,464				
97350 HAP Portability-In					
97400 Depreciation Expense		\$969,926	\$7,542		\$462,579
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$2,388,739	\$4,852,568	\$13,891	\$0	\$5,004,834
10010 Operating Transfer In					\$646,873
10020 Operating transfer Out					-\$785,471
10030 Operating Transfers from/to Primary Government					

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.239 HOME Investment Partnerships Program	9 Other Federal Program 2	1 Business Activities
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	-\$138,598
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$33,462	-\$724,907	\$13,383	\$0	-\$600,351
11020 Required Annual Debt Principal Payments	\$0	\$64,130	\$0	\$0	\$4,421,985
11030 Beginning Equity	\$453,347	\$0	\$2,355,554	\$377,309	-\$879,273
11040 Prior Period Adjustments, Equity Transfers and Correction		\$3,991,471			-\$44,548
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity	\$300,445				
11180 Housing Assistance Payments Equity	\$119,440				
11190 Unit Months Available	4488	5604			1824

Kitsap County Consolidated Housing Auth (WA036)

Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.239 HOME Investment Partnerships Program	9 Other Federal Program 2	1 Business Activities
11210 Number of Unit Months Leased	4094	5394			1789
11270 Excess Cash					
11610 Land Purchases					
11620 Building Purchases					
11630 Furniture & Equipment - Dwelling Purchases					
11640 Furniture & Equipment - Administrative Purchases					
11650 Leasehold Improvements Purchases					
11660 Infrastructure Purchases					
13510 CFFP Debt Service Payments					
13901 Replacement Housing Factor Funds					

Kitsap County Consolidated Housing Auth (WA036)

Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14,900 Lead-Based Paint Hazard Control in Privately-Owned Housing	14,247 Self-Help Homeownership Opportunity Program	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue			\$4,863,749		\$4,863,749
70400 Tenant Revenue - Other			\$184,984		\$184,984
70500 Total Tenant Revenue	\$0	\$0	\$5,048,733	\$0	\$5,048,733
70600 HUD PHA Operating Grants					
70610 Capital Grants			\$4,653,106		\$4,653,106
70710 Management Fee			\$373,222		\$373,222
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue			\$0	\$0	\$0
70800 Other Government Grants					
71100 Investment Income - Unrestricted	\$115,784		\$1,326,647		\$1,326,647
71200 Mortgage Interest Income			\$17,578		\$17,578
71300 Proceeds from Disposition of Assets Held for Sale			\$1,298,904		\$1,298,904
71310 Cost of Sale of Assets			\$2,372,224		\$2,372,224
71400 Fraud Recovery			-\$1,966,643		-\$1,966,643
71500 Other Revenue					
71600 Gain or Loss on Sale of Capital Assets	\$800		\$1,201,002	-\$10,933	\$1,190,069
72000 Investment Income - Restricted		\$256	\$418,663		\$418,663
70000 Total Revenue	\$116,584	\$256	\$14,805,274	-\$10,933	\$14,794,341
91100 Administrative Salaries					
91200 Auditing Fees	\$4,229		\$2,006,271		\$2,006,271
	\$86		\$107,237		\$107,237

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14.900 Lead-Based Paint Hazard Control in Privately-Owned Housing	14.247 Self-Help Homeownership Opportunity Program	Subtotal	ELIM	Total
91300 Management Fee			\$727,926	-\$10,933	\$716,993
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$1,648		\$751,161		\$751,161
91600 Office Expenses	\$87		\$14,362		\$14,362
91700 Legal Expense			\$86,222		\$86,222
91800 Travel	\$143		\$40,243		\$40,243
91810 Allocated Overhead					
91900 Other	\$5,280		\$451,597		\$451,597
91000 Total Operating - Administrative	\$11,473	\$0	\$4,185,019	-\$10,933	\$4,174,086
92000 Asset Management Fee					
92100 Tenant Services - Salaries			\$13,075		\$13,075
92200 Relocation Costs			\$10,870		\$10,870
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other			\$23,139		\$23,139
92500 Total Tenant Services	\$0	\$0	\$47,084	\$0	\$47,084
93100 Water			\$180,615		\$180,615
93200 Electricity			\$167,481		\$167,481
93300 Gas			\$10,841		\$10,841
93400 Fuel					
93500 Labor					
93600 Sewer			\$528,203		\$528,203
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense			\$45,565		\$45,565

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14.900 Lead-Based Paint Hazard Control in Privately-Owned Housing	14.247 Self-Help Homeownership Opportunity Program	Subtotal	ELIM	Total
93000 Total Utilities	\$0	\$0	\$932,705	\$0	\$932,705
94100 Ordinary Maintenance and Operations - Labor	\$17,036		\$866,567		\$866,567
94200 Ordinary Maintenance and Operations - Materials and	\$699		\$350,147		\$350,147
94300 Ordinary Maintenance and Operations Contracts			\$651,821		\$651,821
94500 Employee Benefit Contributions - Ordinary Maintenance	\$7,611		\$270,925		\$270,925
94000 Total Maintenance	\$25,346	\$0	\$2,139,460	\$0	\$2,139,460
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs			\$19,788		\$19,788
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$0	\$0	\$19,788	\$0	\$19,788
96110 Property Insurance	\$3,753		\$154,451		\$154,451
96120 Liability Insurance					
96130 Workmen's Compensation					
96140 All Other Insurance					
96100 Total insurance Premiums	\$3,753	\$0	\$154,451	\$0	\$154,451
96200 Other General Expenses	\$99,131		\$450,720		\$450,720
96210 Compensated Absences			\$6,810		\$6,810
96300 Payments in Lieu of Taxes			\$1,077		\$1,077
96400 Bad debt - Tenant Rents			\$230,438		\$230,438
96500 Bad debt - Mortgages			\$328,954		\$328,954
96600 Bad debt - Other					

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14.900 Lead-Based Paint Hazard Control in Privately-Owned Housing	14.247 Self-Help Homeownership Opportunity Program	Subtotal	ELIM	Total
96800 Severance Expense					
96000 Total Other General Expenses	\$99,131	\$0	\$1,017,999	\$0	\$1,017,999
96710 Interest of Mortgage (or Bonds) Payable			\$1,985,274		\$1,985,274
96720 Interest on Notes Payable (Short and Long Term)			\$1,278,793		\$1,278,793
96730 Amortization of Bond Issue Costs			\$2,031		\$2,031
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$3,266,098	\$0	\$3,266,098
96900 Total Operating Expenses	\$139,703	\$0	\$11,762,604	-\$10,933	\$11,751,671
97000 Excess of Operating Revenue over Operating Expenses	-\$23,119	\$256	\$3,042,670	\$0	\$3,042,670
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized			\$390,503		\$390,503
97300 Housing Assistance Payments			\$2,164,271		\$2,164,271
97350 HAP Portability-In					
97400 Depreciation Expense	\$3,294		\$1,815,274		\$1,815,274
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$142,997	\$0	\$16,132,652	-\$10,933	\$16,121,719
10010 Operating Transfer In			\$870,474		\$870,474
10020 Operating transfer Out			-\$870,474		-\$870,474
10030 Operating Transfers from/to Primary Government					

Kitsap County Consolidated Housing Auth (WA036)
Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14,900 Lead-Based Paint Hazard Control in Privately-Owned Housing	14,247 Self-Help Homeownership Opportunity Program	Subtotal	ELIM	Total
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$26,413	\$256	-\$1,327,378	\$0	-\$1,327,378
11020 Required Annual Debt Principal Payments	\$0	\$0	\$4,607,474		\$4,607,474
11030 Beginning Equity	-\$30,309	\$1,776,816	\$11,435,807		\$11,435,807
11040 Prior Period Adjustments, Equity Transfers and Correction			\$3,904,061		\$3,904,061
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity			\$300,445		\$300,445
11180 Housing Assistance Payments Equity			\$119,440		\$119,440
11190 Unit Months Available			15384		15384

Kitsap County Consolidated Housing Auth (WA036)

Bremerton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	14,900 Lead-Based Paint Hazard Control in Privately-Owned Housing	14,247 Self-Help Homeownership Opportunity Program	Subtotal	ELIM	Total
11210 Number of Unit Months Leased			14708		14708
11270 Excess Cash			\$94,487		\$94,487
11610 Land Purchases			\$0		\$0
11620 Building Purchases			\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases			\$0		\$0
11640 Furniture & Equipment - Administrative Purchases			\$0		\$0
11650 Leasehold Improvements Purchases			\$0		\$0
11660 Infrastructure Purchases			\$0		\$0
13510 CFFP Debt Service Payments			\$0		\$0
13901 Replacement Housing Factor Funds			\$0		\$0

Board of Commissioners
Chair Tim Matthes
Vice Chair Charlotte Garrido
Nancy Christensen
Becky Erickson
Robert Gelder
Linda Streissguth
Val Tollefson

Interim Executive Director
Judy Henry



345 6th Street Suite 100
Bremerton, WA 98337-1891

Phone (360) 535.6100
Fax (360) 535.6107
TDD (360) 535.6106

<http://www.housingkitsap.org>

September 26, 2014

USDA Rural Development Office
Attn: Rebecca Southworth
1835 Black Lake Blvd., Suite C
Olympia, WA 98512

In accordance with the criteria specified in Section 5; Paragraph 4.32 C. of the USDA Rural Development Handbook (HB-2-3560) for the year ended **June 30, 2014**, the borrower must self-certify that **FJORD MANOR APARTMENTS** is in compliance with the nine performance standards. The following is a summary of our compliance with the performance standards.

1. The required accounts are properly maintained and tracked separately. The accounts we maintain are marked below

☒ Operating Account

☒ Security Deposits

☐ Tax & Insurance Account

☒ Reserve Account

☐ Other Accounts: _____

2. The payments from operating account(s) are disclosed accurately represented.
3. The reserve account(s):
 - a. is on schedule with the Agency required minimum funding requirements;
 - b. is maintained in a supervised bank account that requires the Agency's countersignature on all withdrawals;
 - c. is on schedule with contributions to the reserve account for the current year with the Agency required minimum funding; and
 - d. has no encumbrances on the reserve funds.
4. The tenant security deposits accounts are fully funded and are not maintained in separate accounts. *These funds are pooled, but tracked separately.*
5. The payment of owner return was:

☐ paid in the amount of \$ _____ for 2014 fiscal year end and was in accordance with the Agency's requirements OR

☐ not paid during the reporting year OR

☐ not allowable due to our nonprofit status OR

✓ not allowable due to our nonprofit status. A Non-Profit asset management fee in the amount of \$5,908 was *accrued and expensed* for the 2014 fiscal year. *Housing Kitsap obtains approval from Rural Development before the funds are released.*

6. The borrower has maintained proper insurance in accordance with the requirements in 7 CFR 3560.105. Coverage maintained for **FJORD MANOR APARTMENTS** is as follows:

<u>✓</u> Liability Insurance	<u> </u> Flood Insurance
<u>✓</u> Property Insurance	<u> </u> Earthquake Insurance
<u>✓</u> Fidelity Bond	<u> </u> Other _____

7. All financial records are adequate and suitable for examination.
8. There have been no changes in the ownership of **FJORD MANOR APARTMENTS**, other than those approved by the Agency and identified in the certification. The board of Directors is active and maintains oversight responsibilities for the project.
9. The real estate taxes (property taxes) are paid in accordance with state and/or local requirements. As of June 30, 2014, there are no delinquent real estate taxes (property taxes). *This project is exempt from property taxes.*

I certify that the above is true, accurate and is properly supported by documentation kept in our files.



