



**Office of the Washington State Auditor
Pat McCarthy**

December 14, 2023

Board of Commissioners
Housing Kitsap
Silverdale, Washington

**Contracted CPA Firm's Audit Report on Financial Statements and
Federal Single Audit**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements and compliance with federal grant requirements of Housing Kitsap for the fiscal year ended June 30, 2021. The Housing Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements or Housing Kitsap's compliance with federal grant agreements and, accordingly, we do not express an opinion on those financial statements or on compliance.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2021

**WITH
REPORT OF INDEPENDENT AUDITORS**

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
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FOR THE YEAR ENDED JUNE 30, 2021**

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REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners of
the Kitsap County Consolidated Housing Authority DBA Housing Kitsap:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities (primary government) of and the discretely presented component unit of the Kitsap County Consolidated Housing Authority DBA Housing Kitsap (the "Authority") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit (Kitsap Apartments 2006, L.P.). Those statements, which were prepared in accordance with the accounting standards issued by the Financial Accounting Standards Board, were audited by other auditors whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of the discretely presented component unit, to conform those financial statements to present in accordance with the accounting standards issued by the Governmental Accounting Standards Board. Our opinion, insofar as it relates to the amounts included for the discretely presented component unit, prior to these conversion adjustments, is based solely on the report of the other auditors. We did not audit the financial statements of the blended component unit (Railroad Avenue Associates, L.P.), which statements reflect total assets, net position, and operating revenues of 2.91%, 1.76%, and 0.80%, respectively, of the primary government totals. Those statements were audited by an other auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Railroad Avenue Associates, L.P. is based solely on the report of the other auditor. 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. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the 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 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.

Auditors' Responsibility (continued)

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

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 net position of the primary government and the discretely presented component unit of the Authority, as of June 30, 2021, and the changes in their net position and, where applicable, their cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of proportionate share of the net pension liability be presented to supplement the 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.

United States Department of Agriculture Section ("USDA") 502 Borrower Loan Accounts

In connection with our audit, nothing came to our attention that caused us to believe the Authority 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. We performed a review of three of twenty-six borrower files. 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 Authority's noncompliance with the above-referenced terms, covenants, provisions, or conditions, insofar as they related to accounting matters.

Restricted Use Relating to the USDA Section 502 Borrower Loan Accounts

The purpose of the communication related to compliance with the aforementioned USDA RD 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 Authority's compliance. Accordingly, this communication is not suitable for any other purpose.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements. The accompanying financial data schedule is also not a required part of the basic financial statements and is presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

Other Matters (continued)

The schedule of expenditures of federal awards and financial data schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 schedule of expenditures of federal awards and financial data schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2022 on our consideration of the 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 the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

Novogradec & Company LLP

July 14, 2022
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Housing Authority and Financial Statements

The Kitsap County Consolidated Housing Authority, DBA Housing Kitsap (the "Authority"), was created in 1982 as a municipal corporation, pursuant to the Revised Code of Washington (RCW) 35.82. The Authority is responsible for operating certain low-rent housing programs in Kitsap County (the "County"), which altogether, are identified as Primary Government.

The Discretely Presented Component Unit consists of Kitsap Apartments 2006, L.P. for which the Authority is the managing partner/member. The property is eligible for low-income housing tax credits. Separately issued financial statements can be provided by writing to the Authority.

The mission of the Authority is to provide affordable housing and homeownership opportunities to families and individuals within our local communities. Together with the support of the Board of Commissioners, employees, residents, and community members, we provide the foundation to create a safe place to call home.

The Authority presents its basic financial statements for the fiscal year ended June 30, 2021, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). GAAP requires the inclusion of three basic financial statements: The Statement of Net Position (balance sheet); the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. In addition, GAAP requires the inclusion of a Management's Discussion and Analysis ("MD&A") section as required supplementary information.

The basic financial statements provide both long-term and short-term information about the Authority's overall financial condition. The basic financial statements also include notes that explain financial data reported in the statements and provide more detailed information related to those balances. The statements are followed by a section of other supplementary information that further explains and supports the information in the basic financial statements, including information required to be reported by the Authority's main oversight agency, the U.S. Department of Housing and Urban Development ("HUD").

Financial Analysis

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Authority and its Component Units at the end of the fiscal year.

The purpose of the Statement of Net Position is to give the financial statement readers a snapshot of the fiscal condition of the Authority as of a certain point in time. It presents end-of-year data for assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

Financial Analysis (continued)

Total assets of the Primary Government at June 30, 2021 are \$62,717,595. Current assets are comprised of several categories. Cash and cash equivalents include the cash and investments maturing within 90 days. Accounts receivable include tenant receivables, receivables from other governments and receivables from component units. Prepaid expenses and inventory are also assets of the Authority. Non-current assets include capitalized costs, mortgages receivable, and certain investments held for operating and replacement reserves. Capital assets include land, buildings, construction in progress, equipment, and accumulated depreciation of those assets. Additionally, deferred outflows of resources related to GASB 68 total \$443,721.

Current assets of the Primary Government at June 30, 2021 increased approximately \$921 thousand from June 30, 2020, primarily due to a \$271 thousand increase in cash and cash equivalents and a \$472 thousand increase in accounts receivable. Other non-current assets of the Primary Government at June 30, 2021 increased approximately \$335 thousand from June 30, 2020, primarily due to a \$306 thousand increase in restricted cash.

Total liabilities of the Primary Government are \$44,352,729 at June 30, 2021. Liabilities are also presented in current and non-current portions. Current liabilities include accounts payable, other accrued liabilities, unearned revenue, retainage payable and current portions of long-term debt. A liability is considered to be current if it is due within one year. Long-term liabilities primarily consist of notes and mortgages payable over a period of years and accrued pension liability. Additionally, deferred inflows of resources in the amount of \$411,080 are related to GASB 68.

Other non-current liabilities of the Primary Government at June 30, 2021 increased approximately \$1.43 million from June 30, 2020, primarily due to a \$1.50 million decrease in notes payable and a \$52 thousand decrease in accrued pension liability.

Net position represents the Authority's equity, a portion of which is restricted for certain uses. Net position is divided into three major categories. The first category, invested in capital assets net of related debt, shows the equity in land, structures, construction in progress and equipment, net of related capital debt outstanding. The next net category is restricted net position. This component of net position has external limitations on the way in which it may be used. The last category is unrestricted net position. This component of net position is available to use for any lawful and prudent purpose of the Authority.

Statement of Revenues, Expenses and Changes in Net Position

The purpose of the statement of revenues, expenses and changes in net position is to present the revenues earned by the Authority, both operating and non-operating, and the expenses incurred, operating and non-operating, and any other revenues, expenses, gains, or losses received or spent by the Authority. Generally, the operating revenues are amounts received for providing housing to tenants.

Kitsap County Consolidated Housing Authority
 DBA Housing Kitsap
 Management's Discussion and Analysis (continued)
 June 30, 2021

Financial Analysis (continued)

Non-operating revenues are funds received for which goods or services are not provided, except that non-operating revenues also include operating grants and subsidies. Capital contributions represent capital grants received to improve or develop capital assets of the Authority.

Other income and ordinary repairs and maintenance of the Primary Government for the year ended June 30, 2021 increased approximately \$5.74 million and \$4.25 million, respectively, from the year ended June 30, 2020, primarily due to a change in the accounting of the custodial activities of the Self-Help Program.

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2021.

<u>STATEMENT OF NET POSITION</u>	<u>2021</u>	<u>2020</u>	<u>Variance</u>	<u>% Change</u>
<u>ASSETS</u>				
Current Assets	\$ 9,804,695	\$ 8,883,164	\$ 921,531	10.37%
Capital Assets	30,342,766	26,263,617	4,079,149	15.53%
Other Non-Current Assets	22,570,134	22,235,743	334,391	1.50%
TOTAL ASSETS	62,717,595	57,382,524	5,335,071	9.30%
Deferred Outflows - Pensions	443,721	384,855	58,866	15.30%
TOTAL ASSETS & DEFERRED OUTFLOWS	\$ 63,161,316	\$ 57,767,379	\$ 5,393,937	9.34%
<u>LIABILITIES & NET POSITION</u>				
Current Liabilities	\$ 4,047,104	\$ 3,503,437	\$ 543,667	15.52%
Non-Current Liabilities	40,305,625	38,873,340	1,432,285	3.68%
TOTAL LIABILITIES	44,352,729	42,376,777	1,975,952	4.66%
Deferred Inflows - Pensions	411,080	669,198	(258,118)	-38.57%
TOTAL LIABILITIES & DEFERRED INFLOWS	44,763,809	43,045,975	1,717,834	3.99%
<u>NET POSITION</u>				
Invested in Capital Assets	10,572,272	12,221,226	(1,648,954)	-13.49%
Restricted	2,399,933	2,112,578	287,355	13.60%
Unrestricted	5,425,302	387,600	5,037,702	1299.72%
TOTAL NET POSITION	18,397,507	14,721,404	3,676,103	24.97%
TOTAL NET POSITION	18,397,507	14,721,404	3,676,103	24.97%
TOTAL LIABILITIES & NET POSITION	\$ 63,161,316	\$ 57,767,379	\$ 5,393,937	9.34%

Kitsap County Consolidated Housing Authority
 DBA Housing Kitsap
 Management's Discussion and Analysis (continued)
 June 30, 2021

Financial Analysis (continued)

**STATEMENT OF REVENUES,
 EXPENSES, & CHANGES IN NET
 POSITION**

	2021	2020	Variance	% Change
<u>REVENUES</u>				
Tenant Income	\$ 4,207,980	\$ 3,669,297	\$ 538,683	14.68%
Operating Grants	6,757,211	5,644,327	1,112,884	19.72%
Other Income	7,591,774	1,843,783	5,747,991	311.75%
TOTAL OPERATING REVENUE	18,556,965	11,157,407	7,399,558	66.32%
Investment and mortgage interest income	878,949	886,647	(7,698)	-0.87%
Deferred gain on sale recognized	571,750	566,675	5,075	100.00%
Gain (loss) on sale of fixed assets	7,500	2,488,834	(2,481,334)	100.00%
TOTAL NON-OPERATING REVENUE	1,458,199	3,942,156	(2,483,957)	-63.01%
GROSS REVENUE	20,015,164	15,099,563	4,915,601	32.55%
<u>EXPENSES</u>				
Administrative	3,677,391	2,655,217	1,022,174	38.50%
Ordinary repairs and maintenance	6,101,230	1,853,373	4,247,857	229.20%
Housing assistance payments	2,727,571	2,667,514	60,057	2.25%
Depreciation	1,029,555	852,828	176,727	20.72%
Other operating expenses	2,518,880	2,077,013	441,867	21.27%
TOTAL OPERATING EXPENSES	16,054,627	10,105,945	5,948,682	58.86%
Interest expense	1,583,363	1,583,161	202	0.01%
Special item - write down of investments	257,901	-	257,901	100.00%
TOTAL NON-OPERATING EXPENSES	1,841,264	1,583,161	258,103	1
TOTAL EXPENSES	17,895,891	11,689,106	6,206,785	53.10%
CHANGE IN NET POSITION	2,119,273	3,410,457	(1,867,302)	-54.75%
Equity Transfers	(1,853,627)	-	(1,853,627)	0.00%
Net Position, Beginning of Year	18,131,861	14,721,404	3,410,457	23.17%
NET POSITION, END OF YEAR	\$ 18,397,507	\$ 18,131,861	\$ 265,646	1.47%

Overall Financial Position and Results of Operations

The Authority's financial position is sound; the fundamental activities of managing affordable and subsidized rental housing developing first time homeownership opportunities through the Self-Help program, and oversight of the interlocal agreement for voucher administration continue to be the focus of the Authority.