Judy Henry
Interim Executive Director/Director of Finance

NOTE TO BORROWER: *If the project is not in compliance with any of the above Performance Standards, you must state that you are not in compliance with the standard and provide the Agency with a statement about the non-compliance and the methods taken to correct the non-compliance.*

Position 3
**MULTI-FAMILY HOUSING
BORROWER BALANCE SHEET**
PART I - BALANCE SHEET

PROJECT NAME Fjord Manor	BORROWER NAME Kitsap County Consolidated HA	BORROWER ID AND PROJECT NO. 551170445-02-0
-----------------------------	--	---

	BEGINNING DATES> (07-01-2013)	CURRENT YEAR (06-30-2014)	PRIOR YEAR (07-01-2012) (06-30-2013)	COMMENTS
ENDING DATES>				

ASSETS

CURRENT ASSETS

1. GENERAL OPERATING ACCOUNT		66,972.00	\$14,405.00	
2. R.E. TAX & INSURANCE ACCOUNT		0.00	0.00	Not Applicable
3. RESERVE ACCOUNT		73,019.00	93,009.00	
4. SECURITY DEPOSIT ACCOUNT		15,520.00	18,043.00	
5. OTHER CASH (<i>identify</i>)		150.00	250.00	Petty Cash
6. OTHER (<i>identify</i>)		0.00	0.00	
7. TOTAL ACCOUNTS RECEIVABLE (<i>Attach list</i>)		5,833.00	7,933.00	
..... ACCTS RCVBL 0-30 DAYS \$ 5,833.00			7,628.00	
ACCTS RCVBL 30-60 DAYS \$			0.00	
ACCTS RCVBL 60-90 DAYS \$			0.00	
ACCTS RCVBL OVER 90 DAYS \$			305.00	Tenant A/R
8. LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS		0.00	(\$305.00)	
9. INVENTORIES (<i>supplies</i>)	(0.00)	(0.00)		
10. PREPAYMENTS		0.00	0.00	
11. Deposits in Transit		0.00	7,416.00	
12. TOTAL CURRENT ASSETS (<i>Add 1 thru 11</i>)		161,494.00	140,751.00	

FIXED ASSETS

13. LAND		190,000.00	190,000.00	
14. BUILDINGS		1,226,823.00	1,226,823.00	
15. LESS: ACCUMULATED DEPRECIATION	(824,452.00)	(791,327.00)		
16. FURNITURE & EQUIPMENT		84,274.00	84,274.00	
17. LESS: ACCUMULATED DEPRECIATION	(0.00)	(0.00)		
18. Land Improvements & Construction In Progress		63,710.00	28,155.00	
19. TOTAL FIXED ASSETS (Add 13 thru 18)		\$740,355.00	\$737,925.00	

OTHER ASSETS

20.		\$0.00	\$0.00	
21. TOTAL ASSETS (Add 12, 19, and 20)		\$901,849.00	\$878,676.00	

LIABILITIES AND OWNERS EQUITY

CURRENT LIABILITIES

22. TOTAL ACCOUNTS PAYABLE (<i>Attach list</i>)		\$30,425.00	\$18,947.00	
..... ACCTS PAYABLE 0-30 DAYS \$ 17,896.00			6,418.00	
ACCTS PAYABLE 30-60 DAYS \$			0.00	
ACCTS PAYABLE 60-90 DAYS \$			0.00	
ACCTS PAYABLE OVER 90 DAYS \$ 12,529.00			12,529.00	FY12-13 NP Fee.
23. NOTES PAYABLE (<i>Attach list</i>)		0.00	0.00	
24. SECURITY DEPOSITS		15,507.00	15,802.00	
25. TOTAL CURRENT LIABILITIES (<i>Add 22 thru 24</i>)		\$45,932.00	\$34,749.00	

LONG-TERM LIABILITIES

26. NOTES PAYABLE RURAL DEVELOPMENT

27. OTHER (*Identify*)

28. **TOTAL LONG-TERM LIABILITIES** *(Add 26 and 27)*

29. **TOTAL LIABILITIES** (*Add 25 and 28*)

30. OWNER'S EQUITY (Net Worth) (21 *minus* 29)

31. TOTAL LIABILITIES AND OWNER'S EQUITY
(Add 29 and 30)

\$1,219,883.00	\$1,234,521.00	
0.00	0.00	
1,219,883.00	1,234,521.00	
1,265,815.00	1,269,270.00	
(363,966.00)	(390,594.00)	
\$901,849.00	\$878,676.00	

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction any of department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

09-29-2014

(Date)

Judy H. L.

(Signature of Borrower or Borrower' Representative)

Interim Executive Director/Director of Finance

(Title)

PART II - VERIFICATION OF REVIEW

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 1930-7, is a fair presentation of the borrower's records.

I/We certify that no identity of interest exists between me/us and any individual or organization doing business with the project or borrower.

(Date)

(Signature)

(Name and Title)

(Address)

☐ In lieu of the above verification and signature, a review completed, dated and signed by a person or firm qualified by I license or certification is attached.

MULTIPLE FAMILY HOUSING PROJECT BUDGET/ UTILITY ALLOWANCE

(Rev. 05-06)

PROJECT NAME Fjord Manor		BORROWER NAME Kitsap County Consolidated HA		BORROWER ID AND PROJECT NO. 551170445 02-0	
Loan/Transfer Amount \$ 1,379,543.00		Note Rate Payment \$ 9,941.10		IC Payment \$ 2,926.45	
Reporting Period <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly	Budget Type <input type="checkbox"/> Initial <input checked="" type="checkbox"/> Regular Report <input type="checkbox"/> Rent Change <input type="checkbox"/> SMR <input type="checkbox"/> Other Servicing	Project Rental Type <input type="checkbox"/> Family <input checked="" type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> LH	Profit Type <input type="checkbox"/> Full Profit <input type="checkbox"/> Limited Profit <input checked="" type="checkbox"/> Non-Profit	The following utilities are master metered: <input type="checkbox"/> Electricity <input type="checkbox"/> Gas <input checked="" type="checkbox"/> Water <input checked="" type="checkbox"/> Sewer <input checked="" type="checkbox"/> Trash <input type="checkbox"/> Other _____	
				<input type="checkbox"/> I hereby request _____ units of RA. Current number of RA units _____. Borrower Accounting Method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual	

PART I-CASH FLOW STATEMENT

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
BEGINNING DATES>	07-01-2013	07-01-2013	07-01-2014	
ENDING DATES>	06-30-2014	06-30-2014	06-30-2015	
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME	220,704.00	151,909.00	220,704.00	See Comments.
2. RHS RENTAL ASSISTANCE RECEIVED		70,291.00		
3. APPLICATION FEES RECEIVED		0.00		
4. LAUNDRY AND VENDING	1,750.00	1,876.00	1,750.00	See Comments.
5. INTEREST INCOME	95.00	57.00	95.00	See Comments.
6. TENANT CHARGES	500.00	314.00	500.00	See Comments.
7. OTHER -PROJECT SOURCES	0.00	0.00	0.00	
8. LESS (Vacancy and Contingency Allowance)	(8,828.00)		(8,828.00)	
9. LESS (Agency Approved Incentive Allowance)	(0.00)		(0.00)	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)]	214,221.00	224,447.00	214,221.00	
NON-OPERATIONAL CASH SOURCES				
11. CASH-NON PROJECT	0.00	0.00	0.00	
12. AUTHORIZED LOAN (Non-RHS)	0.00	0.00	0.00	
13. TRANSFER FROM RESERVE	31,000.00	33,777.00	34,375.00	
14. SUB-TOTAL (11 thru 13)	31,000.00	33,777.00	34,375.00	
15. TOTAL CASH SOURCES (10+14)	245,221.00	258,224.00	248,596.00	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES (From Part II)	149,561.00	135,926.00	157,836.00	
17. RHS DEBT PAYMENT	35,118.00	35,118.00	35,118.00	
18. RHS PAYMENT (Overage)		3,601.00		
19. RHS PAYMENT (Late Fee)		0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES		0.00		
21. TENANT UTILITY PAYMENTS		0.00		
22. TRANSFER TO RESERVE	13,760.00	13,788.00	13,760.00	See Comments.
23. RETURN TO OWNER/NP ASSET MANAGEMENT FEE	7,500.00	5,908.00	7,500.00	See Comments.
24. SUB-TOTAL (16 thru 23)	205,939.00	194,341.00	214,214.00	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	0.00	0.00	0.00	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6)	31,000.00	33,777.00	34,375.00	
27. MISCELLANEOUS	0.00	0.00	0.00	
28. SUB-TOTAL (25 thru 27)	31,000.00	33,777.00	34,375.00	
29. TOTAL CASH USES (24+28)	236,939.00	228,118.00	248,589.00	
30. NET CASH (DEFICIT) (15- 29)	8,282.00	30,106.00	7.00	
CASH BALANCE				
31. BEGINNING CASH BALANCE	23,520.00	14,655.00	35,357.00	
32. ACCRUAL TO CASH ADJUSTMENT		22,361.00		See Comments.
33. ENDING CASH BALANCE (30+31+32)	31,802.00	67,122.00	35,364.00	

According to the Paperwork Reduction Act of 1995, an agency may not conduct sponsor and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PART II-OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL	16,290.00	24,256.00	22,395.00	See Comments.
2. MAINTENANCE AND REPAIRS SUPPLY	5,000.00	4,344.00	5,000.00	
3. MAINTENANCE AND REPAIRS CONTRACT	1,000.00	452.00	2,500.00	See Comments.
4. PAINTING	0.00	0.00	0.00	
5. SNOW REMOVAL	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT	3,500.00	3,571.00	3,500.00	
7. GROUNDS	7,200.00	4,370.00	7,860.00	See Comments.
8. SERVICES	8,000.00	5,473.00	6,270.00	See Comments.
9. ANNUAL CAPITAL BUDGET (From Part V- Operating)	7,500.00	442.00	15,700.00	See Comments.
10. OTHER OPERATING EXPENSES (Itemize)	0.00	0.00	0.00	
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10)	48,490.00	42,908.00	63,225.00	
12. ELECTRICITY } <i>If master metered</i>	7,605.00	5,841.00	7,000.00	See Comments.
13. WATER } <i>check box on</i>	2,885.00	2,838.00	2,906.00	
14. SEWER } <i>front.</i>	9,225.00	9,359.00	9,803.00	
15. FUEL (Oil/Coal/Gas)	0.00	0.00	0.00	
16. GARBAGE & TRASH REMOVAL	4,260.00	4,129.00	4,380.00	
17. OTHER UTILITIES	300.00	0.00	0.00	
18. SUB-TOTAL UTILITIES (12 Thru 17)	24,275.00	22,167.00	24,089.00	
19. SITE MANAGEMENT PAYROLL	19,195.00	13,362.00	13,350.00	See Comments.
20. MANAGEMENT FEE	24,396.00	24,343.00	24,396.00	
21. PROJECT AUDITING EXPENSE	2,240.00	1,912.00	2,305.00	
22. PROJECT BOOKKEEPING/ACCOUNTING	0.00	0.00	0.00	
23. LEGAL EXPENSES	500.00	0.00	500.00	See Comments.
24. ADVERTISING	700.00	609.00	720.00	
25. TELEPHONE & ANSWERING SERVICE	4,150.00	3,583.00	3,516.00	
26. OFFICE SUPPLIES	750.00	1,015.00	750.00	See Comments.
27. OFFICE FURNITURE & EQUIPMENT	1,000.00	450.00	0.00	See Comments.
28. TRAINING EXPENSE	695.00	27.00	760.00	See Comments.
29. HEALTH INS. & OTHER EMP. BENEFITS	14,000.00	17,706.00	16,502.00	See Comments.
30. PAYROLL TAXES	3,580.00	848.00	1,375.00	See Comments.
31. WORKMAN'S COMPENSATION	780.00	1,577.00	903.00	See Comments.
32. OTHER ADMINISTRATIVE EXPENSES (Itemize)	650.00	1,315.00	1,245.00	See Comments.
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32)	72,636.00	66,747.00	66,322.00	
34. REAL ESTATE TAXES	0.00	0.00	0.00	
35. SPECIAL ASSESSMENTS	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES& PERMITS	0.00	0.00	0.00	
37. PROPERTY& LIABILITY INSURANCE	4,160.00	4,104.00	4,200.00	
38. FIDELITY COVERAGE INSURANCE	0.00	0.00	0.00	
39. OTHER INSURANCE	0.00	0.00	0.00	
40. SUB-TOTAL TAXES& INSURANCE (34 thru 39)	4,160.00	4,104.00	4,200.00	
41. TOTAL O&M EXPENSES (11 +18+33+40)	149,561.00	135,926.00	157,836.00	

PART III-ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	115,332.00	93,009.00	73,020.00	
2. TRANSFER TO RESERVE	13,760.00	13,788.00	13,760.00	
TRANSFER FROM RESERVE				
3. OPERATING DEFICIT	0.00		0.00	
4. ANNUAL CAPITAL BUDGET (<i>Part V - Reserve</i>)	31,000.00	33,777.00	34,375.00	
5. BUILDING & EQUIPMENT REPAIR	0.00		0.00	
6. OTHER NON-OPERATING EXPENSES	0.00			
7. TOTAL (3 thru 6)	(31,000.00)	(33,777.00)	(34,375.00)	
8. ENDING BALANCE [(1 +2)-7]	98,092.00	73,020.00	52,405.00	

GENERAL OPERATING ACCOUNT:*

BEGINNING BALANCE

ENDING BALANCE

14,655.00
67,122.00

**REAL ESTATE TAX AND INSURANCE ESCROW
ACCOUNT:***

BEGINNING BALANCE

ENDING BALANCE

TENANT SECURITY DEPOSIT ACCOUNT:*

BEGINNING BALANCE

ENDING BALANCE

18,043.00
15,520.00

(*Complete upon submission of actual expenses.)

NUMBER OF APPLICANTS ON THE WAITING LIST 49

NUMBER OF APPLICANTS NEEDING RA 49

49
49

RESERVE ACCT. REQ. BALANCE 73,019.00

AMOUNT AHEAD/BEHIND 24.00

73,019.00
24.00

PART IV-RENT SCHEDULE AND UTILITY ALLOWANCE

A CURRENT APPROVED RENTS/ UTILITY ALLOWANCE

UNIT DESCRIPTION			RENTAL RATE S			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
1	N	31	474.00	637.00	0.00	176,328.00	236,964.00	0.00	0.00
1	N	3	474.00	637.00	0.00	17,064.00	22,932.00	0.00	0.00
2	N	4	569.00	844.00	0.00	27,312.00	40,512.00	0.00	0.00
CURRENT RENT TOTALS:						\$220,704.00	\$300,408	\$0.00	
						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: 07-01-2014

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
1	N	31	474.00	637.00	0.00	176,328.00	236,964.00	0.00
2	N	4	569.00	844.00	0.00	27,312.00	40,512.00	0.00
1	N	3	474.00	637.00	0.00	17,064.00	22,932.00	0.00
								0.00
								0.00
								0.00
								0.00
								0.00
PROPOSED RENT TOTALS:						220,704.00	300,408.00	0.00
						BASIC	NOTE	HUD

C: PROPOSED UTILITY ALLOWANCE - Effective Date: 07-01-2014

MONTHLY DOLLAR ALLOWANCES									
BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
1			41.00	0.00	0.00	0.00	0.00	0.00	41.00
2			52.00	0.00	0.00	0.00	0.00	0.00	52.00
1			41.00	0.00	0.00	0.00	0.00	0.00	41.00

PART V - ANNUAL CAPITAL BUDGET

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
Appliances:							
Range	3	1,000		500	442	442	
Refrigerator	2	500		500			
Range Hood							
Washers & Dryers							
Other:							
Carpet & Vinyl:							
1BR	2	1,500		1,500			
2BR							
3BR							
4BR							
Other:							
Cabinets:							
Kitchens							
Bathrooms							
Other:							
Doors:							
Exterior							
Interior							
Other:							
Window Coverings:							
List:							
Other:							
Heating & Air Conditioning:							
Heating							
Air Conditioning							
Other:							
Plumbing:							
Water Heater	2	1,000					
Bath Sinks							
Kitchen Sinks							
Faucets							
Toilets							
Other:							
Major Electrical:							
List:							
Other:							
Structures:							
Windows							
Screens							
Walls							
Roofing							
Siding							
Exterior Painting		27,000	33,777			33,777	
Other:							
Paving:							
Asphalt							
Concrete							
Seal & Stripe							
Other:							
Landscape & Grounds:							
Landscaping							
Lawn Equipment							
Fencing							
Recreation Area							
Signs							
Other:							
Accessibility Features:							
List:				5,000			
Other:							
Automation Equipment:							
Site Management							
Common Area							
Other:							
Other:							
List:							
List:							
List:							
TOTAL CAPITAL EXPENSES:		31,000	33,777	7,500	442	34,219	

PART VI -- SIGNATURES, DATES AND COMMENTS

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.



09-26-2014

(DATE)

(Signature of Borrower or Borrower's Representative)

Interim Executive Director/Director of Finance

(Title)

AGENCY APPROVAL (*Rural Development Approval Official*):

DATE:

COMMENTS:

Part 1 line 1: Rental Income includes \$3,986 in HUD Section-8 Rental Subsidy. Favorable variance in Rental Income due to actual vacancy rate of .3% compared to budgeted vacancy rate of 3.5%

Part 1 line 4: Laundry and Vending is over budget by \$126 due to higher than expected laundry income received.

Part 1 line 5: Interest Income is under budget by \$38 due to less than expected interest income earned.

Part 1 line 6: Tenant Charges is under budget by \$186 due to actual vacancy rate of .3% compared to budgeted vacancy rate of 3.5%.

Part 1 line 22: Transfer to Reserves include FY 2014 required deposits plus interest.

Part 1 line 23: NP fee is accrued and expensed based on actual. Then a formal request will be made for the NP fee payment.

Part 1 line 32: Accounts Receivable \$1,794; Accounts Payable \$18,898; Security Deposits \$2,228; Prepaid Rents \$101; Fixed Assets (\$2,429); Prior Period Adj./Misc. Income \$1,769.

Part 2 line 1: Maintenance and Repairs Payroll is over budget by \$7,966 due to HK site maintenance staff person has been with HK for several years and has a higher rate of pay than the prior site maintenance staff and more maintenance hours charged to Fjord Manor than budgeted.

Part 2 line 3: Maintenance and Repairs Contract is under budget by \$548 due to more maintenance issues addressed by maintenance staff instead of hiring vendors.

Part 2 line 7: Grounds are under budget by \$2,830 due to budget was held constant from prior year budget in case additional services above and beyond lawn mowing were needed.

Part 2 line 8: Services are under budget by \$2,527 due to lower pest control, cleaning and life safety costs than projected.

Part 2 line 9: Annual Capital Budget from Operating is under budget by \$7,058 due to turnover of only 2 units instead of 5 as projected in budget.

Part 2 line 12: Electricity is under budget by \$1,764 due to lower costs than expected for the project.

PART VI – COMMENTS (CONTINUED)

Part 2 line 19: Site Management Payroll is under budget by \$5,833 due to reduction in FTE with change in management on July 1, 2013.

Part 2 line 23: Legal Expenses is under budget by \$500 due to no legal services needed for FY 2014.

Part 2 line 26: Office Supplies is over budget by \$265 due to change in management on July 1, 2013 at the project.

Part 2 line 27: Office Furniture & Equipment is under budget by \$550 due to donation of new office furniture for the office from Bremerton Housing Authority.

Part 2 line 28: Training Expense is under budget by \$668 due to change in management on July 1, 2013 at the project.

Part 2 line 29: Health Ins. & Other Emp. Benefits are over budget by \$3,706 due to change in management on July 1, 2013 at the project. This increase is due to the HK employee benefit structure. Included in this line are employer paid portion of medical insurance, contributions to the Public Employee Retirement System (PERS) and 6.2% of salary cost formerly paid to Social Security and now paid into a 457 (b) retirement account.

Part 2 line 30: Payroll Taxes are under budget by \$2,732 due to reduction in FTE and change in management on July 1, 2013. HK employees no longer participate in Social Security

Part 2 line 31: Workman's Compensation is over budget by \$797 due to change in management on July 1, 2013 at the project.

Part 2 line 32: Other Administrative Expenses is over budget by \$665 due to change in management on July 1, 2013 at the project. Expenses included: Sundry \$2; Membership Dues \$328; Screening Fee \$88; Bank Charge \$277; Tenant Activities \$620.

Board of Commissioners
Chair Tim Matthes
Vice Chair Charlotte Garrido
Nancy Christensen
Becky Erickson
Robert Gelder
Linda Streissguth
Val Tollefson

Interim Executive Director
Judy Henry



345 6th Street Suite 100
Bremerton, WA 98337-1891

Phone (360) 535.6100
Fax (360) 535.6107
TDD (360) 535.6106

<http://www.housingkitsap.org>

September 29, 2014

USDA Rural Development Office
Attn: Rebecca Southworth
1835 Black Lake Blvd., Suite C
Olympia, WA 98512

In accordance with the criteria specified in Section 5; Paragraph 4.32 C. of the USDA Rural Development Handbook (HB-2-3560) for the year ended **June 30, 2014**, the borrower must self-certify that **RHODODENDRON APARTMENTS** is in compliance with the nine performance standards. The following is a summary of our compliance with the performance standards.

1. The required accounts are properly maintained and tracked separately. The accounts we maintain are marked below

☒ Operating Account

☒ Security Deposits

☐ Tax & Insurance Account

☒ Reserve Account

☒ Other Accounts: Trustee Reserve, Trustee P & I

2. The payments from operating account(s) are disclosed accurately represented.
3. The reserve account(s):
 - a. is on schedule with the Agency required minimum funding requirements;
 - b. is maintained in a supervised bank account that requires the Agency's countersignature on all withdrawals;
 - c. is on schedule with contributions to the reserve account for the current year with the Agency required minimum funding; and
 - d. has no encumbrances on the reserve funds.
4. The tenant security deposits accounts are fully funded and are not maintained in separate accounts. *These funds are pooled, but tracked separately.*
5. The payment of owner return was:

☐ paid in the amount of \$_____ for 2014 fiscal year end and was in accordance with the Agency's requirements OR

☐ not paid during the reporting year OR

☐ not allowable due to our nonprofit status OR

✓ not allowable due to our nonprofit status. A Non-Profit management fee in the amount of \$1,566 was *accrued and expensed* for 2014 fiscal year. *Housing Kitsap obtains approval from Rural Development before the funds are released.*

6. The borrower has maintained proper insurance in accordance with the requirements in 7 CFR 3560.105. Coverage maintained for **RHODODENDRON APARTMENTS** is as follows:

<u>✓</u> Liability Insurance	<u> </u> Flood Insurance
<u>✓</u> Property Insurance	<u> </u> Earthquake Insurance
<u>✓</u> Fidelity Bond	<u> </u> Other _____

7. All financial records are adequate and suitable for examination.
8. There have been no changes in the ownership of **RHODODENDRON APARTMENTS**, other than those approved by the Agency and identified in the certification. The board of Directors is active and maintains oversight responsibilities for the project.
9. The real estate taxes (property taxes) are paid in accordance with state and/or local requirements. As of June 30, 2014, there are no delinquent real estate taxes (property taxes). *This project is exempt from property taxes.*

I certify that the above is true, accurate and is properly supported by documentation kept in our files.



Judy Henry
Interim Executive Director/Director of Finance

NOTE TO BORROWER: *If the project is not in compliance with any of the above Performance Standards, you must state that you are not in compliance with the standard and provide the Agency with a statement about the non-compliance and the methods taken to correct the non-compliance.*

Form RD 3560-10
(02-05)

Position 3
**MULTI-FAMILY HOUSING
BORROWER BALANCE SHEET**

FORM APPROVED
OMB NO. 0575-0189**PART I - BALANCE SHEET**

PROJECT NAME Rhododendron	BORROWER NAME Kitsap County Consolidated HA	BORROWER ID AND PROJECT NO. 551170445-03-1
------------------------------	--	---

	BEGINNING DATES> (07-01-2013)	CURRENT YEAR (06-30-2014)	PRIOR YEAR (07-01-2012) (06-30-2013)	COMMENTS
ENDING DATES>				

ASSETS**CURRENT ASSETS**

1. GENERAL OPERATING ACCOUNT	184,122.00	\$60,155.00	
2. R.E. TAX & INSURANCE ACCOUNT	0.00		Not Applicable
3. RESERVE ACCOUNT	138,341.00	127,296.00	
4. SECURITY DEPOSIT ACCOUNT	30,714.00	29,413.00	
5. OTHER CASH (<i>identify</i>)	150.00	250.00	Petty Cash
6. OTHER (<i>identify</i>)			
7. TOTAL ACCOUNTS RECEIVABLE (<i>Attach list</i>)	36,502.00	44,631.00	
..... ACCTS RCVBL 0-30 DAYS \$ 26,626.00		34,743.00	
ACCTS RCVBL 30-60 DAYS \$		0.00	
ACCTS RCVBL 60-90 DAYS \$			
ACCTS RCVBL OVER 90 DAYS \$ 9,876.00		9,888.00	
8. LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS.	(9,876.00)	(\$9,588.00)	
9. INVENTORIES (<i>supplies</i>)	(0.00)	(0.00)	
10. PREPAYMENTS	0.00		
11. Funds Held by the Trustee	98,200.00		
12. TOTAL CURRENT ASSETS (<i>Add 1 thru 11</i>)	478,153.00	350,357.00	

FIXED ASSETS

13. LAND	464,400.00	464,400.00	
14. BUILDINGS	2,069,755.00	2,069,755.00	
15. LESS: ACCUMULATED DEPRECIATION	(806,987.00)	(755,962.00)	
16. FURNITURE & EQUIPMENT	23,245.00		
17. LESS: ACCUMULATED DEPRECIATION	(0.00)	(0.00)	
18. Construction In Progress	87,052.00	79,905.00	
19. TOTAL FIXED ASSETS (<i>Add 13 thru 18</i>)	\$1,837,465.00	\$1,881,343.00	

OTHER ASSETS

20. Net Intangible and Deposits In Transit	\$15,131.00	\$34,802.00	
21. TOTAL ASSETS (<i>Add 12, 19, and 20</i>)	\$2,330,749.00	\$2,266,502.00	

LIABILITIES AND OWNERS EQUITY**CURRENT LIABILITIES**

22. TOTAL ACCOUNTS PAYABLE (<i>Attach list</i>)	\$33,601.00	\$26,377.00	
..... ACCTS PAYABLE 0-30 DAYS \$ 23,194.00		15,970.00	
ACCTS PAYABLE 30-60 DAYS \$			
ACCTS PAYABLE 60-90 DAYS \$			
ACCTS PAYABLE OVER 90 DAYS \$ 10,407.00			FY12-13 NP Fee.
23. NOTES PAYABLE (<i>Attach list</i>)	0.00		
24. SECURITY DEPOSITS	27,730.00	25,155.00	
25. TOTAL CURRENT LIABILITIES (<i>Add 22 thru 24</i>)	\$61,331.00	\$51,532.00	

LONG-TERM LIABILITIES

26. NOTES PAYABLE RURAL DEVELOPMENT

27. OTHER (Identify) Housing Revenue Bond & HTF Loan28. **TOTAL LONG-TERM LIABILITIES** (Add 26 and 2 7)29. **TOTAL LIABILITIES** (Add 25 and 28)

30. OWNER'S EQUITY (Net Worth) (21 minus 29)

31. **TOTAL LIABILITIES AND OWNER'S EQUITY**
(Add 29 and 30)

\$528,790.00	\$547,413.00	
849,171.00	889,171.00	
1,377,961.00	1,436,584.00	
1,439,292.00	1,488,116.00	
(891,457.00)	(778,386.00)	
\$2,330,749.00	\$2,266,502.00	

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction any of department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

09-29-2014

(Date)

(Signature of Borrower or Borrower' Representative)

Interim Executive Director/Director of Finance

(Title)

PART II - VERIFICATION OF REVIEW

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 1930-7, is a fair presentation of the borrower's records.