Financial Highlights Primary Government

The Authority's financial position continues to improve as staff works with funding agencies to request appropriate increases in funding and outside accountants to affirm accurate data is presented. Significant progress has been made in the resolution of data inconsistencies caused during the conversion to a second accounting platform in a short two-year period. The Authority will continue to progress during the coming fiscal year with resolution expected shortly thereafter.

Capital Asset and Debt Administration

The Authority classifies capital assets as those assets supporting operating functions for the Authority. Assets expected to sell within the current year, 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 Authority's operations are included as capital assets.

The Authority's total capital assets experienced a net increase of 15.53% primarily due to the transfer of Red Barn Associates, L.P. and Railroad Avenue Associates, L.P. into the primary government.

Total debt outstanding for the Authority increased from the prior year by \$1.39 million due to the transfer of Red Barn Associates, L.P. and Railroad Avenue Associates, L.P. into primary government. Total principal debt payments made during the year was \$1.02 million. There were no new borrowings for the year.

Economic Factors Affecting the Authority's Future

The Authority's HUD based portfolio is relatively small. The Authority has an allocation of 403 Section 8 Housing Choice Vouchers and 136 public housing units. The Authority directly administers. Public Housing and relies on operating subsidy, resident rents, and capital funding from HUD. Further, while the Authority does not directly administer the vouchers, the Authority does rely on a small part of the fee to support its administrative burden and staff. Reductions in federal support for these programs would have a modest but direct, negative impact on the Authority's operations. The pandemic caused a delay in processing normal rental increase activities for all of the other affordable housing program rental units the Authority owns and operates.

The Authority owns and provides affordable multi-family and single-family housing throughout Kitsap County. The bulk of the portfolio, approximately 84%, is much more dependent on the local economy and the local real estate market.

Economic Factors Affecting the Authority's Future (continued)

Unfortunately, there are very few new affordable units under construction in Kitsap County. New construction of multi-family housing is anticipated throughout the County but only a very few affordable units are included where property tax advantages have been enacted by the local jurisdiction. The demand for affordable housing is enormous with as much as 40% of the County's households, homeowners or rental, paying more than 30% of their gross income for housing. The need for affordable housing for veterans, homeless and special and vulnerable populations is acute.

The Authority received a 2017-2019 grant from Rural Development ("RD") to continue building new homes under the Self-Help homeownership program. The Authority anticipates this program will continue for at least two more years based on the Authorities successful program operation over decades.

Request for Information

This financial report is designed to provide a general overview of the Housing Authority's agency-wide finances. Questions concerning any of the information should be addressed to the Executive Director of Housing Kitsap, located at 2244 NW Bucklin Hill Road, Silverdale, WA 98383, (360) 535-6100.

FINANCIAL STATEMENTS

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
STATEMENT OF NET POSITION
JUNE 30, 2021**

	ASSETS		Total Reporting Entity (Memorandum Only)
	Primary Government	Discretely Presented Component Unit	
Current assets:			
Cash and cash equivalents	\$ 5,365,326	\$ 1,299,856	\$ 6,665,182
Tenant security deposits	247,391	98,439	345,830
Accounts receivable, net	1,169,355	126,385	1,295,740
Notes receivable, current	421,339	-	421,339
Prepaid expenses	174,698	14,730	189,428
Assets held for sale	2,426,586	-	2,426,586
Total current assets	9,804,695	1,539,410	11,344,105
Non-current assets:			
Restricted cash	2,553,139	1,497,163	4,050,302
Notes receivable, non-current	19,943,048	-	19,943,048
Other assets	73,947	7,616	81,563
Capital assets, net	30,342,766	15,699,972	46,042,738
Total non-current assets	52,912,900	17,204,751	70,117,651
Total assets	62,717,595	18,744,161	81,461,756
DEFERRED OUTFLOWS OF RESOURCES			
Washington State P.E.R.S.	443,721	-	443,721
Total deferred outflows of resources	443,721	-	443,721
Total assets and deferred outflows of resources	\$ 63,161,316	\$ 18,744,161	\$ 81,905,477

See accompanying notes to financial statements

KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
STATEMENT OF NET POSITION (continued)
JUNE 30, 2021

LIABILITIES			
	Primary Government	Discretely Presented Component Unit	Total Reporting Entity (Memorandum Only)
Current liabilities:			
Accounts payable	\$ 470,087	\$ 629,098	\$ 1,099,185
Accrued expenses	18,742	-	18,742
Tenant security deposits	247,391	98,439	345,830
Unearned revenue	233,804	10,548	244,352
Accrued compensated absences, current	151,463	-	151,463
Notes payable, current	1,045,448	330,000	1,375,448
Accrued interest payable	1,861,842	52,302	1,914,144
Other current liabilities	18,327	-	18,327
Total current liabilities	4,047,104	1,120,387	5,167,491
Non-current liabilities:			
Accrued compensated absences, non-current	50,488	-	50,488
Accrued pension liability	819,063	-	819,063
Notes payable, non-current	39,374,471	15,949,051	55,323,522
Other non-current liabilities	61,603	4,749,002	4,810,605
Total non-current liabilities	40,305,625	20,698,053	61,003,678
Total liabilities	44,352,729	21,818,440	66,171,169

DEFERRED INFLOWS OF RESOURCES

Washington State P.E.R.S.	411,080	-	411,080
Total deferred inflows of resources	411,080	-	411,080

NET POSITION

Net position:			
Net investment in capital assets	10,572,272	(579,079)	9,993,193
Restricted	2,399,933	1,497,163	3,897,096
Unrestricted	5,425,302	(3,992,363)	1,432,939
Total net position	18,397,507	(3,074,279)	15,323,228
Total liabilities, deferred inflows of resources and net position	\$ 63,161,316	\$ 18,744,161	\$ 81,905,477

See accompanying notes to financial statements

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Operating revenues:			
Tenant revenue	\$ 4,207,980	\$ 2,325,132	\$ 6,533,112
HUD operating grants	4,636,627	-	4,636,627
Other government grants	2,120,584	-	2,120,584
Other revenues	<u>7,591,774</u>	<u>49,895</u>	<u>7,641,669</u>
Total operating revenues	<u>18,556,965</u>	<u>2,375,027</u>	<u>20,931,992</u>
Operating expenses:			
Administrative	3,677,391	166,870	3,844,261
Tenant services	39,214	-	39,214
Utilities	923,820	257,237	1,181,057
Ordinary repairs and maintenance	6,101,230	510,152	6,611,382
Protective services	40,589	-	40,589
Insurance	116,553	36,914	153,467
General	777,158	13,762	790,920
Bad debt	621,546	15,395	636,941
Management fees	-	136,836	136,836
Housing assistance payments	2,727,571	-	2,727,571
Depreciation	<u>1,029,555</u>	<u>429,580</u>	<u>1,459,135</u>
Total operating expenses	<u>16,054,627</u>	<u>1,566,746</u>	<u>17,621,373</u>
Operating income	<u>2,502,338</u>	<u>808,281</u>	<u>3,310,619</u>
Non-operating revenues (expenses):			
Investment income	3,573	2,909	6,482
Mortgage interest income	875,376	-	875,376
Interest expense	(1,583,363)	(888,584)	(2,471,947)
Deferred gain on sale recognized	571,750	-	571,750
Gain on sale of fixed assets	<u>7,500</u>	<u>-</u>	<u>7,500</u>
Net non-operating revenues (expenses)	<u>(125,164)</u>	<u>(885,675)</u>	<u>(1,010,839)</u>
Income (loss) before special item	2,377,174	(77,394)	2,299,780
Special item - write down of investments in limited partnerships	<u>(257,901)</u>	<u>-</u>	<u>(257,901)</u>
Change in net position	2,119,273	(77,394)	2,041,879
Total net position, beginning of year	<u>16,278,234</u>	<u>(2,996,885)</u>	<u>13,281,349</u>
Total net position, end of year	<u>\$ 18,397,507</u>	<u>\$ (3,074,279)</u>	<u>\$ 15,323,228</u>

See accompanying notes to financial statements

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

	Primary Government
Cash Flows from Operating Activities:	
Cash received from tenants and others	\$ 10,331,079
Cash received from grantors	6,543,749
Cash paid to employees	(2,405,809)
Cash paid to vendors and suppliers	<u>(12,992,455)</u>
Net cash provided by operating activities	<u>1,476,564</u>
Cash Flows from Capital and Related Financing Activities:	
Principal payments on notes payable	(1,022,551)
Interest paid on notes payable	(1,204,520)
Purchase of capital assets	(173,221)
Proceeds from sale of capital assets	<u>7,500</u>
Net cash used in capital and related financing activities	<u>(2,392,792)</u>
Cash Flows from Investing Activities:	
Investment income	3,572
Cash acquired upon acquisition of discretely presented component units	620,078
Issuance of notes receivable	(372,912)
Collection of notes receivable	771,907
Mortgage interest received	<u>512,710</u>
Net cash provided by investing activities	<u>1,535,355</u>
Net increase in cash and cash equivalents and restricted cash	619,127
Cash and cash equivalents and restricted cash, beginning of year	<u>7,546,729</u>
Cash and cash equivalents and restricted cash, end of year	<u><u>\$ 8,165,856</u></u>
Reconciliation of cash and cash equivalents and restricted cash to the Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 5,365,326
Tenant security deposits	247,391
Restricted cash	<u>2,553,139</u>
Total cash and cash equivalents and restricted cash	<u><u>\$ 8,165,856</u></u>

See accompanying notes to financial statements

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED JUNE 30, 2021**

	Primary Government
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,502,338
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,029,555
Bad debts on mortgages	219,542
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable, net	(462,724)
Prepaid expenses	(33,123)
Assets held for sale	(802,049)
Other assets	(12,701)
Deferred outflows of resources	(58,866)
Accounts payable	(276,015)
Accrued expenses	(177,431)
Tenant security deposits liability	22,196
Unearned revenue	106,372
Accrued compensated absences	(17,245)
Other liabilities	(253,511)
Accrued pension liability	(51,656)
Deferred inflows of resources	(258,118)
Net cash provided by operating activities	\$ 1,476,564
Schedule of non-cash investing and financing activities:	
Write-off of investment in limited partnerships	\$ 257,901
Loan forgiveness	\$ 960,000

See accompanying notes to financial statements

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Kitsap County Consolidated Housing Authority, DBA Housing Kitsap (the "Authority"), was created in 1982 as a municipal corporation, pursuant to the Revised Code of Washington (RCW) 35.82. The Authority's mission is to manage, preserve, and build safe affordable housing serving individuals, families and communities throughout Kitsap County (the "County"). The Authority is responsible for operating certain low-rent housing programs in the County under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners which is essentially autonomous, but is responsible to HUD. An executive director is appointed by the Authority's board of commissioners to manage the day-to-day operations of the Authority.

B. Basis of Accounting / Financial Statement Presentation

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The programs of the Authority are combined and considered an enterprise fund. An enterprise fund is used to account for activities that are operated in a manner similar to those found in the private sector.

The Authority's enterprise fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Authority's financial statements are prepared in accordance with GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended ("GASB 34"). GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplementary Information.

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions* ("GASB 33"), grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

On January 30, 2008, HUD issued PIH Notice 2008-9 which requires that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net position, with the associated cash and investments also being reported as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported on the financial data schedule as unrestricted.

KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting / Financial Statement Presentation (continued)

Both administrative fee and HAP revenue continue to be recognized under the guidelines set forth in GASB 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The Section 8 Housing Choice Vouchers program is no longer a cost reimbursement grant; therefore, the Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement reporting.

In accordance with 2 CFR 200.305(b)(9), any investment income earned up to \$500 on these funds may be retained by the Authority. Amounts in excess of \$500 must be remitted annually to the Department of Health and Human Services, Payment Management System.

C. Reporting Entity

In accordance with GASB 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB Statement No. 14 and No. 34*, the Authority's basic financial statements include those of the Authority and any component units. Component units are legally separate organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.
2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
3. The primary government is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, this report includes the following blended component units. The blended component units are, although legally separate entities, in substance part of the Authority's operations and so data from these units are combined with data of the primary government and reflected in the "Primary Government" column on the financial statements.