I/We certify that no identity of interest exists between me/us and any individual or organization doing business with the project or borrower.

(Date)

(Signature)

(Name and Title)

(Address)

☐ In lieu of the above verification and signature, a review completed, dated and signed by a person or firm qualified by I license or certification is attached.

**MULTIPLE FAMILY HOUSING PROJECT BUDGET/
UTILITY ALLOWANCE**

(Rev. 05-06)

PROJECT NAME Rhododendron		BORROWER NAME Kitsap County Consolidated HA		BORROWER ID AND PROJECT NO. 551170445 03-1	
Loan/Transfer Amount \$ 2,183.01		Note Rate Payment \$ 4,583.47		IC Payment \$ 2,400.66	
Reporting Period <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly	Budget Type <input type="checkbox"/> Initial <input checked="" type="checkbox"/> Regular Report <input type="checkbox"/> Rent Change <input type="checkbox"/> SMR <input type="checkbox"/> Other Servicing	Project Rental Type <input checked="" type="checkbox"/> Family <input type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> LH	Profit Type <input type="checkbox"/> Full Profit <input type="checkbox"/> Limited Profit <input checked="" type="checkbox"/> Non-Profit	The following utilities are master metered: <input type="checkbox"/> Electricity <input type="checkbox"/> Gas <input checked="" type="checkbox"/> Water <input checked="" type="checkbox"/> Sewer <input checked="" type="checkbox"/> Trash <input type="checkbox"/> Other _____	
				<input type="checkbox"/> I hereby request _____ units of RA. Current number of RA units _____. Borrower Accounting Method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual	

PART I-CASH FLOW STATEMENT

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
BEGINNING DATES>	07-01-2013	07-01-2013	07-01-2014	
ENDING DATES>	06-30-2014	06-30-2014	06-30-2015	
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME	457,800.00	139,820.00	457,800.00	See Comments.
2. RHS RENTAL ASSISTANCE RECEIVED		309,633.00		
3. APPLICATION FEES RECEIVED		0.00		
4. LAUNDRY AND VENDING	3,000.00	3,460.00	3,200.00	See Comments.
5. INTEREST INCOME	125.00	100.00	125.00	
6. TENANT CHARGES	700.00	3,982.00	3,000.00	See Comments.
7. OTHER -PROJECT SOURCES	0.00	0.00	0.00	
8. LESS (Vacancy and Contingency Allowance)	(23,439.00)		(13,734.00)	
9. LESS (Agency Approved Incentive Allowance)	()		()	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)]	438,186.00	456,995.00	450,391.00	
NON-OPERATIONAL CASH SOURCES				
11. CASH-NON PROJECT	0.00	0.00	0.00	
12. AUTHORIZED LOAN (Non-RHS)	0.00	0.00	0.00	
13. TRANSFER FROM RESERVE	0.00	0.00	0.00	
14. SUB-TOTAL (11 thru 13)	0.00	0.00	0.00	
15. TOTAL CASH SOURCES (10+14)	438,186.00	456,995.00	450,391.00	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES (From Part II)	283,048.00	218,522.00	421,921.00	
17. RHS DEBT PAYMENT	26,196.00	26,196.00	26,196.00	
18. RHS PAYMENT (Overage)		0.00		
19. RHS PAYMENT (Late Fee)		0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES		0.00		
21. TENANT UTILITY PAYMENTS		1,107.00		
22. TRANSFER TO RESERVE	11,000.00	11,045.00	11,000.00	See Comments.
23. RETURN TO OWNER/NP ASSET MANAGEMENT FEE	7,500.00	1,566.00	7,500.00	See Comments.
24. SUB-TOTAL (16 thru 23)	327,744.00	258,436.00	466,617.00	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	95,890.00	95,890.00	98,230.00	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6)	0.00	0.00	0.00	
27. MISCELLANEOUS	3,150.00	3,320.00	3,825.00	See Comments.
28. SUB-TOTAL (25 thru 27)	99,040.00	99,210.00	102,055.00	
29. TOTAL CASH USES (24+28)	426,784.00	357,646.00	568,672.00	
30. NET CASH (DEFICIT) (15- 29)	11,402.00	99,349.00	(118,281.00)	
CASH BALANCE				
31. BEGINNING CASH BALANCE	90,170.00	60,405.00	176,249.00	
32. ACCRUAL TO CASH ADJUSTMENT		24,518.00		See Comments.
33. ENDING CASH BALANCE (30+31+32)	101,572.00	184,272.00	57,968.00	

According to the Paperwork Reduction Act of 1995, an agency may not conduct sponsor and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PART II-OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL	26,000.00	26,551.00	20,140.00	See Comments.
2. MAINTENANCE AND REPAIRS SUPPLY	18,500.00	9,026.00	18,500.00	See Comments.
3. MAINTENANCE AND REPAIRS CONTRACT	6,000.00	3,243.00	6,200.00	See Comments.
4. PAINTING	0.00	0.00	0.00	
5. SNOW REMOVAL	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT	0.00	0.00	0.00	
7. GROUNDS	16,000.00	8,015.00	13,315.00	See Comments.
8. SERVICES	3,265.00	3,363.00	3,155.00	
9. ANNUAL CAPITAL BUDGET (From Part V- Operating)	51,000.00	9,779.00	202,300.00	
10. OTHER OPERATING EXPENSES (Itemize)	0.00	0.00	0.00	
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10)	120,765.00	59,977.00	263,610.00	
12. ELECTRICITY } <i>If master metered</i>	6,000.00	7,454.00	7,150.00	See Comments.
13. WATER } <i>check box on</i>	7,466.00	5,668.00	6,086.00	See Comments.
14. SEWER } <i>front.</i>	35,886.00	35,463.00	38,518.00	
15. FUEL (Oil/Coal/Gas)	0.00	0.00	0.00	
16. GARBAGE & TRASH REMOVAL	11,400.00	9,273.00	9,000.00	
17. OTHER UTILITIES	2,644.00	2,644.00	0.00	Storm Water Fee
18. SUB-TOTAL UTILITIES (12 Thru 17)	63,396.00	60,502.00	60,754.00	
19. SITE MANAGEMENT PAYROLL	27,247.00	21,399.00	22,205.00	See Comments.
20. MANAGEMENT FEE	32,100.00	31,565.00	32,100.00	
21. PROJECT AUDITING EXPENSE	4,510.00	3,850.00	4,635.00	
22. PROJECT BOOKKEEPING/ACCOUNTING	0.00	0.00	0.00	
23. LEGAL EXPENSES	2,000.00	2,250.00	2,000.00	See Comments.
24. ADVERTISING	250.00	638.00	675.00	See Comments.
25. TELEPHONE & ANSWERING SERVICE	2,000.00	2,173.00	2,196.00	
26. OFFICE SUPPLIES	1,750.00	1,634.00	2,250.00	
27. OFFICE FURNITURE & EQUIPMENT	350.00	618.00	0.00	See Comments.
28. TRAINING EXPENSE	695.00	38.00	760.00	See Comments.
29. HEALTH INS. & OTHER EMP. BENEFITS	15,010.00	12,289.00	22,810.00	See Comments.
30. PAYROLL TAXES	5,370.00	2,724.00	1,590.00	See Comments.
31. WORKMAN'S COMPENSATION	2,760.00	3,603.00	1,200.00	See Comments.
32. OTHER ADMINISTRATIVE EXPENSES (Itemize)	1,155.00	11,592.00	1,436.00	See Comments.
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32)	95,197.00	94,373.00	93,857.00	
34. REAL ESTATE TAXES	0.00	0.00	0.00	
35. SPECIAL ASSESSMENTS	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES& PERMITS	0.00	0.00	0.00	
37. PROPERTY& LIABILITY INSURANCE	3,690.00	3,670.00	3,700.00	
38. FIDELITY COVERAGE INSURANCE	0.00	0.00	0.00	
39. OTHER INSURANCE	0.00	0.00	0.00	
40. SUB-TOTAL TAXES& INSURANCE (34 thru 39)	3,690.00	3,670.00	3,700.00	
41. TOTAL O&M EXPENSES (11 +18+33+40)	283,048.00	218,522.00	421,921.00	

PART III-ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	129,336.00	127,296.00	138,336.00	
2. TRANSFER TO RESERVE	11,000.00	11,045.00	11,000.00	
TRANSFER FROM RESERVE				
3. OPERATING DEFICIT	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET (<i>Part V - Reserve</i>)	0.00	0.00	0.00	
5. BUILDING & EQUIPMENT REPAIR	0.00	0.00	0.00	
6. OTHER NON-OPERATING EXPENSES	0.00	0.00	0.00	
7. TOTAL (3 thru 6)	(0.00)	(0.00)	(0.00)	
8. ENDING BALANCE [(1 +2)-7]	140,336.00	138,341.00	149,336.00	

GENERAL OPERATING ACCOUNT:*

BEGINNING BALANCE

ENDING BALANCE

60,405.00
184,272.00

**REAL ESTATE TAX AND INSURANCE ESCROW
ACCOUNT:***

BEGINNING BALANCE

ENDING BALANCE

TENANT SECURITY DEPOSIT ACCOUNT:*

BEGINNING BALANCE

ENDING BALANCE

29,413.00
30,714.00

(*Complete upon submission of actual expenses.)

NUMBER OF APPLICANTS ON THE WAITING LIST	150	RESERVE ACCT. REQ. BALANCE	138,341.00
NUMBER OF APPLICANTS NEEDING RA	150	AMOUNT AHEAD/BEHIND	45.00

PART IV-RENT SCHEDULE AND UTILITY ALLOWANCE

A CURRENT APPROVED RENTS/ UTILITY ALLOWANCE

UNIT DESCRIPTION			RENTAL RATE S			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
2	N	11	820.00	855.00	0.00	108,240.00	112,860.00	0.00	83.00
2	N	1	820.00	855.00	0.00	9,840.00	10,260.00	0.00	83.00
1	N	1	745.00	780.00	0.00	8,940.00	9,360.00	0.00	60.00
1	N	37	745.00	780.00	0.00	330,780.00	346,320.00	0.00	60.00
CURRENT RENT TOTALS:						\$457,800.00	\$478,800	\$0.00	
						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: 08-01-2014

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
2	N	11	820.00	855.00	0.00	108,240.00	112,860.00	0.00
2	N	1	820.00	855.00	0.00	9,840.00	10,260.00	0.00
1	N	1	745.00	780.00	0.00	8,940.00	9,360.00	0.00
1	N	37	745.00	780.00	0.00	330,780.00	346,320.00	0.00
								0.00
								0.00
								0.00
								0.00
PROPOSED RENT TOTALS:						457,800.00	478,800.00	0.00
						BASIC	NOTE	HUD

C: PROPOSED UTILITY ALLOWANCE - Effective Date: 08-01-2014

MONTHLY DOLLAR ALLOWANCES									
BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
2			69.00						69.00
2			69.00						69.00
1			57.00						57.00
1			57.00						57.00

PART V - ANNUAL CAPITAL BUDGET

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
Appliances:							
Range	3			2,000	1,640	1,640	
Refrigerator	5			3,500	1,705	1,705	
Range Hood							
Washers & Dryers							
Other:							
Carpet & Vinyl:							
1BR	3			4,500	4,500	4,500	
2BR	2			3,000	1,934	1,934	
3BR							
4BR							
Other:							
Cabinets:							
Kitchens							
Bathrooms							
Other:							
Doors:							
Exterior							
Interior							
Other:							
Window Coverings:							
List:							
Other:							
Heating & Air Conditioning:							
Heating							
Air Conditioning							
Other:							
Plumbing:							
Water Heater							
Bath Sinks							
Kitchen Sinks							
Faucets							
Toilets							
Other							
Major Electrical:							
List:							
Other:							
Structures:							
Windows							
Screens							
Walls							
Roofing							
Siding							
Exterior Painting							
Other							
Paving:							
Asphalt							
Concrete							
Seal & Stripe							
Other:							
Landscape & Grounds:							
Landscaping							
Lawn Equipment							
Fencing							
Recreation Area							
Signs							
Other:							
Accessibility Features:							
List:				38,000			
Other:							
Automation Equipment:							
Site Management							
Common Area							
Other:							
Other:							
List:							
List:							
List:							
TOTAL CAPITAL EXPENSES:				51,000	9,779	9,779	

PART VI -- SIGNATURES, DATES AND COMMENTS

<p>Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.</p>
--

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

09-29-2014

(DATE)

(Signature of Borrower or Borrower's Representative)

Interim Executive Director/Director of Finance

(Title)

AGENCY APPROVAL (*Rural Development Approval Official*): _____

DATE: _____

COMMENTS:

Part 1 line 1: Rental Income includes \$5,985 in HUD Section-8 Rental Subsidy.