HK Communities, LLC

HK Communities, LLC is a single member limited liability company created on April 8, 2015, primarily to acquire and own limited partnership interests in low-income housing developments. The Authority is the sole member and manager of HKC.

Dye's Inlet Associates, L.P.

Dye's Inlet Associates, L.P. ("DIA") was established in 1997 to construct, own, and operate an eighteen unit apartment project located in Silverdale, WA. DIA has agreed to maintain all apartment units as both rent restricted and occupied by low-income elderly tenants for a minimum period of fifty years beginning in 1999. The Authority is a 0.1% general partner and also served as developer and property manager of DIA. The project was completed and rental operations began in July 1999. The partnership agreement provides for the termination of the partnership in 2063. On May 15, 2015, the limited partner, Key Bank, assigned its share to HK Communities, LLC.

KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

Liberty Bay Associates, L.P.

Liberty Bay Associates, L.P. ("LB") was formed in 2001 to construct, own and operate sixteen units of affordable housing located on two sites in Bremerton and Port Orchard, WA. Construction was completed and rental operations began in December 2001. LB has agreed to maintain all apartment units as both rent restricted and occupied by low-income elderly tenants for a minimum period of fifty years beginning in 2001. On September 30, 2018, the limited partner, Corporate Housing Initiatives III, L.P., assigned its share to HK Communities, LLC.

Viewmont Apartments, L.P.

Viewmont Apartments, L.P. ("VA") was formed in 2000 to rehabilitate, own and operate a seventy seven unit apartment project located in Port Orchard, WA. Underlying financing for the acquisition and rehabilitation of the apartment project primarily consists of proceeds from single-purpose, tax-exempt revenue bonds issued. VA receives a Section 8 Special Allocation rental subsidy provided by HUD on seventy six of the units. The rental subsidy contract with HUD expires in July 2021. On December 31, 2017, the limited partner, Key Community Development Corporation, assigned its share to HK Communities, LLC.

Heritage Apartments, L.P.

Heritage Apartments, L.P. ("HA") was formed in 2000 to rehabilitate, own and operate a fifty seven unit apartment project located in Port Orchard, WA. Underlying financing for the acquisition and rehabilitation of the apartment project primarily consists of proceeds from single-purpose, tax-exempt revenue bonds issued. HA receives a Section 8 Special Allocation rental subsidy provided by HUD on fifty six of the units. The rental subsidy contract with HUD expires in July 2021. On December 31, 2017, the limited partner, Key Community Development Corporation, assigned its share to HK Communities, LLC.

Red Barn Associates, L.P.

Red Barn Associates, L.P. ("RB") was formed in 1998 to construct, own and operate forty two multi-family rental units including forty one units for low-income tenants and one common area unit for on-site management. Construction was completed and rental operations began in 2004. RB has agreed to maintain all apartment units as both rent restricted and occupied by low-income elderly tenants for a minimum period of fifty years beginning in 2001. On December 31, 2019, the limited partner, Enterprise Housing Partners X, assigned its share to HK Communities, LLC.

Railroad Avenue Associates, L.P.

Railroad Avenue Associates, L.P. ("RA") was formed in 2000 to construct, own and operate sixteen units of affordable housing located in Poulsbo, Washington. Construction was completed and rental operations began July 2004. RA has agreed to maintain all apartment units as both rent restricted and occupied by low-income elderly tenants for a minimum period of fifty years beginning in 2004. The project was financed and constructed under Section 515 of the National Housing Act. Under this program, RA provides affordable housing to tenants subject to regulation by Rural Housing Service ("RHS"). RA receives a rent subsidy and a mortgage interest subsidy from RHS, which expires in December of each year and will automatically renew as long as the rental assistance is available. On December 31, 2019, the limited partner, Enterprise Housing Partners X, assigned its share to HK Communities, LLC. RA issues separate audited financial statements which are presented as of and for the year ended December 31, 2020.

KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

This report also includes the following discretely presented component unit. The discretely presented component unit is reported in a separate column to emphasize that it is legally separate from the primary government.

Kitsap Apartments 2006, L.P.

Kitsap Apartments 2006, L.P. ("KA") was formed in 2006 to rehabilitate, own and operate two hundred and one units, in twenty four buildings, located on three sites in Kingston, Port Orchard, and Bremerton, WA. KA has agreed to maintain all apartment units as both rent restricted and occupied by low-income tenants for a minimum period of fifty years beginning in 2008. The Authority is a .01% general partner and served as developer during the rehabilitation. KA issues separate audited financial statements which are presented as of and for the year ended December 31, 2020.

D. Description of Programs

The Authority maintains its accounting records by program. A summary of the significant programs operated by the Authority is as follows:

Section 8 Housing Choice Vouchers

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income households under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating household.

Public and Indian Housing Program

The Public and Indian Housing Program is designed to provide low-cost housing within the County. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

Public Housing Capital Fund Program

The purpose of the Public Housing Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

Rural Rental Housing Loans Program

The purpose of the Rural Rental Housing Loans Program is to provide economically designed and constructed rental and cooperative housing and related facilities suited for rural residents.

Rural Self-Help Housing Technical Assistance Program

The Rural Self-Help Housing Technical Assistance Program is designed to provide financial assistance to qualified nonprofit organizations and public bodies that will aid needy very low and low-income individuals and their families to build homes in rural areas by the self help method.

Community Development Block Grant

The purpose of the Community Development Block Grant is to develop viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income.

KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Description of Programs (continued)

Self-Help Homeownership Opportunity Program

The Self-Help Homeownership Opportunity Program is designed to facilitate and encourage innovative homeownership opportunities through the provision of self-help homeownership in which the homebuyer contributes a significant amount of sweat equity toward the development of the units.

CARES Act Funding Programs

During the year ended June 30, 2021, the Authority was awarded CARES Act funding as part of the Section 8 Housing Choice Vouchers Program. These funds are to be used to prevent, prepare for, and respond to the Coronavirus ("COVID-19"), as well as help the Authority maintain normal operations during the period impacted by COVID-19.

Home Investment Partnerships Program

The Home Investment Partnerships Program is designed to expand the supply of affordable housing, particularly rental housing, for low and very low income Americans; to strengthen the abilities of State and local governments to design and implement strategies for achieving adequate supplies of decent, affordable housing; and to extend and strengthen partnerships among all levels of government and the private sector, including for-profit and nonprofit organizations, in the production and operation of affordable housing.

Business Activities

The Authority owns non-federal housing units and various interests in low income housing tax credit partnerships. Revenues earned from these activities are recorded in the Business Activities fund. The Business Activities fund also holds the mortgage notes related to Kitsap Apartments 2006, L.P. and loans made to individuals to assist in the down payment and rehabilitation of privately-owned homes through various programs funded through the County.

E. Use of Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and net pension liability, depreciable lives of properties and equipment, deferred inflows and outflows of resources, and contingencies. Actual results could differ significantly from these estimates.

F. Cash and Cash Equivalents

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment.

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

For the statement of cash flows, cash and cash equivalents include all cash balances and treasury investments with a maturity of three months or less at time of purchase. It is the Authority's policy to maintain collateralization in accordance with HUD requirements.

KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Accounts Receivable, Net

Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due and due from vacated tenants. An allowance for doubtful accounts is established to provide for accounts which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts. Also, included in accounts receivable are those amounts that tenants owe the Authority as payment for committing fraud or misrepresentation. These charges usually consist of retroactive rent and other amounts that may be determined by a formal written agreement or by a court order.

The Authority recognizes a receivable from HUD and other governmental agencies for amounts earned and billed but not received and for amounts unbilled, but earned as of year end.

H. Allowance for Doubtful Accounts

The Authority periodically reviews all accounts receivable to determine the amount, if any, that may be uncollectable. If it is determined that an account or accounts may be uncollectable, the Authority prepares an analysis of such accounts and records an appropriate allowance against such amounts.

I. Notes Receivable

The Authority has utilized development funds in accordance with HUD guidelines to assist in the construction and redevelopment of numerous public housing developments through the issuance of mortgage notes. When preparing financial statements in accordance with generally accepted accounting principles, management is required to make estimates as to the collectability of such mortgage notes. When estimating collectability, management analyzes the value of the underlying mortgaged property; the property's ability to generate positive cash flow, and current economic trends and conditions. Management utilizes these estimates and judgments in connection with establishing an allowance for uncollectable amounts during an accounting period.

J. Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

K. Assets Held for Sale

Assets held for sale represents assets, not used in current operations that the Authority expects to sell in the future.

L. Capital Assets, Net

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position.

KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Capital Assets, Net (continued)

Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

- | | |
|--------------------------------------|-------------|
| • Buildings | 30-50 Years |
| • Improvements | 20 Years |
| • Equipment, Furniture, and Fixtures | 3-12 Years |

The Authority has established a capitalization threshold of \$750.

M. Impairment of Long Lived Assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that the impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. For the year ended June 30, 2021, there were no impairment losses incurred.

N. Investment in Limited Partnerships

The Authority holds minority ownership interests in various limited partnerships whereby its maximum exposure to loss is its current investment.

Investments in the various limited partnerships that do not meet the criteria established in note 1 (c) are accounted under the equity method, which requires that the investments are recorded at cost and adjusted for the Authority's share of income or loss. Since the Authority has no obligation to fund liabilities of the limited partnerships beyond its investment, the investment may not be reduced below zero.

The Authority regularly assesses its investment in limited partnerships for the existence of impairment. Impairment typically occurs when the carrying value of the Authority's investment in a limited partnership exceeds the estimated value of the investment as determined by management. The estimated value generally consists of remaining future housing tax credits and other tax benefits allocable to, and the estimated residual value if any, of the investment available to the Authority. The residual value is estimated by management based on current economic and capital market conditions, operational results and the terms of the limited partnership's agreements which provide for distributions to the Authority upon the liquidation of the limited partnership or sale or disposition of its assets.

An impairment loss has no effect on the actual fair value of the underlying property or performance of the overall investment, nor does it have any effect on the remaining low-income housing tax credits to be generated. If an investment in a limited partnership is considered to be impaired, the Authority reduces its investment in such limited partnership on the statement of revenues, expenses, and changes in net position. The Authority recognized an impairment loss on its investments in limited partnerships in the amount of \$257,901 for the year ended June 30, 2021.

KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Inter-Program Receivables and Payables

Inter-program receivables and payables are all classified as either current assets or current liabilities, and are the result of the use of a concentrated account depository as the common paymaster for most of the programs of the Authority. Cash settlements are made monthly. All inter-program balances are reconciled, and inter-program receivables and payables balances net to zero. In accordance with GASB 34, inter-program receivables and payables are eliminated for financial statement purposes.

P. Accounts Payable and Accrued Liabilities

The Authority recognizes a liability for goods and services received but not paid for as of year-end. The Authority recognizes a liability for wages and fringe benefits related to services performed at year-end but not yet paid to employees or taxing authorities.

Q. Prepaid Rent

The Authority's prepaid rent primarily consists of the prepayment of rent by residents applicable to future periods.

R. Compensated Absences

Compensated absences are those absences for which employees will be paid in accordance with the Authority's Personnel Policy. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such event take place.

S. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Washington State Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

T. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as outflows of resources until that time.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as inflows of resources until that time.

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Equity Classifications

Equity is classified as net position and displayed in three components:

Net investment in capital assets — Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position — Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position — All other resources that do not meet the definition of “restricted” or “net investment in capital assets.”

V. Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents, sales of assets held for sale and for services provided as well as government subsidies and grants used for operating purposes. The Authority receives annual operating subsidies from HUD, subject to limitations prescribed by HUD. Operating subsidies from HUD are recorded in accordance with GASB 33 and are accounted for as revenue. Other contributions from HUD that are for development and modernization of capital assets are reflected separately in the accompanying financial statements as capital grants.

Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues and expenses as non-operating.