Part 1 line 4: Laundry and Vending is over budget by \$460 due to higher than expected laundry income received.

Part 1 line 5: Interest Income is under budget by \$25 due to less than expected interest income earned.

Part 1 line 6: Tenant Charges is over budget by \$3,282 due to vacate and maintenance fees.

Part 1 line 22: Transfer To Reserves include FY 2014 required deposits plus interest.

Part 1 line 23: NP fee is accrued and expensed based on actual. Then a formal request will be made for the NP fee payment.

Part 1 line 27: Fiscal Agent Fee \$170; Trustee Fee \$3150.

Part 1 line 32: Accounts Receivable \$8,417; Accounts Payable \$22,518; Security Deposits \$1,273; Prepaid Rents (\$926); Fixed Assets (\$7,147); Prior Period Adj./Misc. Income \$383.

Part 2 line 1: Maintenance & Repairs Payroll is over budget by \$551 due to change in management on January 1, 2014 at the project.

Part 2 line 2: Maintenance & Repairs Supply is under budget by \$9,474. FY 2014 budget was held at \$18,500 based on prior year budget although prior year actuals were also under budget.

Part 2 line 3: Maintenance & Repairs Contract is under budget by \$2,757 due to planned exterior maintenance work, such as exterior window washing, not being completed.

Part 2 line 7; Grounds is under budget by \$7,985 due to planned tree trimming work not being completed.

Part 2 line 12: Electricity is over budget by \$1,454 due to change in site management office from site manager unit to Community Center.

Part 2 line 13: Water is under budget by \$1,798 due to decrease in Bainbridge Island water rates.

Part 2 line 19: Site Management Payroll is under budget by \$5,848 due to decrease in FTE related to staff turnover while Ad-West was still management agent and on-going decrease in FTE due to change in management on January 1, 2014 at the project.

PART VI – COMMENTS (CONTINUED)

Part 2 line 23: Legal Expenses is over budget by \$250 due to higher than expected Legal costs.

Part 2 line 24: Advertising is over budget by \$388. Budget anticipated discontinuing weekly newspaper ads.

Part 2 line 27: Office Furniture & Equipment is over budget by \$268 due to construction of new site office and need for additional furniture.

Part 2 line 28: Training Expense is under budget by \$657 due to coding issue; Staff training costs were paid by HK using the property management fee.)

Part 2 line 29: Health Ins. & Other Emp. Benefits are under budget by \$2,721 due to decrease in FTE related to staff turnover while Ad-West was still management agent and on-going decrease in FTE due to change in management on January 1, 2014 at the project.

Part 2 line 30: Payroll Taxes are under budget by \$2,646 due to decrease in FTE related to staff turnover while Ad-West was still management agent and on-going decrease in FTE due to change in management on January 1, 2014 at the project.

Part 2 line 31: Workman's Compensation is over budget by \$843 due to change in management on January 1, 2014 at the project.

Part 2 line 32: Other Administrative Expenses is over budget by \$10,437 due to higher than budgeted costs. Expenses included: Sundry \$924; Membership Dues \$558; Screening Fee \$298; Bank Charge \$313; Bad Debt \$9,499.

Board of Commissioners
Chair Tim Matthes
Vice Chair Charlotte Garrido
Nancy Christensen
Becky Erickson
Robert Gelder
Linda Streissguth
Val Tollefson

Interim Executive Director
Judy Henry



345 6th Street Suite 100
Bremerton, WA 98337-1891

Phone (360) 535.6100
Fax (360) 535.6107
TDD (360) 535.6106

<http://www.housingkitsap.org>

September 26, 2014

USDA Rural Development Office
Attn: Rebecca Southworth
1835 Black Lake Blvd., Suite C
Olympia, WA 98512

In accordance with the criteria specified in Section 5; Paragraph 4.32 C. of the USDA Rural Development Handbook (HB-2-3560) for the year ended **June 30, 2014**, the borrower must self-certify that **WINDSONG APARTMENTS** is in compliance with the nine performance standards. The following is a summary of our compliance with the performance standards.

1. The required accounts are properly maintained and tracked separately. The accounts we maintain are marked below

☒ Operating Account

☒ Security Deposits

☐ Tax & Insurance Account

☒ Reserve Account

☐ Other Accounts: _____

2. The payments from operating account(s) are disclosed accurately represented.
3. The reserve account(s):
 - a. is on schedule with the Agency required minimum funding requirements;
 - b. is maintained in a supervised bank account that requires the Agency's countersignature on all withdrawals;
 - c. is on schedule with contributions to the reserve account for the current year with the Agency required minimum funding; and
 - d. has no encumbrances on the reserve funds.
4. The tenant security deposits accounts are fully funded and are not maintained in separate accounts. *These funds are pooled, but tracked separately.*
5. The payment of owner return was:

☐ paid in the amount of \$ _____ for 2014 fiscal year end and was in accordance with the Agency's requirements OR

☐ not paid during the reporting year OR

☐ not allowable due to our nonprofit status OR

✓ not allowable due to our nonprofit status. A Non-Profit asset management fee in the amount of \$2,101 was *accrued and expensed* in the 2014 fiscal year. *Housing Kitsap obtains approval from Rural Development before the funds are released.*

6. The borrower has maintained proper insurance in accordance with the requirements in 7 CFR 3560.105. Coverage maintained for **WINDSONG APARTMENTS** is as follows:

<u>✓</u> Liability Insurance	<u> </u> Flood Insurance
<u>✓</u> Property Insurance	<u> </u> Earthquake Insurance
<u>✓</u> Fidelity Bond	<u> </u> Other _____

7. All financial records are adequate and suitable for examination.
8. There have been no changes in the ownership of **WINDSONG APARTMENTS**, other than those approved by the Agency and identified in the certification. The board of Directors is active and maintains oversight responsibilities for the project.
9. The real estate taxes (property taxes) are paid in accordance with state and/or local requirements. As of June 30, 2014, there are no delinquent real estate taxes (property taxes). *This project is exempt from property taxes.*

I certify that the above is true, accurate and is properly supported by documentation kept in our files.



Judy Henry
Interim Executive Director/Director of Finance

NOTE TO BORROWER: *If the project is not in compliance with any of the above Performance Standards, you must state that you are not in compliance with the standard and provide the Agency with a statement about the non-compliance and the methods taken to correct the non-compliance.*

Form RD 3560-10
(02-05)

Position 3
**MULTI-FAMILY HOUSING
BORROWER BALANCE SHEET**
PART I - BALANCE SHEET

FORM APPROVED
OMB NO. 0575-0189

PROJECT NAME	BORROWER NAME	BORROWER ID AND PROJECT NO.
Windsong	Kitsap County Consolidated HA	551170445-05-5

	BEGINNING DATES> (07-01-2013)	PRIOR YEAR (07-01-2012)	COMMENTS
ASSETS	ENDING DATES> (06-30-2014)	(06-30-2013)	

CURRENT ASSETS

1. GENERAL OPERATING ACCOUNT	17,925.00	\$37,735.00	
2. R.E. TAX & INSURANCE ACCOUNT	0.00		Not Applicable
3. RESERVE ACCOUNT	116,506.00	102,972.00	
4. SECURITY DEPOSIT ACCOUNT	17,569.00	19,382.00	
5. OTHER CASH (<i>identify</i>)	150.00	250.00	Petty Cash
6. OTHER (<i>identify</i>)			
7. TOTAL ACCOUNTS RECEIVABLE (<i>Attach list</i>)	13,092.00	11,952.00	
..... ACCTS RCVBL 0-30 DAYS \$ 12,179.00		11,286.00	
ACCTS RCVBL 30-60 DAYS \$		0.00	
ACCTS RCVBL 60-90 DAYS \$			
ACCTS RCVBL OVER 90 DAYS \$ 913.00		666.00	
8. LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS.	(913.00)	(\$666.00)	
9. INVENTORIES (<i>supplies</i>)	(0.00)	(0.00)	
10. PREPAYMENTS	0.00		
11.			
12. TOTAL CURRENT ASSETS (<i>Add 1 thru 11</i>)	164,329.00	171,625.00	

FIXED ASSETS

13. LAND	254,657.00	254,657.00	
14. BUILDINGS	1,680,692.00	1,680,692.00	
15. LESS: ACCUMULATED DEPRECIATION	(378,869.00)	(334,116.00)	
16. FURNITURE & EQUIPMENT	1,231.00		
17. LESS: ACCUMULATED DEPRECIATION	(0.00)	(0.00)	
18. Land Improvements	59,478.00		
19. TOTAL FIXED ASSETS (<i>Add 13 thru 18</i>)	\$1,617,189.00	\$1,661,942.00	

OTHER ASSETS

20. Deposits In Transit	\$0.00	\$7,026.00	
21. TOTAL ASSETS (<i>Add 12, 19, and 20</i>)	\$1,781,518.00	\$1,840,593.00	

LIABILITIES AND OWNERS EQUITY

CURRENT LIABILITIES

22. TOTAL ACCOUNTS PAYABLE (<i>Attach list</i>)	\$22,959.00	\$92,533.00	
..... ACCTS PAYABLE 0-30 DAYS \$ 12,983.00		82,557.00	
ACCTS PAYABLE 30-60 DAYS \$			
ACCTS PAYABLE 60-90 DAYS \$			
ACCTS PAYABLE OVER 90 DAYS \$ 9,976.00			
23. NOTES PAYABLE (<i>Attach list</i>)	0.00		
24. SECURITY DEPOSITS	17,205.00	16,520.00	
25. TOTAL CURRENT LIABILITIES (<i>Add 22 thru 24</i>)	\$40,164.00	\$109,053.00	

LONG-TERM LIABILITIES

26. NOTES PAYABLE RURAL DEVELOPMENT

27. OTHER (*Identify*) Anchor Bank & WADOC Loans28. **TOTAL LONG-TERM LIABILITIES** (*Add 26 and 27*)29. **TOTAL LIABILITIES** (*Add 25 and 28*)30. OWNER'S EQUITY (Net Worth) (21 *minus* 29)31. **TOTAL LIABILITIES AND OWNER'S EQUITY**
(*Add 29 and 30*)

\$242,057.00	\$251,167.00	
1,110,245.00	1,130,859.00	
1,352,302.00	1,382,026.00	
1,392,466.00	1,491,079.00	
(389,052.00)	(349,514.00)	
\$1,781,518.00	\$1,840,593.00	

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction any of department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

09-26-2014

(Date)

(Signature of Borrower or Borrower's Representative)

Interim Executive Director/Director of Finance

(Title)

PART II - VERIFICATION OF REVIEW

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 1930-7, is a fair presentation of the borrower's records.

I/We certify that no identity of interest exists between me/us and any individual or organization doing business with the project or borrower.

(Date)

(Signature)

(Name and Title)

(Address)

☐ In lieu of the above verification and signature, a review completed, dated and signed by a person or firm qualified by I license or certification is attached.

MULTIPLE FAMILY HOUSING PROJECT BUDGET/ UTILITY ALLOWANCE

PROJECT NAME Windsong		BORROWER NAME Kitsap County Consolidated HA		BORROWER ID AND PROJECT NO. 551170445 05-5	
Loan/Transfer Amount \$ 310,111.50		Note Rate Payment \$ 2,457.65		IC Payment \$ 1,186.16	
Reporting Period <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly	Budget Type <input type="checkbox"/> Initial <input checked="" type="checkbox"/> Regular Report <input type="checkbox"/> Rent Change <input type="checkbox"/> SMR <input type="checkbox"/> Other Servicing	Project Rental Type <input checked="" type="checkbox"/> Family <input checked="" type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> LH	Profit Type <input type="checkbox"/> Full Profit <input type="checkbox"/> Limited Profit <input checked="" type="checkbox"/> Non-Profit	The following utilities are master metered: <input type="checkbox"/> Electricity <input type="checkbox"/> Gas <input checked="" type="checkbox"/> Water <input checked="" type="checkbox"/> Sewer <input checked="" type="checkbox"/> Trash <input type="checkbox"/> Other _____	<input type="checkbox"/> I hereby request _____ units of RA. Current number of RA units _____. Borrower Accounting Method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual

PART I-CASH FLOW STATEMENT

	CURRENT BUDGET 07-01-2013 06-30-2014	ACTUAL 07-01-2013 06-30-2014	PROPOSED BUDGET 07-01-2014 06-30-2015	COMMENTS or (YTD)
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME	262,320.00	126,065.00	262,320.00	See Comments.
2. RHS RENTAL ASSISTANCE RECEIVED		132,738.00		
3. APPLICATION FEES RECEIVED		0.00		
4. LAUNDRY AND VENDING	3,000.00	2,853.00	3,000.00	
5. INTEREST INCOME	115.00	71.00	115.00	See Comments.
6. TENANT CHARGES	2,100.00	315.00	2,100.00	See Comments.
7. OTHER -PROJECT SOURCES	0.00	0.00	0.00	
8. LESS (Vacancy and Contingency Allowance)	(9,181.00)		(10,493.00)	
9. LESS (Agency Approved Incentive Allowance)	()		()	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)]	258,354.00	262,042.00	257,042.00	
NON-OPERATIONAL CASH SOURCES				
11. CASH-NON PROJECT	0.00	0.00	0.00	
12. AUTHORIZED LOAN (Non-RHS)	0.00	0.00	0.00	
13. TRANSFER FROM RESERVE	6,500.00	0.00	7,000.00	
14. SUB-TOTAL (11 thru 13)	6,500.00	0.00	7,000.00	
15. TOTAL CASH SOURCES (10+14)	264,854.00	262,042.00	264,042.00	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES (From Part II)	141,222.00	121,727.00	176,846.00	
17. RHS DEBT PAYMENT	14,234.00	14,234.00	14,234.00	
18. RHS PAYMENT (Overage)		58.00		
19. RHS PAYMENT (Late Fee)		0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES		0.00		
21. TENANT UTILITY PAYMENTS		0.00		
22. TRANSFER TO RESERVE	13,500.00	13,534.00	13,500.00	See Comments.
23. RETURN TO OWNER/NP ASSET MANAGEMENT FEE	7,500.00	2,101.00	7,500.00	See Comments.
24. SUB-TOTAL (16 thru 23)	176,456.00	151,654.00	212,080.00	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	73,952.00	73,952.00	73,952.00	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6)	6,500.00	0.00	7,000.00	
27. MISCELLANEOUS	0.00	0.00	0.00	
28. SUB-TOTAL (25 thru 27)	80,452.00	73,952.00	80,952.00	
29. TOTAL CASH USES (24+28)	256,908.00	225,606.00	293,032.00	
30. NET CASH (DEFICIT) (15- 29)	7,946.00	36,436.00	(28,990.00)	
CASH BALANCE				
31. BEGINNING CASH BALANCE	45,132.00	37,985.00	63,832.00	
32. ACCRUAL TO CASH ADJUSTMENT		(56,346.00)		See Comments.
33. ENDING CASH BALANCE (30+31+32)	53,078.00	18,075.00	34,842.00	

According to the Paperwork Reduction Act of 1995, an agency may not conduct sponsor and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PART II-OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL	16,290.00	14,751.00	16,625.00	See Comments.
2. MAINTENANCE AND REPAIRS SUPPLY	8,500.00	3,269.00	9,000.00	See Comments.
3. MAINTENANCE AND REPAIRS CONTRACT	3,080.00	83.00	3,250.00	See Comments.
4. PAINTING	0.00	0.00	0.00	
5. SNOW REMOVAL	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT	0.00	0.00	0.00	
7. GROUNDS	9,420.00	5,310.00	10,040.00	See Comments.
8. SERVICES	2,185.00	1,926.00	1,980.00	
9. ANNUAL CAPITAL BUDGET (From Part V- Operating)	3,000.00	1,300.00	36,160.00	
10. OTHER OPERATING EXPENSES (Itemize)	0.00	0.00	0.00	
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10)	42,475.00	26,639.00	77,055.00	
12. ELECTRICITY } <i>If master metered</i>	3,210.00	2,704.00	3,210.00	See Comments.
13. WATER } <i>check box on</i>	3,780.00	3,600.00	3,810.00	
14. SEWER } <i>front.</i>	14,747.00	15,358.00	16,115.00	See Comments.
15. FUEL (Oil/Coal/Gas)	0.00	0.00	0.00	
16. GARBAGE & TRASH REMOVAL	6,300.00	6,338.00	6,490.00	
17. OTHER UTILITIES	0.00	0.00	0.00	
18. SUB-TOTAL UTILITIES (12 Thru 17)	28,037.00	28,000.00	29,625.00	
19. SITE MANAGEMENT PAYROLL	18,285.00	17,053.00	18,040.00	See Comments.
20. MANAGEMENT FEE	23,112.00	22,898.00	23,112.00	
21. PROJECT AUDITING EXPENSE	2,703.00	2,239.00	2,780.00	
22. PROJECT BOOKKEEPING/ACCOUNTING	0.00	0.00	0.00	
23. LEGAL EXPENSES	750.00	0.00	750.00	See Comments.
24. ADVERTISING	500.00	633.00	720.00	
25. TELEPHONE & ANSWERING SERVICE	2,700.00	1,781.00	1,775.00	See Comments.
26. OFFICE SUPPLIES	600.00	439.00	475.00	
27. OFFICE FURNITURE & EQUIPMENT	350.00	200.00	0.00	
28. TRAINING EXPENSE	695.00	52.00	760.00	See Comments.
29. HEALTH INS. & OTHER EMP. BENEFITS	13,670.00	15,091.00	16,331.00	See Comments.
30. PAYROLL TAXES	3,500.00	820.00	1,353.00	See Comments.
31. WORKMAN'S COMPENSATION	750.00	1,530.00	718.00	See Comments.
32. OTHER ADMINISTRATIVE EXPENSES (Itemize)	420.00	1,704.00	652.00	See Comments.
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32)	68,035.00	64,440.00	67,466.00	
34. REAL ESTATE TAXES	0.00	0.00	0.00	
35. SPECIAL ASSESSMENTS	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES& PERMITS	0.00	0.00	0.00	
37. PROPERTY& LIABILITY INSURANCE	2,625.00	2,648.00	2,700.00	
38. FIDELITY COVERAGE INSURANCE	50.00	0.00	0.00	
39. OTHER INSURANCE	0.00	0.00	0.00	
40. SUB-TOTAL TAXES& INSURANCE (34 thru 39)	2,675.00	2,648.00	2,700.00	
41. TOTAL O&M EXPENSES (11 +18+33+40)	141,222.00	121,727.00	176,846.00	

PART III-ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	101,700.00	102,972.00	116,508.00	
2. TRANSFER TO RESERVE	13,500.00	13,534.00	13,500.00	
TRANSFER FROM RESERVE				
3. OPERATING DEFICIT	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET (<i>Part V - Reserve</i>)	6,500.00	0.00	7,000.00	
5. BUILDING & EQUIPMENT REPAIR	0.00	0.00	0.00	
6. OTHER NON-OPERATING EXPENSES	0.00	0.00	0.00	
7. TOTAL (3 thru 6)	(6,500.00)	(0.00)	(7,000.00)	
8. ENDING BALANCE [(1 +2)-7]	108,700.00	116,506.00	123,008.00	

GENERAL OPERATING ACCOUNT:*

BEGINNING BALANCE

ENDING BALANCE

37,985.00
18,075.00

**REAL ESTATE TAX AND INSURANCE ESCROW
ACCOUNT:***

BEGINNING BALANCE

ENDING BALANCE

TENANT SECURITY DEPOSIT ACCOUNT:*

BEGINNING BALANCE

ENDING BALANCE

19,382.00
17,568.00

(*Complete upon submission of actual expenses.)

NUMBER OF APPLICANTS ON THE WAITING LIST 68

NUMBER OF APPLICANTS NEEDING RA 68

68
68

RESERVE ACCT. REQ. BALANCE 116,506.00

AMOUNT AHEAD/BEHIND 34.00

116,506.00
34.00

PART IV-RENT SCHEDULE AND UTILITY ALLOWANCE

A CURRENT APPROVED RENTS/ UTILITY ALLOWANCE

UNIT DESCRIPTION			RENTAL RATE S			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
2	N	7	685.00	757.00	0.00	57,540.00	63,588.00	0.00	78.00
2	N	1	685.00	757.00	0.00	8,220.00	9,084.00	0.00	78.00
1	N	28	585.00	614.00	0.00	196,560.00	206,304.00	0.00	55.00
CURRENT RENT TOTALS:						\$262,320.00	\$278,976	\$0.00	
						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: 07-01-2014

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
2	N	7	685.00	757.00	0.00	57,540.00	63,588.00	0.00
1	N	28	585.00	614.00	0.00	196,560.00	206,304.00	0.00
2	N	1	685.00	757.00	0.00	8,220.00	9,084.00	0.00
								0.00
								0.00
								0.00
								0.00
								0.00
PROPOSED RENT TOTALS:						262,320.00	278,976.00	0.00
						BASIC	NOTE	HUD

C: PROPOSED UTILITY ALLOWANCE - Effective Date: 07-01-2014

MONTHLY DOLLAR ALLOWANCES									
BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
2			82.00						82.00
1			55.00						55.00
2			82.00						82.00

PART V - ANNUAL CAPITAL BUDGET

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
Appliances:							
Range	4	1,000		1,000			
Refrigerator	3	1,500					
Range Hood							
Washers & Dryers							
Other:							
Carpet & Vinyl:							
1BR	3	3,000		1,500	1,300	1,300	
2BR							
3BR							
4BR							
Other:							
Cabinets:							
Kitchens							
Bathrooms							
Other:							
Doors:							
Exterior							
Interior							
Other:							
Window Coverings:							
List:							
Other:							
Heating & Air Conditioning:							
Heating							
Air Conditioning							
Other:							
Plumbing:							
Water Heater	1	1,000					
Bath Sinks							
Kitchen Sinks							
Faucets							
Toilets							
Other							
Major Electrical:							
List:							
Other:							
Structures:							
Windows							
Screens							
Walls							
Roofing							
Siding							
Exterior Painting							
Other							
Paving:							
Asphalt							
Concrete							
Seal & Stripe							
Other:							
Landscape & Grounds:							
Landscaping							
Lawn Equipment							
Fencing							
Recreation Area							
Signs							
Other:							
Accessibility Features:							
List:				500			
Other:							
Automation Equipment:							
Site Management							
Common Area							
Other:							
Other:							
List:							
List:							
List:							
TOTAL CAPITAL EXPENSES:		6,500		3,000	1,300	1,300	

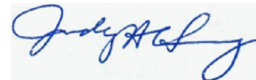
PART VI -- SIGNATURES, DATES AND COMMENTS

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

09-24-2014

(DATE)



(Signature of Borrower or Borrower's Representative)

Interim Executive Director/Director of Finance

(Title)

AGENCY APPROVAL (*Rural Development Approval Official*):

DATE:

COMMENTS:

Part 1 line 1: Rental Income includes \$5,099 in HUD Section-8 Rental Subsidy. Favorable variance in Rental Income of due to actual vacancy rate of .8% compared to budgeted vacancy rate of 3.5%.

Part 1 line 5: Interest Income is under budget by \$44 due to less than expected interest income earned.

Part 1 line 6: Tenant Charges is under budget by \$1,785 due to actual vacancy rate of .8% compared to budgeted vacancy rate of 3.5%.

Part 1 line 22: Transfer To Reserves include FY 2014 required deposits plus interest.

Part 1 line 23: NP fee is accrued and expensed based on actual. Then a formal request will be made for the NP fee payment.

Part 1 line 32: Accounts Receivable (\$893); Accounts Payable (\$60,429); Security Deposits \$2,499; Prepaid Rents \$2,438; Prior Period Adj./Misc. Income \$39.