W. Taxes

The Authority is a unit of local government under the State of Washington law and is exempt from real estate, sales and income taxes by both the federal and state governments. However, the Authority will pay a payment in lieu of taxes to cover municipal services provided by the local government for certain properties owned throughout the County.

X. Budgets and Budgetary Accounting

The Authority adopts annual, appropriated operating budgets for all its programs receiving federal expenditure awards, which are used as a management tool throughout the accounting cycle. All budgets are prepared on a HUD basis, which differs with GAAP. All appropriations lapse at HUD's program year end or at the end of grant periods.

Y. Economic Dependency

The Public and Indian Housing Program and Section 8 Housing Choice Vouchers Program are economically dependent on receiving subsidies from HUD. The programs operate at a loss prior to receiving such subsidies.

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Z. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs and there have been no significant reductions in insurance coverage. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, the amount of the loss can be reasonably estimated, and said amount exceeds insurance coverage. Settlement amounts have not exceeded insurance coverage for the last three years.

NOTE 2. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

As of June 30, 2021, the Authority had funds on deposit in checking, savings, and certificates of deposits. The carrying amount of the primary government's cash and cash equivalents (including restricted cash) was \$8,165,856, and the bank balances approximated \$8,308,394.

<u>Cash Category</u>	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Unrestricted	\$ 5,365,326	\$ 1,299,856	\$ 6,665,182
Tenant security deposits	247,391	98,439	345,830
Restricted	<u>2,553,139</u>	<u>1,497,163</u>	<u>4,050,302</u>
Total cash and cash equivalents	<u>\$ 8,165,856</u>	<u>\$ 2,895,458</u>	<u>\$ 11,061,314</u>

Of the primary government's bank balances, \$1,339,799 was covered by federal depository insurance and the remaining \$6,968,595 was collateralized with the pledging financial institutions as of June 30, 2021.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The primary government does not have a formal policy for custodial credit risk. As of June 30, 2021, the primary government's bank balances were not exposed to custodial credit risk.

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following as of June 30, 2021:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Accounts receivable - tenants, net	\$ 628,779	\$ 126,385	\$ 755,164
Accounts receivable - other government	538,911	-	538,911
Accounts receivable - miscellaneous	<u>1,665</u>	<u>-</u>	<u>1,665</u>
Total accounts receivable, net	<u>\$ 1,169,355</u>	<u>\$ 126,385</u>	<u>\$ 1,295,740</u>

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 3. ACCOUNTS RECEIVABLE, NET (continued)

Accounts Receivable - Tenants, Net

Tenant accounts receivable represents amounts owed to the Authority by tenants for outstanding rent. The balance is shown net of an allowance for doubtful accounts of \$553,961.

Accounts Receivable - Other Government

Accounts receivable - other government represents amounts owed to the Authority by other federal agencies and state and local governments. The balance is shown net of an allowance for doubtful accounts of \$101,293.

Accounts Receivable - Miscellaneous

Accounts receivable - miscellaneous consists of amounts owed to the Authority by the discretely presented component units. The balance owed represents monies owed for expense reimbursements and developer fees.

NOTE 4. RESTRICTED DEPOSITS

As of June 30, 2021, restricted deposits consisted of the following:

<u>Cash Category</u>	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Housing assistance payment reserves	\$ 32,792	\$ -	\$ 32,792
FSS program escrows	31,995	-	31,995
Operating reserves	563,545	868,593	1,432,138
Replacement reserves	1,779,765	628,570	2,408,335
Debt services reserves	23,831	-	23,831
CARES Act funds	121,211	-	121,211
Tenant security deposits	<u>247,391</u>	<u>98,439</u>	<u>345,830</u>
Total restricted deposits	<u>\$ 2,800,530</u>	<u>\$ 1,595,602</u>	<u>\$ 4,396,132</u>

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers Program for future housing assistance payments.

Family Self-Sufficiency ("FSS") program escrows are restricted for use in the Public and Indian Housing and Section 8 Housing Choice Vouchers Programs by FSS program participants.

Operating reserves represent funds that are restricted in the case that the projects of the Authority and the discretely presented component units encounter an operating deficit.

Replacement reserves are required to be set aside to fund major repairs, capital expenditures, and replacement of capital items in the projects of Authority and the discretely presented component units.

Debt services reserves represent funds that are restricted for payments of the related mortgages in the case the Authority encounters a lack of cash flow available to service debt and prevents the Authority from defaulting.

KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021

NOTE 4. RESTRICTED DEPOSITS (continued)

CARES Act funds are restricted to be used on expenditures directly related to COVID-19. These funds are to be used to prevent, prepare for, and respond to COVID-19, as well as help the Authority maintain normal operations during the period impacted by COVID-19.

Tenant security deposits represent amounts held by the Authority on behalf of tenants. Upon termination from the program, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

NOTE 5. ASSETS HELD FOR SALE

Assets held for sale consists of homes purchased in the primary government's Self-Help Homeownership Opportunity Program and Business Activities Fund for refurbishment and sale. As of June 30, 2021, assets held for sale totaled \$2,426,586. The following is a summary of the changes in assets held for sale during the year ended June 30, 2021:

	<u>Amount</u>
Balance at June 30, 2020	\$ 2,387,076
Purchases	675,460
Expenditures	25,473
Sales	<u>(661,423)</u>
Balance at June 30, 2021	<u>\$ 2,426,586</u>

NOTE 6. CAPITAL ASSETS, NET

The following is a summary of the primary government's changes in capital assets during the year ended June 30, 2021:

<u>Description</u>	<u>June 30,</u> <u>2020</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>June 30,</u> <u>2021</u>
<u>Non-depreciable:</u>					
Land	\$ 11,042,210	\$ -	\$ -	\$ -	\$ 11,042,210
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>11,042,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,042,210</u>
<u>Depreciable:</u>					
Buildings and improvements	41,262,500	127,030	-	-	41,389,530
Furniture and equipment	<u>2,496,231</u>	<u>46,191</u>	<u>(49,026)</u>	<u>-</u>	<u>2,493,396</u>
Subtotal	<u>43,758,731</u>	<u>173,221</u>	<u>(49,026)</u>	<u>-</u>	<u>43,882,926</u>
Less: accumulated depreciation	<u>23,601,841</u>	<u>1,029,555</u>	<u>(49,026)</u>	<u>-</u>	<u>24,582,370</u>
Net capital assets	<u>\$ 31,199,100</u>	<u>\$ (856,334)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,342,766</u>

Depreciation expense for the fiscal year ended June 30, 2021 amounted to \$1,029,555.

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 6. CAPITAL ASSETS, NET (continued)

The following is a summary of the discretely presented component unit's changes in capital assets during the year ended June 30, 2021:

Description	June 30, 2020	Additions	Dispositions	Transfers	June 30, 2021
<u>Non-depreciable:</u>					
Land	\$ 4,163,353	\$ -	\$ -	\$ -	\$ 4,163,353
Construction in progress	255,423	-	(68,967)	(151,794)	34,662
Subtotal	<u>4,418,776</u>	<u>-</u>	<u>(68,967)</u>	<u>(151,794)</u>	<u>4,198,015</u>
<u>Depreciable:</u>					
Buildings and improvements	17,181,303	-	-	147,347	17,328,650
Furniture and equipment	167,804	-	-	4,447	172,251
Subtotal	<u>17,349,107</u>	<u>-</u>	<u>-</u>	<u>151,794</u>	<u>17,500,901</u>
Less: accumulated depreciation	<u>5,569,364</u>	<u>429,580</u>	<u>-</u>	<u>-</u>	<u>5,998,944</u>
Net capital assets	<u>\$ 16,198,519</u>	<u>\$ (429,580)</u>	<u>\$ (68,967)</u>	<u>\$ -</u>	<u>\$ 15,699,972</u>

Depreciation expense for the fiscal year ended June 30, 2021 amounted to \$429,580.

NOTE 7. NOTES RECEIVABLE

Outstanding notes receivable as of June 30, 2021 consisted of the following:

<u>Description</u>	<u>Amount</u>
The Authority financed the sale of a properties in Kingston, Bremerton and Port Orchard, Washington in two separate transactions totaling \$16,419,724 and \$7,225,765, respectively to Kitsap Apartments 2006, L.P. Through the lease agreements the limited partnership has assumed the burdens and benefits of ownership. The properties are pledged as collateral for the leases. Included in the lease balance is accrued interest totaling \$4,604,410. The balance is shown net of a deferred gain from the sale of the properties in the amount of \$7,470,521.	\$ 17,492,813
On October 5, 2009, the Authority 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, the lease was recategorized as a capital lease for accounting purposes. The lease balance is shown net of deferred gain on sale of the building in the amount of \$203,232.	297,078

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 7. NOTES RECEIVABLE (continued)

Pursuant to its contracts with the Kitsap County Department of Community Development, Washington State Department of Commerce and Community Frameworks, the Authority has made numerous loans to individuals to assist low income individuals in funding the down payments required of them to purchase single family residences under the KCCHA Mutual Self-Help Program. The real property to which these funds are to be applied are in Kitsap County and are legally described in the Deed of Trust, which secures the loans. The loans are interest free and payments are deferred 25 years from date of issuance. As of June 30, 2021, the Authority had 105 loans outstanding totaling \$1,031,577. 1,031,577

The Authority has made numerous loans to assist low income individuals to fund the down payment required of them to purchase single family residences under the KCCHA Parade Ground Affordable Housing Program. The real property to which these funds are to be applied are in Kitsap County and are legally described in the Deed of Trust, which secures the notes. The notes are interest free and payments are deferred 25 years from date of issuance. As of June 30, 2021, the Authority had 4 loans outstanding totaling \$36,688. 36,688

The Authority has made numerous loans to assist low income eligible individuals fund the rehabilitation of single family residences under the Kitsap County Housing Rehabilitation Program. The real property to which these funds are to be applied are in Kitsap County and are legally described in the Deed of Trust, which secures the notes. The notes are interest free and payments are deferred 20 years from date of issuance. As of June 30, 2021, the Authority had 11 loans outstanding totaling \$191,201. 191,201

The Authority has made numerous loans to assist low income eligible individuals fund the rehabilitation of single family residences under the KCCHA Rehabilitation Program. The real property to which these funds are to be applied are in Kitsap County and are legally described in the Deed of Trust, which secures the notes. The notes are interest free and payments are deferred 25 years from date of issuance. As of June 30, 2021, the Authority had 1 loan outstanding of \$95. 95

The Authority has made numerous loans to assist low income eligible individuals fund the down payments requires of them in the process of constructing a single family residence under the Rural Self-Help Technical Assistance Program. The real property to which these funds are to be applied are in Kitsap County and are legally described in the Deed of Trust, which secures the Notes. The notes are interest free and payments are deferred 25 years from date of issuance. As of June 30, 2021, the Authority had 15 loans outstanding totaling \$127,385. 127,385

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 7. NOTES RECEIVABLE (continued)

Pursuant to its contracts with the Washington State Department of Commerce the Authority has made numerous loans to individuals through the Community Development Block Grant Program. The loans are to assist low income eligible individuals fund the down payments required of them in the process of constructing a single family residence under the KCCHA Self Help Program. The real property to which these funds are to be applied are in Kitsap County and are legally described in the Deed of Trust, which secures the notes. The notes are interest free and payments are deferred 25 years from date of issuance. As of June 30, 2021, the Authority had 65 loans outstanding totaling \$974,155, shown net of an allowance for uncollectable amounts in the amount of \$921,473. 52,682

Pursuant to its contracts with the Kitsap County Department of Community Development, Washington State Department of Commerce, Housing Assistance Council, and Community Frameworks the Authority has made numerous loans to individuals through the HOME Investment Partnerships Program and Community Development Block Grant Program. The loans are to assist low income eligible individuals fund the down payments required of them in the process of constructing a single family residence under the KCCHA Mutual Self-Help Program. The real property to which these funds are to be applied are in Kitsap County and are legally described in the Deed of Trust, which secures the notes. The notes are interest free and payments are deferred 25 years from date of issuance. As of June 30, 2021, the Authority had 89 loans outstanding totaling \$1,134,868. 1,134,868

Total notes receivable and accrued interest receivable, net	20,364,387
Less: current portion of notes receivable	<u>421,339</u>
Notes receivable and accrued interest receivable, net of current portion	<u>\$ 19,943,048</u>

NOTE 8. ACCOUNTS PAYABLE

As of June 30, 2021, accounts payable consisted of the following:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Accounts payable - vendors	\$ 434,215	\$ 629,098	\$ 1,063,313
Accounts payable - PHA projects	165	-	165
Accounts payable - other governments	<u>35,707</u>	<u>-</u>	<u>35,707</u>
Total accounts payable	<u>\$ 470,087</u>	<u>\$ 629,098</u>	<u>\$ 1,099,185</u>

Accounts Payable - Vendors

Accounts payable - vendors represents the amounts payable to contractors and vendors for materials received or services rendered.

KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021

NOTE 8. ACCOUNTS PAYABLE (continued)

Accounts Payable - PHA Projects

Accounts payable - PHA projects represents amounts due to other Authorities for portable tenants.

Accounts Payable - Other Governments

Accounts payable - other governments represents amounts due and payable to the County for payments in lieu of taxes.

NOTE 9. PAYMENTS IN LIEU OF TAXES

Under Federal, State and Local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes ("PILOT") for the Authority owned units in accordance with the provisions of its Cooperation Agreement with the County. Under the Cooperation Agreement, the Authority must pay the County the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended June 30, 2021, the Primary Government incurred PILOT expense in the amount of \$35,200.

NOTE 10. NON-CURRENT LIABILITIES

Non-current liabilities of the primary government as of June 30, 2021 consisted of the following:

Description	June 30, 2020	Additions	Payments/ Retirements	June 30, 2021	Amounts due within one Year
Compensated absences	\$ 219,196	\$ 147,152	\$ (164,397)	\$ 201,951	\$ 151,463
Accrued pension liability	870,819	-	(51,756)	819,063	-
Notes payable	42,402,470	-	(1,982,551)	40,419,919	1,045,448
Accrued interest payable	1,553,805	1,243,147	(935,110)	1,861,842	1,861,842
FSS escrows	79,401	-	(47,406)	31,995	-
Other miscellaneous liabilities	-	47,935	-	47,935	18,327
Total long-term liabilities	\$45,125,691	\$ 1,438,234	\$ (3,181,220)	\$43,382,705	\$ 3,077,080

Non-current liabilities of the discretely presented component unit as of June 30, 2021 consisted of the following:

Description	June 30, 2020	Additions	Payments/ Retirements	June 30, 2021	Amounts due within one Year
Notes payable	\$16,245,786	\$ 334,006	\$ (300,741)	\$16,279,051	\$ 330,000
Accrued interest payable	4,080,626	888,584	(514,691)	4,454,519	52,302
Advances	346,753	32	-	346,785	-
Total long-term liabilities	\$20,673,165	\$ 1,222,622	\$ (815,432)	\$21,080,355	\$ 382,302

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 11. LONG TERM DEBT

Long-term debt of the primary government consisted of the following as of June 30, 2021:

<u>Description</u>	<u>Amount</u>
On September 4, 1996, the Authority entered into a loan agreement with the State of Washington Housing Trust Fund in the original amount of \$1,800,000, to be used solely for the acquisition of Orchard Bluff Mobile Estates. The loan is interest free and is due in annual payments of \$57,338 beginning on December 31, 2020. The loan matures on December 31, 2054 and is secured by a deed of trust.	\$ 1,501,567
In 2012, the Authority assumed a loan with the Washington State Department of Commerce in the original amount of \$1,354,136, as part of the Low Income Housing Tax Credit ("LIHTC") project, Golden Tides II. The loan is interest free and is due in annual payments of \$42,300. The loan matures on June 30, 2046 and is secured by a deed of trust.	1,056,742
In 2012, the Authority assumed a HOME loan with Kitsap County in the original amount of \$300,000, as part of the LIHTC project, Golden Tides II. The loan accrues interest at a rate of 1.00% and is due in annual principal and interest payments of \$11,359. The loan matures on June 30, 2046 and is secured by a deed of trust.	250,168
In 2013, the Authority assumed a HOME loan with Kitsap County in the original amount of \$350,000, as part of the LIHTC project, Madrona Manor. The loan accrues interest at a rate of 1.00% and is due in annual principal and interest payments of \$13,576. The loan matures on December 31, 2046 and is secured by a deed of trust.	308,558
In 2013, the Authority assumed a loan with the Washington State Department of Commerce in the original amount of \$1,200,000, as part of the LIHTC project, Madrona Manor. The loan is interest free and is due in annual payments of \$30,451. The loan matures on December 31, 2052 and is secured by a deed of trust.	974,447
On February 19, 2008, the Authority entered into a loan agreement with the City of Bainbridge Island Council in the original amount of \$59,171, to be used for emergency repairs of Rhododendron Apartments. The loan is interest free and is due in full upon maturity. The loan matures on March 1, 2028 and is secured by a deed of trust.	59,171
On May 30, 1996, the Authority entered into a Rural Rental Housing loan agreement with the United States Department of Agriculture ("USDA") in the original amount of \$571,558, to be used solely for the acquisition of Rhododendron Apartments. The loan accrues interest at a rate of 6.75% and is due in monthly principal and interest payments of \$3,609. The loan matures on May 31, 2029 and is secured by an interest in the property.	265,010

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 11. LONG TERM DEBT (continued)

<p>On August 31, 2002, the Authority entered into a Rural Rental Housing loan agreement with the USDA in the original amount of \$150,197, to be used for the rehabilitation of Rhododendron Apartments. The loan accrues interest at a rate of 6.75% and is due in monthly principal and interest payments of \$975. The loan matures on September 30, 2032 and is secured by an interest in the property.</p>	91,593
<p>On April 25, 2013, Kitsap County issued the Authority a bond payable, Limited Tax General Obligation Refunding Bond 2013, in the original amount of \$18,217,255. The bond is interest free and is due based on a milestone repayment schedule as described in the loan agreement. The loan matures on June 30, 2053 and is secured by the real property.</p>	15,520,002
<p>On August 1, 1988, the Authority entered into a Rural Rental Housing loan agreement with the USDA in the original amount of \$1,348,604, to be used for the acquisition of Fjord Manor Apartments. The loan accrues interest at a rate of 8.50% and is due in monthly principal and interest payments of \$9,694. The loan matures on August 19, 2038 and is secured by an interest in the property.</p>	1,048,818
<p>On August 19, 1988, the Authority entered into a Rural Rental Housing loan agreement with the USDA in the original amount of \$30,940, to be used for the acquisition of Fjord Manor Apartments. The loan accrues interest at a rate of 9.50% and is due in monthly principal and interest payments of \$247. The loan matures on August 19, 2038 and is secured by an interest in the property.</p>	25,077
<p>On July 31, 2003, the Authority entered into a Rural Rental Housing loan agreement with the USDA in the original amount of \$310,112, to be used for the acquisition of Windsong Apartments. The loan accrues interest at a rate of 8.25% and is due in monthly principal and interest payments of \$2,458. The loan matures on August 31, 2032 and is secured by an interest in the property.</p>	153,431
<p>On October 8, 2003, the Authority entered into a HOME loan agreement with the State of Washington Department of Community, Trade, and Economic Development in the original amount of \$300,948, to be used for the acquisition and rehabilitation of Windsong Apartments. The loan is interest free and will be forgiven on December 31, 2043, as long as the terms and conditions of the contract are met. The loan is secured by a deed of trust.</p>	300,948
<p>On July 31, 2003, the Authority entered into a loan agreement with the Washington Community Reinvestment Association in the original amount of \$975,000, to be used for the acquisition and rehabilitation of Windsong Apartments. The loan accrues interest at a rate of 6.50% and is due in monthly principal and interest payments of \$6,123 to Anchor Bank. The loan matures on August 1, 2033 and is secured by a deed of trust.</p>	622,612

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 11. LONG TERM DEBT (continued)

<p>On August 4, 2006, the Authority entered into a loan agreement with the Housing Assistance Council in the original amount of \$550,000 from the Preservation Revolving Loan Fund, to be used for the acquisition and rehabilitation of Finch Place Apartments. The loan accrues interest at a rate of 3.00% and is due in quarterly principal and interest payments of \$6,534 to Anchor Bank. The loan matures on February 28, 2036 and is secured by a deed of trust.</p>	310,578
<p>On March 21, 2007, the Authority entered into a Rural Rental Housing loan agreement with the USDA in the original amount of \$978,811, to be used for the acquisition of Finch Place Apartments. The loan accrues interest at a rate of 5.75% and is due in monthly principal and interest payments of \$4,974. The loan matures on March 1, 2057 and is secured by an interest in the property.</p>	904,520
<p>On February 2, 2016, the Authority entered into a SHOP loan agreement with Community Frameworks in the original amount of \$45,000, to be used for the acquisition and rehabilitation of the Melcher Street Plat Project. The loan is interest free and will be forgiven on February 28, 2026, as long as the Authority continues using the funds for eligible purposes. The loan is secured by a deed of trust.</p>	45,000
<p>On February 2, 2016, the Authority entered into a SHOP loan agreement with Community Frameworks in the original amount of \$165,000, to be used for the acquisition and rehabilitation of the Melcher Street Plat Project. The loan is interest free and will be forgiven on February 28, 2026, as long as the Authority continues using the funds for eligible purposes. The loan is secured by a deed of trust.</p>	165,000
<p>On November 13, 2017, the Authority entered into a SHOP loan agreement with Community Frameworks in the original amount of \$90,000, to be used for the acquisition and rehabilitation of the Acquisition Rehab Scattered Sites Project. The loan is interest free and will be forgiven on November 30, 2027, as long as the Authority continues using the funds for eligible purposes. The loan is secured by a deed of trust.</p>	90,000
<p>On February 2, 2016, the Authority entered into a SHOP loan agreement with Community Frameworks in the original amount of \$96,024, to be used for the acquisition and rehabilitation of the Melcher Street Plat Project. The loan is interest free and will be forgiven on February 28, 2026, as long as the Authority continues using the funds for eligible purposes. The loan is secured by a deed of trust.</p>	96,024
<p>On November 2, 1998, DIA entered into a HOME loan agreement with Kitsap County in the original amount of \$300,000, to be used for the acquisition and rehabilitation of Golden Tides III. The loan accrues interest at a rate of 1.00% and will be forgiven on December 31, 2048, as long as the terms and conditions of the contract are met. The loan is secured by a deed of trust.</p>	284,217

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 11. LONG TERM DEBT (continued)

On March 31, 1999, DIA entered into a HOME loan agreement with the Washington State Department of Community, Trade, and Economic Development in the original amount of \$273,461, to be used for the acquisition and rehabilitation of Golden Tides III. The loan accrues interest at a rate of 1.00% and will be forgiven on December 31, 2049, as long as the terms and conditions of the contract are met. The loan is secured by a deed of trust.

257,303

On March 31, 1999, DIA entered into a loan agreement with the Washington State Department of Community, Trade, and Economic Development in the original amount of \$305,793, to be used for the acquisition and rehabilitation of Golden Tides III. The loan accrues interest at a rate of 1.00% and will be forgiven on December 31, 2049, as long as the terms and conditions of the contract are met. The loan is secured by a deed of trust.

287,720

On June 6, 2005, the Authority issued \$2,325,000 in tax-exempt variable rate revenue bonds, to refinance the completion of the construction of the Norm Dicks Government Center. In September 2014, the Bremerton Housing Authority refinanced and defeased \$1,635,000 of the bonds, which represented their portion of the obligation. For the remaining bonds, the Authority has pledged general revenue for repayment. The bonds are insured by the MBIA Insurance Corporation. The bonds accrue interest at a rate ranging from 4.25% to 4.50% and are payable semi-annually on July 1 and January 1 of each year until maturity in 2025 and 2034.

192,339

On June 29, 2007, the Authority issued \$2,325,000 in tax-exempt Housing Revenue Bonds, 2007 (Pooled Tax Credit Projects), to provide funds to loan KA. Pursuant to the loan agreement, the funds were used to finance the acquisition for federal tax purposes and rehabilitation of three apartment complexes owned by the Authority, which were then leased back to KA to provide housing for low-income persons within the County. Principal and interest on the bonds will be payable from, and secured by a pledge of loan payments made by KA. The bonds are further secured by deeds of trust and a general revenue pledge of the Authority. The bonds accrue interest at a rate ranging from 4.50% to 4.60% and are payable in semi-annually on June 1 and December 1 of each year until maturity in 2027 and 2037.

8,540,000

On October 1, 2001, the Authority 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 two apartment complexes. Under capital lease and loan provisions the Authority leases both complexes to HA & VA. Principal and interest on the bonds will be payable from, and secured by a pledge of loan payments of the projects. The bonds are further secured by deeds of trust and a general revenue pledge of the Authority. The bonds accrue interest at a rate ranging from 5.90% to 6.10% and are payable semi-annually on October 1 and April 1 of each year until maturity in 2031.

2,870,000

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 11. LONG TERM DEBT (continued)

<p>In July 1995, the Authority issued Housing Revenue Bonds, 1995 (Golden Tides II Project) in the principal amount of \$225,000. The funding provided a portion of the permanent financing for the acquisition and construction of the Golden Tides II Apartments. The bond accrues interest at 7.5% and is payable monthly to redeem the bonds over 30 years as scheduled. Assignments of a deed of trust on the project are pledged as security for repayment of the bonds.</p>	62,121
<p>On May 15, 1996, the Authority issued \$1,265,000 in tax-exempt revenue bonds to finance the acquisition of a multi-family apartment complex know as Rhododendron Apartments. Principal and interest on the bonds will be payable from, and secured by a pledge of, certain revenues and receipts form the projects. The bonds are further secured by deeds of trust and a general revenue pledge of the Authority. The bonds accrue interest at a rate of 6.75% and are payable semi-annually on June 1 and December 1 of each year until maturity in 2026.</p>	393,712
<p>On September 18, 2000, LB entered into a HOME loan agreement with the State of Washington in the amount of \$476,502 for the construction of sixteen low income housing units. The loan is interest free and is payable in annual payments of \$12,156. The loan matures on December 31, 2051 and secured by a deed of trust and a promissory note.</p>	380,392
<p>On January 1, 2002, LB entered into a HOME loan agreement with Kitsap County in the amount of \$50,000 for the construction of sixteen low income housing units. The loan accrues interest at 1.0% and is payable in annual payments of \$1,276. The loan matures on December 31, 2051 and secured by a deed of trust and a promissory note.</p>	39,903
<p>On February 29, 2020, RB entered into a loan extension with Avid Commercial. The original amount of the loan totaled \$850,000. The loan accrues interest at 6.75% and is payable in monthly payments of principal and interest, followed by a balloon payment at maturity. The loan matures on February 29, 2023 and secured by a deed of trust.</p>	586,533
<p>On October 28, 2003, RB entered into a loan agreement with Washington State Department of Commerce in the amount of \$1,041,426 for the construction of low income housing for senior households. The loan is interest free and is payable in monthly payments of principal. The loan matures on June 30, 2044 and is secured by a promissory note and a deed of trust.</p>	737,975
<p>On October 8, 2004, RB entered into a HOME loan agreement with Kitsap County in the amount of \$129,252 for the payoff of a construction line of credit that financed the construction of senior units known as Mitchell Avenue Senior Housing. The loan accrued interest at 1.0% and is payable in annual payments of principal and interest. The loan matures on December 31, 2053 and is secured by a promissory note and a deed of trust.</p>	129,252

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 11. LONG TERM DEBT (continued)

On April 13, 2006, RB entered into a HOME loan agreement with Kitsap County in the amount of \$440,622 for the payoff of a construction line of credit that financed the construction of senior units known as Mitchell Avenue Senior Housing. The loan accrues interest at 1.0% and is payable in annual payments of principal and interest. The loan matures on December 31, 2054 and is secured by a promissory note and a deed of trust. 440,622

In April 2005, RA entered into a permanent loan with USDA Rural Development in the amount of \$1,000,156, which were used to pay down general partner construction advances. The loan accrues interest at 5.625% and is payable in monthly payments of principal and interest. The loan matures on April 29, 2035 and is non-recourse. That stated interest rate varies from the effective interest rate of 1.0% due to a mortgage interest subsidy provided by Rural Housing Services. The loan is secured by a deed of trust. 909,771

On May 7, 2004, RA entered into a HOME loan agreement with Washington State Department of Community, Trade and Economic Development in the amount of \$373,929. The loan accrues interest at 1.0% and is payable in monthly payments of principal and interest. The loan matures on May 31, 2054 and is secured by a deed of trust. 273,440

On September 29, 2003, RA entered into a HOME loan agreement with Kitsap County in the amount of \$272,392. The loan accrues interest at 1.0% and is payable in annual payments of principal and interest. The loan matures on December 31, 2055 and is secured by a promissory note and a deed of trust. 245,353

Total long-term debt 40,419,919
Less: current portion 1,045,448

Long-term debt, net of current portion \$ 39,374,471

Annual debt service for principal and interest over the next five years and in five-year increments thereafter are as follows:

Year	Principal	Interest	Total
2022	\$ 1,045,448	\$ 1,142,133	\$ 2,187,581
2023	1,227,160	1,030,470	2,257,630
2024	1,273,391	977,382	2,250,773
2025	1,319,668	924,294	2,243,962
2026	1,365,876	871,206	2,237,082
2027-2031	7,201,684	2,189,267	9,390,951
2032-2036	7,383,602	2,082,952	9,466,554
2037-2041	7,000,910	629,245	7,630,155
2042-2046	4,734,047	30,252	4,764,299
2047-2051	4,872,359	7,890	4,880,249
2052-2056	2,794,866	177	2,795,043
2057	200,908	-	200,908
	<u>\$ 40,419,919</u>	<u>\$ 9,885,268</u>	<u>\$ 50,305,187</u>

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 11. LONG TERM DEBT (continued)

Accrued interest payable totaled \$1,861,842 as of June 30, 2021. Interest expense for the year ended June 30, 2021 totaled \$1,560,952.

A summary of the Authority's discretely presented component unit's long-term debt is as follows:

<u>Loans payable to the Authority as evidenced by a Note Receivable (Note 7):</u>	<u>Amount</u>
KA bonds payable	\$ 8,719,280
KA sponsor loan	<u>7,225,765</u>
Total primary government loans to discretely presented component units	<u>15,945,045</u>
 <u>Loans payable to other lenders:</u>	
KA CDBG loan - During 2020, the KA entered into a CDBG loan with Kitsap County Department of Human Services in the amount of \$334,006. The loan incurs simple interest rate of 4% starting March 2020 with no annual payments and a balloon payment for the full balance on March 1, 2049.	<u>334,006</u>
Total long-term debt to other lenders	<u>334,006</u>
Total long-term debt	16,279,051
Less: current portion of long-term debt	<u>330,000</u>
Total long-term debt, net of current portion	<u>\$ 15,949,051</u>

Accrued interest payable totaled \$4,454,519 as of June 30, 2021. Interest expense for the year ended June 30, 2021 totaled \$888,584.

NOTE 12. PENSION PLAN

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* as of and for the year ended June 30, 2021:

<u>Account Description</u>	<u>Primary Government</u>
Accrued pension liability	\$ <u>819,063</u>
Deferred inflows of resources	\$ <u>411,080</u>
Deferred outflows of resources	\$ <u>443,721</u>
Pension (benefit) expense	\$ <u>30,405</u>

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 12. PENSION PLAN (continued)

A. State Sponsored Pension Plans

Substantially all of the Authority's 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 and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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 98540-8380

The DRS CAFR may also be downloaded from the DRS website at www.drs.wa.gov.

B. Public Employees' Retirement System

PERS members include: elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation ("AFC") times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment, and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 12. PENSION PLAN (continued)

B. Public Employees' Retirement System (continued)

PERS Plan 1

<u>Actual Contribution Rates:</u>	<u>Employer</u>	<u>Employee</u>
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	0.00%
Administrative Fee	<u>0.18%</u>	<u>0.00%</u>
Total	<u>12.86%</u>	<u>6.00%</u>

The Authority's actual contributions to PERS Plan 1 were \$114,414 for the year ended June 30, 2021.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's AFC times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65.

PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three 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 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. 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 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 12. PENSION PLAN (continued)

Contributions (continued)

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 2/3

<u>Actual Contribution Rates:</u>	<u>Employer</u>	<u>Employee</u>
Employee PERS Plan 2	12.86%	7.90%
Employee PERS Plan 3	12.86%	varies

The Authority's actual contributions to the PERS Plan 2/3 were \$188,504 for the year ended June 30, 2021.

C. Actuarial Assumptions

The total pension liability ("TPL") for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's ("OSA") *2013-2018 Demographic Experience Study Report* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.50% salary inflation
- Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.40%

Mortality rates were developed using the Society of Actuaries' Pub.H-2010 mortality rates, which vary by member status (eg, active, retiree, or survivor). The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

D. Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.40 percent. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 12. PENSION PLAN (continued)

E. Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience date, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions ("CMAs") and simulated expected returns the Washington State Investment Board ("WSIB") provided. The CMAs contain three pieces of information (expected annual return, standard deviation of the annual return, and correlations between the annual returns of each asset class with every other asset class) for each class of assets WSIB currently invests in. The WSIB uses the CMAs and their target asset allocation to simulate future investment returns at various future times.

F. Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.20 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>% Long-Term Expected Real Rate of Return Arithmetic</u>
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%

G. Sensitivity of Net Pension Liability

The table below presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.40 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.40 percent) or 1-percentage point higher (8.40 percent) than the current rate.

Authority's proportionate share of the net pension liability	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1	\$ <u>698,133</u>	\$ <u>557,366</u>	\$ <u>434,603</u>
PERS 2/3	\$ <u>1,628,351</u>	\$ <u>261,697</u>	\$ <u>(863,743)</u>

H. Pension Plan Fiduciary Net Position

Detailed information about the State of Washington's pension plans' fiduciary net position is available in the separately issued DRS financial report.

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 12. PENSION PLAN (continued)

I. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Authority reported a total pension liability of \$819,063 for its proportionate share of the net pension liabilities as follows:

<u>Plan</u>	<u>Pension Liability</u>
PERS 1	\$ 557,366
PERS 2/3	<u>261,697</u>
Total	<u>\$ 819,063</u>

At June 30, 2021, the Authority's proportionate share of the collective net pension liabilities was as follows:

	<u>Proportionate Share June 30, 2020</u>	<u>Proportionate Share June 30, 2021</u>	<u>Change in Proportion</u>
PERS 1	0.017068%	0.015787%	-0.001281%
PERS 2/3	0.022072%	0.020462%	-0.001610%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2020 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Non-employer Allocations*.

The collective net pension liability was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability is based was June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

J. Pension Expense

For the year ended June 30, 2021, the Authority recognized pension expense (benefit) as follows:

<u>Plan</u>	<u>Pension Expense/(Benefit)</u>
PERS 1	\$ 24,302
PERS 2/3	<u>6,103</u>
Total	<u>\$ 30,405</u>

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021**

NOTE 12. PENSION PLAN (continued)

K. Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>PERS Plan 1</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual investment earnings on pension plan investments	\$ -	\$ 3,103
Contributions subsequent to measurement date	<u>128,491</u>	<u>-</u>
Total PERS Plan 1	<u>\$ 128,491</u>	<u>\$ 3,103</u>
<u>PERS Plan 2/3</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 3,727	\$ 178,762
Differences between expected and actual experience	93,684	32,797
Net differences between projected and actual investment earnings on pension plan investments	-	13,290
Changes in proportion and differences between contributions and proportionate share of contributions	8,078	183,128
Contributions subsequent to measurement date	<u>209,741</u>	<u>-</u>
Total PERS Plan 2/3	<u>\$ 315,230</u>	<u>\$ 407,977</u>
Total PERS Plans 1, 2 and 3	<u>\$ 315,230</u>	<u>\$ 407,977</u>

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date were recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	<u>PERS 1</u>	<u>PERS 2/3</u>
2022	\$ 564,128	\$ (43,684)
2023	17,546	(17,683)
2024	(173,021)	(8,048)
2025	(283,265)	(3,459)
2026	-	(11,352)
Thereafter	<u>-</u>	<u>(8,521)</u>
	<u>\$ 125,388</u>	<u>\$ (92,747)</u>

KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021

NOTE 13. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of June 30, 2021, the Authority estimates that no material liabilities will result from such audits.

NOTE 14. CONDENSED FINANCIAL INFORMATION FOR BLENDED COMPONENT UNITS

	HKC	DIA	LB	VA
Assets:				
Current assets	\$ -	\$ 71,670	\$ 74,657	\$ 224,783
Capital assets, net	-	973,841	1,032,133	2,257,011
Non-current assets	-	56,476	114,692	484,705
Total assets	<u>-</u>	<u>1,101,987</u>	<u>1,221,482</u>	<u>2,966,499</u>
Liabilities:				
Current liabilities	-	195,749	102,059	188,932
Non-current liabilities	-	802,916	407,298	1,477,550
Total liabilities	<u>-</u>	<u>998,665</u>	<u>509,357</u>	<u>1,666,482</u>
Net Position:				
Net investment in capital assets	-	144,601	611,838	674,461
Restricted	-	56,476	114,692	455,225
Unrestricted	-	(97,755)	(14,405)	170,331
Net position	<u>\$ -</u>	<u>\$ 103,322</u>	<u>\$ 712,125</u>	<u>\$ 1,300,017</u>
Operating revenues:				
Tenant revenue	\$ -	\$ 125,874	\$ 134,273	\$ 747,248
HUD operating grants	-	-	-	-
Other revenues	-	1,286	1,346	27,884
Total operating revenues	<u>-</u>	<u>127,160</u>	<u>135,619</u>	<u>775,132</u>
Operating expenses:				
Administrative	-	44,599	45,128	262,313
Other expenses	-	71,434	74,638	415,987
Depreciation	-	39,798	56,769	84,824
Total operating expenses	<u>-</u>	<u>155,831</u>	<u>176,535</u>	<u>763,124</u>
Other income (expenses)				
Investment income	-	8	14	50
Interest expense	-	(8,532)	(439)	(100,234)
Net other income (expenses)	<u>-</u>	<u>(8,524)</u>	<u>(425)</u>	<u>(100,184)</u>
Net income (loss)	<u>\$ -</u>	<u>\$ (37,195)</u>	<u>\$ (41,341)</u>	<u>\$ (88,176)</u>

KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021

NOTE 14. CONDENSED FINANCIAL INFORMATION FOR BLENDED COMPONENT UNITS (continued)

	HA	RB	RA
Assets:			
Current assets	\$ 532,850	\$ 24,997	\$ 70,065
Capital assets, net	1,723,655	3,213,904	1,471,755
Non-current assets	<u>288,307</u>	<u>232,117</u>	<u>281,837</u>
Total assets	<u>2,544,812</u>	<u>3,471,018</u>	<u>1,823,657</u>
Liabilities:			
Current liabilities	910,691	572,301	64,228
Non-current liabilities	<u>1,202,452</u>	<u>1,835,148</u>	<u>1,435,602</u>
Total liabilities	<u>2,113,143</u>	<u>2,407,449</u>	<u>1,499,830</u>
Net Position:			
Net investment in capital assets	436,203	1,319,522	43,191
Restricted	269,731	232,117	255,946
Unrestricted	<u>(274,265)</u>	<u>(488,070)</u>	<u>24,690</u>
Net position	<u>\$ 431,669</u>	<u>\$ 1,063,569</u>	<u>\$ 323,827</u>
Operating revenues:			
Tenant revenue	\$ 542,611	\$ 345,847	\$ 140,185
HUD operating grants	-	-	-
Other revenues	<u>3,712</u>	<u>22,699</u>	<u>7,592</u>
Total operating revenues	<u>546,323</u>	<u>368,546</u>	<u>147,777</u>
Operating expenses:			
Administrative	242,385	98,062	22,941
Other expenses	274,434	191,301	54,979
Depreciation	<u>65,420</u>	<u>192,177</u>	<u>58,536</u>
Total operating expenses	<u>582,239</u>	<u>481,540</u>	<u>136,456</u>
Other income (expenses)			
Investment income	33	564	129
Interest expense	<u>(81,736)</u>	<u>(44,767)</u>	<u>(22,411)</u>
Net other income (expenses)	<u>(81,703)</u>	<u>(44,203)</u>	<u>(22,282)</u>
Net income (loss)	<u>\$ (117,619)</u>	<u>\$ (157,197)</u>	<u>\$ (10,961)</u>

NOTE 15. RESTRICTED NET POSITION

Restricted net position consists of the following as of June 30, 2021:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Housing assistance payments reserves	\$ 32,792	\$ -	\$ 32,792
Operating reserves	563,545	868,593	1,432,138
Replacement reserves	1,779,765	628,570	2,408,335
Debt service reserves	<u>23,831</u>	<u>-</u>	<u>23,831</u>
Total restricted net position	<u>\$ 2,399,933</u>	<u>\$ 1,497,163</u>	<u>\$ 3,897,096</u>

KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2021

NOTE 15. RESTRICTED NET POSITION (continued)

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers Program for future housing assistance payments.

Operating reserves represent funds that are restricted in the case that the projects of the Authority and the discretely presented component unit encounter an operating deficit.

Replacement reserves are required to be set aside to fund major repairs, capital expenditures, and replacement of capital items in the projects of Authority and the discretely presented component unit.

Debt services reserves represent funds that are restricted for payments of the related mortgages in the case the Authority encounters a lack of cash flow available to service debt and prevent the Authority from defaulting.

NOTE 16. VULNERABILITY - IMPACT OF COVID-19

The severity of the impact of the Coronavirus ("COVID-19") on the Authority's operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Authority's tenants and borrowers, all of which are uncertain and cannot be predicted. The Authority's future results could be adversely impacted by delays in rent and loan collections. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial condition, results of operations or cash flows.

NOTE 17. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through July 14, 2022, which is the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements.

**INDEPENDENT AUDITORS' 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***

To the Board of Commissioners of
the Kitsap County Consolidated Housing Authority DBA Housing Kitsap:

We have audited, in accordance with the 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 (primary government) and the discretely presented component unit of the Kitsap County Consolidated Housing Authority DBA Housing Kitsap (the "Authority") as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated July 14, 2022. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards* and do not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with that entity.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 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 Authority's financial statements are free from material misstatement, we performed tests of its 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 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 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Novogradac & Company LLP

July 14, 2022
Toms River, New Jersey

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Commissioners of
the Kitsap County Consolidated Housing Authority DBA Housing Kitsap:

Report on Compliance for Each Major Federal Program

We have audited the Kitsap County Consolidated Housing Authority DBA Housing Kitsap's (the "Authority") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2021. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2021.

Report on Internal Control Over Compliance

Management of the 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 Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 Uniform Guidance, 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 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 over compliance 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



July 14, 2022
Toms River, New Jersey

SUPPLEMENTARY INFORMATION

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Grant Expenditures</u>
U.S. Department of Housing and Urban Development:			
Housing Voucher Cluster			
Section 8 Housing Choice Vouchers	14.871	N/A	\$ 3,017,152
Housing Choice Vouchers CARES Act	14.HCC	N/A	-
Total Housing Voucher Cluster			<u>3,017,152</u>
Public and Indian Housing Program	14.850	N/A	487,017
Public Housing CARES Act	14.PHC	N/A	30,679
Public Housing Capital Fund Program	14.872	N/A	223,575
Passed through the Kitsap County Department of Human Services:			
Community Development Block Grant	14.218	**Multiple	315,280
Passed through Community Frameworks:			
Self-Help Homeownership Opportunity Program	14.247	***Multiple	<u>1,036,024</u>
Total U.S Department of Housing and Urban Development			<u>5,109,727</u>
U.S. Department of Agriculture:			
Rural Rental Housing Loans Program	10.415	N/A	3,111,829
Rural Self-Help Technical Assistance Program	10.420	N/A	<u>830,425</u>
Total U.S Department of Agriculture			<u>3,942,254</u>
Total Expenditures of Federal Awards			<u>\$ 9,051,981</u>

** KC-138-18, KC-491-19, and KC-244-20

*** HK-13-2, HK-14-1, HK-11-5, and HK-16-2

See Notes to Schedule of Expenditures of Federal Awards.

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Authority under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3. INDIRECT COST RATE

The Authority has not elected to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4. SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM (MORTGAGE)

The Self-Help Homeownership Opportunity Program (Mortgage) listed subsequently is administered by the U.S. Department of Housing and Urban Development, and balance and transactions relating to the program are included in the Authority's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of the loan outstanding at June 30, 2021 consisted of:

<i>CFDA Number</i>	<i>Program Name</i>	<i>Outstanding Balance at June 30, 2021</i>
14.247	Self-Help Homeownership Program (Mortgage)	\$ <u>396,024</u>

NOTE 5. RURAL RENTAL HOUSING LOANS PROGRAM

The Rural Rental Housing Loans Program (Mortgage) listed subsequently is administered by the U.S. Department of Agriculture, and balance and transactions relating to the program are included in the Authority's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of the loan outstanding at June 30, 2021 consisted of:

<i>CFDA Number</i>	<i>Program Name</i>	<i>Outstanding Balance at June 30, 2021</i>
10.415	Rural Rental Housing Loans Program (Mortgage)	\$ <u>2,488,449</u>

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 6. SCHEDULE OF CAPITAL FUND COSTS AND ADVANCES

The total amounts of Capital Fund Program Costs and Advances incurred and earned by the Authority as of and for the year ended June 30, 2021 are provided herein:

	<u>501-19</u>	<u>501-20</u>	<u>Totals</u>
<u>Budget</u>	\$ <u>308,575</u>	\$ <u>369,024</u>	\$ <u>677,599</u>
<u>Advances:</u>			
Cumulative through 6/30/2020	\$ 295,000	\$ -	\$ 295,000
Current Year	<u>13,575</u>	<u>210,000</u>	<u>223,575</u>
Cumulative through 6/30/2021	<u>308,575</u>	<u>210,000</u>	<u>518,575</u>
<u>Costs:</u>			
Cumulative through 6/30/2020	295,000	-	295,000
Current Year	<u>13,575</u>	<u>210,000</u>	<u>223,575</u>
Cumulative through 6/30/2021	<u>308,575</u>	<u>210,000</u>	<u>518,575</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Capital Fund Grant No. WA01P036501-19 with approved funding of \$308,575 was fully drawn down and expended as per Capital Fund Grant Regulations.

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

I. Summary of Auditors' Results

Financial Statement Section

- | | | |
|----|---|---------------|
| 1. | Type of auditors' report issued: | Unmodified |
| 2. | Internal control over financial reporting | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None Reported |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards Section

- | | | |
|----|--|---------------|
| 1. | Internal Control over compliance: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None Reported |
| 2. | Type of auditors' report on compliance for major programs: | Unmodified |
| 3. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 4. | Identification of major programs: | |

CFDA Number

Name of Federal Program

Housing Voucher Cluster:

14.871

Section 8 Housing Choice Vouchers

14.HCC

Housing Choice Vouchers CARES Act

10.420

Rural Self-Help Technical Assistance Program

- | | | |
|----|--|-----------|
| 5. | Dollar threshold used to distinguish between Type A and Type B Programs: | \$750,000 |
| 6. | Auditee qualified as low-risk Auditee? | No |

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2021**

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

III. Federal Award Findings and Questioned Costs

There were no findings or questioned costs relating to federal awards.