Part 2 line 1: Maintenance & Repairs Payroll is under budget by \$1,539 due to fewer maintenance staff hours charged to Windsong than budgeted and more maintenance hours charged to Fjord Manor than budgeted.

Part 2 line 2: Maintenance & Repairs Supply is under budget by \$5,231 due to fewer unit turns as actual vacancy rate of .8% compared to budgeted vacancy rate of 3.5%.

Part 2 line 3: Maintenance & Repairs Contract budget was held constant from prior year budget. Actual is under budget by \$2,997 as some planned exterior maintenance projects weren't completed.

Part 2 line 7: Grounds budget was held constant from prior year budget. Actual is under budget by \$4,110 as additional services above and beyond lawn mowing weren't needed.

Part 2 line 12: Electricity is under budget by \$506 due to less than expected electricity usage.

Part 2 line 14: Sewer is over budget by \$611 due to unbudgeted increase in base rate effective 1/1/2014.

Part 2 line 19: Site Management Payroll is under budget by \$1,232 due to reduction of FTE with change in management effective 7/1/2013 and fewer staff hours charged to Windsong than budgeted and more staff hours charged to Fjord Manor than budgeted.

PART VI – COMMENTS (CONTINUED)

Part 2 line 23: Legal Expenses is under budget by \$750 due to no legal services needed for FY 2014.

Part 2 line 25: Telephone & Answering Service is under budget by \$919 to change in management on July 1, 2013 at the project.

Part 2 line 28: Training Expense is under budget by \$643 due to change in management on July 1, 2013 at the project.

Part 2 line 29: Health Ins. & Other Emp. Benefits are over budget by \$1,421 due to change in management on July 1, 2013 at the project. Medical benefits provided by HK are more expensive than those provided by former third party property manager.

Part 2 line 30: Payroll Taxes are under budget by \$2,680 due to reduction of FTE with change in management effective 7/1/2013 and decrease in actual hours charged to Windsong by site manager and site maintenance staff compared to what was budgeted.

Part 2 line 31: Workman's Compensation is over budget by \$780 due to change in management on July 1, 2013 at the project.

Part 2 line 32: Other Administrative Expenses is over budget by \$1,284 due to change in management on July 1, 2013 at the project. Expenses included: Sundry \$776; Membership Dues \$158; Screening Fee \$199; Bank Charge \$277; Tenant Activities \$48; Bad Debt \$247.

Board of Commissioners
Chair Tim Matthes
Vice Chair Charlotte Garrido
Nancy Christensen
Becky Erickson
Robert Gelder
Linda Streissguth
Val Tollefson

Interim Executive Director
Judy Henry



345 6th Street Suite 100
Bremerton, WA 98337-1891

Phone (360) 535.6100
Fax (360) 535.6107
TDD (360) 535.6106

<http://www.housingkitsap.org>

September 29, 2014

USDA Rural Development Office
Attn: Rebecca Southworth
1835 Black Lake Blvd., Suite C
Olympia, WA 98512

In accordance with the criteria specified in Section 5; Paragraph 4.32 C. of the USDA Rural Development Handbook (HB-2-3560) for the year ended **June 30, 2014**, the borrower must self-certify that **FINCH PLACE APARTMENTS** is in compliance with the nine performance standards. The following is a summary of our compliance with the performance standards.

1. The required accounts are properly maintained and tracked separately. The accounts we maintain are marked below

☒ Operating Account

☒ Security Deposits

☐ Tax & Insurance Account

☒ Reserve Account

☐ Other Accounts: _____

2. The payments from operating account(s) are disclosed accurately represented.
3. The reserve account(s):
 - a. is on schedule with the Agency required minimum funding requirements;
 - b. is maintained in a supervised bank account that requires the Agency's countersignature on all withdrawals;
 - c. is on schedule with contributions to the reserve account for the current year with the Agency required minimum funding; and
 - d. has no encumbrances on the reserve funds.
4. The tenant security deposits accounts are fully funded and are not maintained in separate accounts. *These funds are pooled, but tracked separately.*
5. The payment of owner return was:

☐ paid in the amount of \$ _____ for 2014 fiscal year end and was in accordance with the Agency's requirements OR

☐ not paid during the reporting year OR

☐ not allowable due to our nonprofit status OR

✓ not allowable due to our nonprofit status. A Non-Profit asset management fee in the amount of \$1,358 was *accrued and expensed* for 2014 fiscal year. *Housing Kitsap obtains approval from Rural Development before the funds are released.*

6. The borrower has maintained proper insurance in accordance with the requirements in 7 CFR 3560.105. Coverage maintained for **FINCH PLACE APARTMENTS** is as follows:

<u>✓</u> Liability Insurance	<u> </u> Flood Insurance
<u>✓</u> Property Insurance	<u> </u> Earthquake Insurance
<u>✓</u> Fidelity Bond	<u> </u> Other _____

7. All financial records are adequate and suitable for examination.
8. There have been no changes in the ownership of **FINCH PLACE APARTMENTS**, other than those approved by the Agency and identified in the certification. The board of Directors is active and maintains oversight responsibilities for the project.
9. The real estate taxes (property taxes) are paid in accordance with state and/or local requirements. As of June 30, 2014, there are no delinquent real estate taxes (property taxes). *This project is exempt from property taxes.*

I certify that the above is true, accurate and is properly supported by documentation kept in our files.



Judy Henry
Interim Executive Director/Director of Finance

NOTE TO BORROWER: *If the project is not in compliance with any of the above Performance Standards, you must state that you are not in compliance with the standard and provide the Agency with a statement about the non-compliance and the methods taken to correct the non-compliance.*

Position 3
**MULTI-FAMILY HOUSING
BORROWER BALANCE SHEET**
PART I - BALANCE SHEET

PROJECT NAME Finch Place	BORROWER NAME Kitsap County Cosolidated HA	BORROWER ID AND PROJECT NO. 551170445-06-7
-----------------------------	---	---

	BEGINNING DATES> (07-01-2013)	CURRENT YEAR (06-30-2014)	PRIOR YEAR (07-01-2012) (06-30-2013)	COMMENTS
ENDING DATES>				

ASSETS

CURRENT ASSETS

1. GENERAL OPERATING ACCOUNT		105,004.00	\$80,769.00	
2. R.E. TAX & INSURANCE ACCOUNT		0.00	0.00	Not Applicable
3. RESERVE ACCOUNT		172,624.00	147,859.00	
4. SECURITY DEPOSIT ACCOUNT		20,911.00	16,435.00	
5. OTHER CASH (<i>identify</i>)		150.00	250.00	Petty Cash
6. OTHER (<i>identify</i>)		0.00	0.00	
7. TOTAL ACCOUNTS RECEIVABLE (<i>Attach list</i>)		7,362.00	7,603.00	
..... ACCTS RCVBL 0-30 DAYS \$ 7,192.00			7,603.00	
ACCTS RCVBL 30-60 DAYS \$			0.00	
ACCTS RCVBL 60-90 DAYS \$			0.00	
ACCTS RCVBL OVER 90 DAYS \$ 170.00			0.00	
8. LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS.		(170.00)	\$0.00	
9. INVENTORIES (<i>supplies</i>)		(0.00)	(0.00)	
10. PREPAYMENTS		0.00	0.00	
11.		0.00	10,792.00	
12. TOTAL CURRENT ASSETS (<i>Add 1 thru 11</i>)		305,881.00	263,708.00	

FIXED ASSETS

13. LAND		588,381.00	588,381.00	
14. BUILDINGS		1,303,469.00	1,289,174.00	
15. LESS: ACCUMULATED DEPRECIATION		(230,448.00)	(197,243.00)	
16. FURNITURE & EQUIPMENT		0.00	0.00	
17. LESS: ACCUMULATED DEPRECIATION		(0.00)	(0.00)	
18.		0.00	0.00	
19. TOTAL FIXED ASSETS (<i>Add 13 thru 18</i>)		\$1,661,402.00	\$1,680,312.00	

OTHER ASSETS

20. <u>Permanent Loan Cost Net of Amortization</u>		\$0.00	\$38,502.00	
21. TOTAL ASSETS (<i>Add 12, 19, and 20</i>)		\$1,967,283.00	\$1,982,522.00	

LIABILITIES AND OWNERS EQUITY

CURRENT LIABILITIES

22. TOTAL ACCOUNTS PAYABLE (<i>Attach list</i>)		\$29,142.00	\$25,266.00	
..... ACCTS PAYABLE 0-30 DAYS \$ 16,113.00			10,041.00	
ACCTS PAYABLE 30-60 DAYS \$			0.00	
ACCTS PAYABLE 60-90 DAYS \$			0.00	
ACCTS PAYABLE OVER 90 DAYS \$ 13,029.00			15,225.00	FY12-13 NP Fee
23. NOTES PAYABLE (<i>Attach list</i>)		0.00	0.00	
24. SECURITY DEPOSITS		16,531.00	15,291.00	
25. TOTAL CURRENT LIABILITIES (<i>Add 22 thru 24</i>)		\$45,673.00	\$40,557.00	

LONG-TERM LIABILITIES

26. NOTES PAYABLE RURAL DEVELOPMENT

27. OTHER (*Identify*) Housing Assistance Council Loan28. **TOTAL LONG-TERM LIABILITIES** (*Add 26 and 27*)29. **TOTAL LIABILITIES** (*Add 25 and 28*)30. OWNER'S EQUITY (Net Worth) (*21 minus 29*)31. **TOTAL LIABILITIES AND OWNER'S EQUITY**
(*Add 29 and 30*)

\$948,684.00	\$953,666.00	
416,405.00	429,795.00	
1,365,089.00	1,383,461.00	
1,410,762.00	1,424,018.00	
(556,521.00)	(558,504.00)	
\$1,967,283.00	\$1,982,522.00	

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction any of department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

09-29-2014

(Date)



(Signature of Borrower or Borrower' Representative)

Interim Executive Director/Director of Finance

(Title)

PART II - VERIFICATION OF REVIEW

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 1930-7, is a fair presentation of the borrower's records.

I/We certify that no identity of interest exists between me/us and any individual or organization doing business with the project or borrower.

(Date)

(Signature)

(Name and Title)

(Address)

☐ In lieu of the above verification and signature, a review completed, dated and signed by a person or firm qualified by I license or certification is attached.

MULTIPLE FAMILY HOUSING PROJECT BUDGET/ UTILITY ALLOWANCE

(Rev. 05-06)

PROJECT NAME Finch Place		BORROWER NAME Kitsap County Consolidated HA		BORROWER ID AND PROJECT NO. 551170445 06-7	
Loan/Transfer Amount \$ 978,810.78		Note Rate Payment \$ 4,974.04		IC Payment \$ 2,076.37	
Reporting Period <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly	Budget Type <input type="checkbox"/> Initial <input checked="" type="checkbox"/> Regular Report <input type="checkbox"/> Rent Change <input type="checkbox"/> SMR <input type="checkbox"/> Other Servicing	Project Rental Type <input checked="" type="checkbox"/> Family <input checked="" type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> LH	Profit Type <input type="checkbox"/> Full Profit <input type="checkbox"/> Limited Profit <input checked="" type="checkbox"/> Non-Profit	The following utilities are master metered: <input type="checkbox"/> Electricity <input type="checkbox"/> Gas <input checked="" type="checkbox"/> Water <input checked="" type="checkbox"/> Sewer <input checked="" type="checkbox"/> Trash <input type="checkbox"/> Other _____	
				<input type="checkbox"/> I hereby request _____ units of RA. Current number of RA units _____. Borrower Accounting Method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual	