IV. Schedule of Prior Year Federal Audit Findings

Finding 2020-001

Observation: The Authority did not maintain adequate internal control over financial reporting. During audit testing we noted the following:

- The Authority could not provide timely and accurate year-end financial statements.
- Numerous adjusting journal entries were required to present the Authority's financial statements in accordance with GAAP.

Status: Corrected.

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY*
FOR THE YEAR ENDED JUNE 30, 2021**

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
PERS #1							
Employer's proportion of the net pension liability	<u>0.024791%</u>	<u>0.022704%</u>	<u>0.0222732%</u>	<u>0.021909%</u>	<u>0.020869%</u>	<u>0.017068%</u>	<u>0.015787%</u>
Employer's proportionate share of the net pension liability	<u>\$ 1,248,858</u>	<u>\$ 1,187,630</u>	<u>\$ 1,196,165</u>	<u>\$ 1,039,599</u>	<u>\$ 932,017</u>	<u>\$ 656,325</u>	<u>\$ 557,366</u>
Covered employee payroll**	<u>\$ 2,526,507</u>	<u>\$ 2,522,304</u>	<u>\$ 2,612,113</u>	<u>\$ 2,762,029</u>	<u>\$ 2,202,605</u>	<u>\$ 2,385,842</u>	<u>\$ 2,655,526</u>
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	<u>49.43 %</u>	<u>47.09 %</u>	<u>45.79 %</u>	<u>37.64 %</u>	<u>42.31 %</u>	<u>27.51 %</u>	<u>20.99 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>61.19 %</u>	<u>59.10 %</u>	<u>57.03 %</u>	<u>61.24 %</u>	<u>63.22 %</u>	<u>67.12 %</u>	<u>68.64 %</u>
	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
PERS #2/3							
Employer's proportion of the net pension liability	<u>0.031240%</u>	<u>0.028473%</u>	<u>0.027762%</u>	<u>0.028181%</u>	<u>0.026659%</u>	<u>0.026659%</u>	<u>0.020462%</u>
Employer's proportionate share of the net pension liability	<u>\$ 631,473</u>	<u>\$ 1,017,357</u>	<u>\$ 1,397,795</u>	<u>\$ 979,155</u>	<u>\$ 455,179</u>	<u>\$ 214,394</u>	<u>\$ 261,697</u>
Covered employee payroll**	<u>\$ 2,526,507</u>	<u>\$ 2,522,304</u>	<u>\$ 2,612,113</u>	<u>\$ 2,762,029</u>	<u>\$ 2,202,605</u>	<u>\$ 2,385,842</u>	<u>\$ 2,655,526</u>
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	<u>24.99 %</u>	<u>40.33 %</u>	<u>53.51 %</u>	<u>35.45 %</u>	<u>20.67 %</u>	<u>8.99 %</u>	<u>9.85 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>93.29 %</u>	<u>89.20 %</u>	<u>85.82 %</u>	<u>90.97 %</u>	<u>95.77 %</u>	<u>97.77 %</u>	<u>97.22 %</u>

* Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.

** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)

See Report of Independent Auditors.

**KITSAP COUNTY CONSOLIDATED HOUSING AUTHORITY
DBA HOUSING KITSAP
SCHEDULE OF EMPLOYER CONTRIBUTIONS*
FOR THE YEAR ENDED JUNE 30, 2021**

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
PERS #1							
Statutorily required contribution	\$ 109,735	\$ 104,350	\$ 126,311	\$ 131,749	\$ 139,496	\$ 122,382	\$ 114,414
Contributions in relation to the statutorily required contributions	<u>109,735</u>	<u>104,350</u>	<u>126,311</u>	<u>131,749</u>	<u>139,496</u>	<u>122,382</u>	<u>114,414</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll**	<u>2,526,507</u>	<u>2,522,304</u>	<u>2,612,113</u>	<u>2,762,029</u>	<u>2,202,605</u>	<u>2,385,842</u>	<u>2,655,526</u>
Contribution as a percentage of covered payroll	<u>4.34 %</u>	<u>4.14 %</u>	<u>4.84 %</u>	<u>4.77 %</u>	<u>6.33 %</u>	<u>5.13 %</u>	<u>4.31 %</u>
PERS #2/3							
Statutorily required contribution	\$ 131,971	\$ 126,833	\$ 160,270	\$ 172,074	\$ 205,701	\$ 180,271	\$ 188,504
Contributions in relation to the statutorily required contributions	<u>131,971</u>	<u>126,833</u>	<u>160,270</u>	<u>172,074</u>	<u>205,701</u>	<u>180,271</u>	<u>188,504</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll**	<u>2,526,507</u>	<u>2,522,304</u>	<u>2,612,113</u>	<u>2,762,029</u>	<u>2,202,605</u>	<u>2,385,842</u>	<u>2,655,526</u>
Contribution as a percentage of covered payroll	<u>5.22 %</u>	<u>5.03 %</u>	<u>6.14 %</u>	<u>6.23 %</u>	<u>9.34 %</u>	<u>7.56 %</u>	<u>7.10 %</u>

* Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.

** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)

See Report of Independent Auditors.

Kitsap Consolidated Housing Authority (WA036)

Silverdale, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14.218 Community Development Block Grants/Entitlement Grants	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.900 Lead-Based Paint Hazard Control in Privately-Owned Housing	1 Business Activities	9 Other Federal Program 2	10.415 Rural Rental Housing Loans
111 Cash - Unrestricted	\$1,716,463	\$192,903	\$1,299,856	\$274,819		\$877,486		\$51,325
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted	\$6,204		\$1,497,163	\$1,384,187		\$185,390		\$797,564
114 Cash - Tenant Security Deposits	\$36,273		\$98,439	\$74,483		\$46,630		\$90,005
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	\$1,758,940	\$192,903	\$2,895,458	\$1,733,489	\$0	\$1,109,506	\$0	\$938,894
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects	\$0			\$0		\$0		\$0
124 Accounts Receivable - Other Government		\$152,313				\$127,634		\$160,062
125 Accounts Receivable - Miscellaneous				\$1,629		\$0		
126 Accounts Receivable - Tenants	\$28,887		\$173,218	\$1,021,680		\$30,953		\$54,387
126.1 Allowance for Doubtful Accounts - Tenants	-\$22,355		-\$46,833	-\$420,238		-\$19,658		-\$44,877
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0		\$0		-\$101,293
127 Notes, Loans, & Mortgages Receivable - Current						\$770,111		
128 Fraud Recovery								
128.1 Allowance for Doubtful Accounts - Fraud								
129 Accrued Interest Receivable								
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$6,532	\$152,313	\$126,385	\$603,071	\$0	\$909,040	\$0	\$68,279
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets	\$29,597		\$14,730	\$30,459		\$86,984		\$26,339
143 Inventories								
143.1 Allowance for Obsolete Inventories								
144 Inter Program Due From				\$16,190		\$1,648,003		
145 Assets Held for Sale						\$333,913		
150 Total Current Assets	\$1,795,069	\$345,216	\$3,036,573	\$2,383,209	\$0	\$4,087,446	\$0	\$1,033,512
161 Land	\$1,223,718		\$4,163,353	\$1,676,087		\$6,656,257		\$1,486,148
162 Buildings	\$7,319,213		\$17,328,650	\$16,589,040		\$6,748,038		\$6,750,834
163 Furniture, Equipment & Machinery - Dwellings	\$423,967	\$3,081	\$172,251	\$507,103		\$1,157,391		\$112,029
164 Furniture, Equipment & Machinery - Administration	\$55,314					\$176,906		
165 Leasehold Improvements	\$1,299,814			\$571,054		\$1,778,629		\$331,908
166 Accumulated Depreciation	-\$7,448,723	-\$62	-\$5,998,944	-\$8,670,985		-\$4,901,153		-\$3,507,902
167 Construction in Progress			\$34,662					
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,873,303	\$3,019	\$15,699,972	\$10,672,299	\$0	\$11,616,068	\$0	\$5,173,017
171 Notes, Loans and Mortgages Receivable - Non-Current		\$293,197	\$0			\$21,193,015		
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due								
173 Grants Receivable - Non Current								
174 Other Assets			\$7,616	\$73,947				
176 Investments in Joint Ventures						\$99,811		
180 Total Non-Current Assets	\$2,873,303	\$296,216	\$15,707,588	\$10,746,246	\$0	\$32,908,894	\$0	\$5,173,017
200 Deferred Outflow of Resources	\$42,357					\$262,140		\$44,984
290 Total Assets and Deferred Outflow of Resources	\$4,710,729	\$641,432	\$18,744,161	\$13,129,455	\$0	\$37,258,480	\$0	\$6,251,513

Kitsap Consolidated Housing Authority (WA036)

Silverdale, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14,218 Community Development Block Grants/Entitlement Grants	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14,900 Lead-Based Paint Hazard Control in Privately-Owned Housing	1 Business Activities	9 Other Federal Program 2	10,415 Rural Rental Housing Loans
311 Bank Overdraft								
312 Accounts Payable <= 90 Days	\$11,261	\$371	\$629,098	\$73,065		\$86,302		\$18,642
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable				\$12,621		\$6,121		
322 Accrued Compensated Absences - Current Portion						\$151,463		
324 Accrued Contingency Liability								
325 Accrued Interest Payable			\$52,302	\$126,825		\$1,774,877		\$3,812
331 Accounts Payable - HUD PHA Programs								
332 Account Payable - PHA Projects				\$165				
333 Accounts Payable - Other Government	\$35,542							\$165
341 Tenant Security Deposits	\$36,273		\$98,439	\$74,483		\$46,630		\$90,005
342 Unearned Revenue	\$27,713		\$10,548	\$44,449		\$20,788		\$19,643
344 Current Portion of Long-term Debt - Operating Borrowings			\$330,000	\$311,125		\$166,651		\$207,884
344 Current Portion of Long-term Debt - Operating Borrowings						\$549,788		
345 Other Current Liabilities				\$18,327				
346 Accrued Liabilities - Other								
347 Inter Program - Due To				\$1,372,900				\$558,858
348 Loan Liability - Current								
310 Total Current Liabilities	\$110,789	\$371	\$1,120,387	\$2,033,960	\$0	\$2,802,620	\$0	\$899,009
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$15,949,051	\$7,131,358		\$7,931,560		\$3,967,586
352 Long-term Debt, Net of Current - Operating Borrowings						\$22,627,945		
353 Non-current Liabilities - Other	\$6,204		\$4,749,002	\$29,608				
354 Accrued Compensated Absences - Non Current						\$50,488		
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities	\$78,187					\$483,883		\$83,036
350 Total Non-Current Liabilities	\$84,391	\$0	\$20,698,053	\$7,160,966	\$0	\$31,093,876	\$0	\$4,050,622
300 Total Liabilities	\$195,180	\$371	\$21,818,440	\$9,194,926	\$0	\$33,896,496	\$0	\$4,949,631
400 Deferred Inflow of Resources	\$39,241					\$242,856		\$41,675
508.4 Net Investment in Capital Assets	\$2,873,303	\$3,019	-\$579,079	\$3,229,816		\$3,463,527		\$997,547
511.4 Restricted Net Position			\$1,497,163	\$1,384,187		\$185,390		\$797,564
512.4 Unrestricted Net Position	\$1,603,005	\$638,042	-\$3,992,363	-\$679,474	\$0	-\$529,789	\$0	-\$534,904
513 Total Equity - Net Assets / Position	\$4,476,308	\$641,061	-\$3,074,279	\$3,934,529	\$0	\$3,119,