PART I-CASH FLOW STATEMENT

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
BEGINNING DATES>	07-01-2013	07-01-2013	07-01-2014	
ENDING DATES>	06-30-2014	06-30-2014	06-30-2015	
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME	212,016.00	113,502.00	219,588.00	See Comments.
2. RHS RENTAL ASSISTANCE RECEIVED		91,194.00		
3. APPLICATION FEES RECEIVED		0.00		
4. LAUNDRY AND VENDING	2,000.00	2,089.00	2,000.00	
5. INTEREST INCOME	120.00	81.00	100.00	See Comments.
6. TENANT CHARGES	500.00	987.00	500.00	See Comments.
7. OTHER -PROJECT SOURCES	0.00	0.00	0.00	
8. LESS (Vacancy and Contingency Allowance)	(5,300.00)		(7,488.00)	
9. LESS (Agency Approved Incentive Allowance)	()		()	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)]	209,336.00	207,853.00	214,700.00	
NON-OPERATIONAL CASH SOURCES				
11. CASH-NON PROJECT	0.00	0.00	0.00	
12. AUTHORIZED LOAN (Non-RHS)	0.00	0.00	0.00	
13. TRANSFER FROM RESERVE	6,500.00	14,295.00	1,500.00	
14. SUB-TOTAL (11 thru 13)	6,500.00	14,295.00	1,500.00	
15. TOTAL CASH SOURCES (10+14)	215,836.00	222,148.00	216,200.00	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES (From Part II)	144,416.00	107,259.00	185,650.00	
17. RHS DEBT PAYMENT	24,916.00	24,916.00	24,916.00	
18. RHS PAYMENT (Overage)		1,239.00		
19. RHS PAYMENT (Late Fee)		0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES		0.00		
21. TENANT UTILITY PAYMENTS		0.00		
22. TRANSFER TO RESERVE	14,000.00	39,059.00	14,000.00	See Comments.
23. RETURN TO OWNER/NP ASSET MANAGEMENT FEE	7,500.00	1,358.00	7,500.00	See Comments.
24. SUB-TOTAL (16 thru 23)	190,832.00	173,831.00	232,066.00	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	26,135.00	26,135.00	26,135.00	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6)	6,500.00	14,295.00	1,500.00	
27. MISCELLANEOUS	0.00	0.00	0.00	
28. SUB-TOTAL (25 thru 27)	32,635.00	40,430.00	27,635.00	
29. TOTAL CASH USES (24+28)	223,467.00	214,261.00	259,701.00	
30. NET CASH (DEFICIT) (15- 29)	(7,631.00)	7,887.00	(43,501.00)	
CASH BALANCE				
31. BEGINNING CASH BALANCE	85,454.00	81,019.00	82,720.00	
32. ACCRUAL TO CASH ADJUSTMENT		16,248.00		See Comments.
33. ENDING CASH BALANCE (30+31+32)	77,823.00	105,154.00	39,219.00	

According to the Paperwork Reduction Act of 1995, an agency may not conduct sponsor and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PART II-OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL	11,185.00	7,015.00	11,490.00	See Comments.
2. MAINTENANCE AND REPAIRS SUPPLY	6,700.00	3,423.00	6,500.00	See Comments.
3. MAINTENANCE AND REPAIRS CONTRACT	5,400.00	305.00	5,850.00	See Comments.
4. PAINTING	0.00	0.00	0.00	
5. SNOW REMOVAL	0.00	0.00	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT	3,400.00	3,284.00	3,430.00	
7. GROUNDS	2,000.00	2,410.00	3,930.00	
8. SERVICES	4,380.00	3,724.00	4,475.00	
9. ANNUAL CAPITAL BUDGET (From Part V- Operating)	9,000.00	3,583.00	54,200.00	
10. OTHER OPERATING EXPENSES (Itemize)	0.00	0.00	0.00	
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10)	42,065.00	23,744.00	89,875.00	
12. ELECTRICITY } <i>If master metered</i>	9,865.00	9,662.00	9,865.00	
13. WATER } <i>check box on</i>	4,255.00	3,142.00	2,985.00	
14. SEWER } <i>front.</i>	20,460.00	18,951.00	22,076.00	See Comments.
15. FUEL (Oil/Coal/Gas)	0.00	0.00	0.00	
16. GARBAGE & TRASH REMOVAL	6,005.00	4,454.00	5,000.00	See Comments.
17. OTHER UTILITIES	1,615.00	1,616.00	0.00	Storm Water Fee
18. SUB-TOTAL UTILITIES (12 Thru 17)	42,200.00	37,825.00	39,926.00	
19. SITE MANAGEMENT PAYROLL	18,185.00	9,690.00	11,205.00	See Comments.
20. MANAGEMENT FEE	17,976.00	17,762.00	18,618.00	
21. PROJECT AUDITING EXPENSE	2,190.00	1,914.00	2,250.00	
22. PROJECT BOOKKEEPING/ACCOUNTING	0.00	0.00	0.00	
23. LEGAL EXPENSES	250.00	0.00	500.00	See Comments.
24. ADVERTISING	250.00	595.00	876.00	See Comments.
25. TELEPHONE & ANSWERING SERVICE	3,445.00	2,872.00	2,800.00	See Comments.
26. OFFICE SUPPLIES	250.00	878.00	425.00	See Comments.
27. OFFICE FURNITURE & EQUIPMENT	0.00	0.00	0.00	
28. TRAINING EXPENSE	690.00	84.00	760.00	See Comments.
29. HEALTH INS. & OTHER EMP. BENEFITS	7,950.00	4,612.00	13,562.00	See Comments.
30. PAYROLL TAXES	3,450.00	1,674.00	922.00	See Comments.
31. WORKMAN'S COMPENSATION	2,455.00	2,070.00	681.00	See Comments.
32. OTHER ADMINISTRATIVE EXPENSES (Itemize)	735.00	1,257.00	925.00	See Comments.
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32)	57,826.00	43,408.00	53,524.00	
34. REAL ESTATE TAXES	0.00	0.00	0.00	
35. SPECIAL ASSESSMENTS	0.00	0.00	0.00	
36. OTHER TAXES, LICENSES& PERMITS	150.00	125.00	125.00	Business Licens
37. PROPERTY& LIABILITY INSURANCE	2,105.00	2,157.00	2,200.00	
38. FIDELITY COVERAGE INSURANCE	70.00	0.00	0.00	
39. OTHER INSURANCE	0.00	0.00	0.00	
40. SUB-TOTAL TAXES& INSURANCE (34 thru 39)	2,325.00	2,282.00	2,325.00	
41. TOTAL O&M EXPENSES (11 +18+33+40)	144,416.00	107,259.00	185,650.00	

PART III-ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	147,686.00	147,859.00	172,368.00	
2. TRANSFER TO RESERVE	14,000.00	39,059.00	14,000.00	
TRANSFER FROM RESERVE				
3. OPERATING DEFICIT	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET (<i>Part V - Reserve</i>)	6,500.00	14,295.00	1,500.00	
5. BUILDING & EQUIPMENT REPAIR	0.00	0.00	0.00	
6. OTHER NON-OPERATING EXPENSES	0.00	0.00	0.00	
7. TOTAL (3 thru 6)	(6,500.00)	(14,295.00)	(1,500.00)	
8. ENDING BALANCE [(1 +2)-7]	155,186.00	172,623.00	184,868.00	

GENERAL OPERATING ACCOUNT:*

BEGINNING BALANCE

ENDING BALANCE

81,019.00
105,154.00

**REAL ESTATE TAX AND INSURANCE ESCROW
ACCOUNT:***

BEGINNING BALANCE

ENDING BALANCE

TENANT SECURITY DEPOSIT ACCOUNT:*

BEGINNING BALANCE

ENDING BALANCE

16,435.00
20,911.00

(*Complete upon submission of actual expenses.)

NUMBER OF APPLICANTS ON THE WAITING LIST	167	RESERVE ACCT. REQ. BALANCE	147,569.00
NUMBER OF APPLICANTS NEEDING RA	167	AMOUNT AHEAD/BEHIND	25,055.00

PART IV-RENT SCHEDULE AND UTILITY ALLOWANCE

A CURRENT APPROVED RENTS/ UTILITY ALLOWANCE

UNIT DESCRIPTION			RENTAL RATE S			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
N	1	28	631.00	710.00	0.00	212,016.00	238,560.00	0.00	53.00
CURRENT RENT TOTALS:						\$212,016.00	\$238,560	\$0.00	
						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: 07-01-2014

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
1	N	29	631.00	710.00	0.00	219,588.00	247,080.00	0.00
								0.00
								0.00
								0.00
								0.00
								0.00
								0.00
								0.00
PROPOSED RENT TOTALS:						219,588.00	247,080.00	0.00
						BASIC	NOTE	HUD

C: PROPOSED UTILITY ALLOWANCE - Effective Date: 07-01-2014

MONTHLY DOLLAR ALLOWANCES									
BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
1			49.00						49.00

PART V - ANNUAL CAPITAL BUDGET

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
Appliances:							
Range	2	1,000			436	436	
Refrigerator	2	1,000					
Range Hood							
Washers & Dryers							
Other:							
Carpet & Vinyl:							
1BR	1	1,500			2,357	2,357	
2BR							
3BR							
4BR							
Other:							
Cabinets:							
Kitchens							
Bathrooms							
Other:							
Doors:							
Exterior							
Interior							
Other:							
Window Coverings:							
List:							
Other:							
Heating & Air Conditioning:							
Heating							
Air Conditioning							
Other:							
Plumbing:							
Water Heater							
Bath Sinks							
Kitchen Sinks							
Faucets							
Toilets							
Other							
Major Electrical:							
List:							
Other:							
Structures:							
Windows							
Screens							
Walls							
Roofing							
Siding							
Exterior Painting							
Other							
Paving:							
Asphalt							
Concrete							
Seal & Stripe							
Other:							
Landscape & Grounds:							
Landscaping		3,000					
Lawn Equipment							
Fencing							
Recreation Area							
Signs							
Other:							
Accessibility Features:							
List:			14,295	9,000		14,295	
Other:							
Automation Equipment:							
Site Management							
Common Area							
Other:							
Other:							
List:					790	790	
List:							
List:							
TOTAL CAPITAL EXPENSES:		6,500	14,295	9,000	3,583	17,878	

PART VI -- SIGNATURES, DATES AND COMMENTS

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

09-29-2014

(DATE)

(Signature of Borrower or Borrower's Representative)

Interim Executive Director/Director of Finance

(Title)

AGENCY APPROVAL (*Rural Development Approval Official*):

DATE: _____

COMMENTS:

Part 1 line 1: The Managers unit (Z unit) is not included in Rental Income. Vacancy rate higher than 2.5% budgeted.

Part 1 line 5: Interest Income is under budget by \$39 due to lower than expected interest income earned.

Part 1 line 6: Tenant Charges are over budget by \$487 due to vacate charges. Seven units vacated during FY 2014.

Part 1 line 22: Transfer to Reserves include FY 2014 required deposits plus interest. It also includes an excess of operating cash transferred of \$25,010.

Part 1 line 23: NP fee is accrued and expensed based on actual. Then a formal request will be made for the NP fee payment.

Part 1 line 32: Accounts Receivable \$411; Accounts Payable \$14,740; Security Deposits (\$3,236); Prepaid Rent \$19; Prior Period Adj./Misc. Income \$4,314.

Part 2 line 1: Maintenance and Repair Payroll is under budget by \$\$4,170 due to decrease in FTE related to staff turnover while Ad-West was still management agent.

Part 2 line 2: Maintenance and Repair Supply is under budget by \$3,277 due to change in management on January 1, 2014 at the project.

Part 2 line 3: Maintenance and Repair Contract is under budget by \$5,095. Exterior maintenance items, such as roof and gutter cleaning and exterior window washing were not completed as planned during FY 2014. These will be completed in FY 2015.

Part 2 line 14: Sewer is under budget by \$1,509 due to decrease in Bainbridge Island sewer rates.

Part 2 line 16: Garbage & Trash Removal is under budget by \$1,551 due to fewer trips to the Kitsap County dump to dispose of discarded / abandoned furniture.

Part 2 line 19: Site Management Payroll is under budget by \$8,495 due to decrease in FTE related to staff turnover while Ad-West was still management agent and on-going decrease in FTE due to change in management on January 1, 2014 at the project.

Part 2 line 23: Legal Expenses is under budget by \$250 due to no legal services needed for FY 2014.

Part 2 line 24: Advertising is over budget by \$345. Budget anticipated discontinuing weekly newspaper ads.



PART VI – COMMENTS (CONTINUED)

Part 2 line 25: Telephone & Answering Service is under budget by \$573 due to change in management; new HK site manager does not carry company provided cell phone.

Part 2 line 26: Office Supplies is over budget by \$628 due to inadequate budget; budget was reduced from \$750 in FY 2013 to \$250 in FY 2014.

Part 2 line 28: Training Expense is under budget by \$606 due to coding issue; Staff training costs were paid by HK using the property management fee.

Part 2 line 29: Health Ins. & Other Emp. Benefits are under budget by \$3,338 due to decrease in FTE related to staff turnover while Ad-West was still management agent and on-going decrease in FTE due to change in management on January 1, 2014 at the project.

Part 2 line 30: Payroll Taxes is under budget by \$1,776 due to decrease in FTE related to staff turnover while Ad-West was still management agent and on-going decrease in FTE due to change in management on January 1, 2014 at the project.

Part 2 line 31: Workman's Compensation is under budget by \$385 due to decrease in FTE related to staff turnover while Ad-West was still management agent and on-going decrease in FTE due to change in management on January 1, 2014 at the project.

Part 2 line 32: Other Administrative Expenses is over budget by \$522 due to change in management on January 1, 2014 at the project. Expenses included: Sundry \$1; Membership Dues \$274; Screening Fee \$308; Bank Charge \$472; Tenant Activities \$32; Bad Debt Expense \$170.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov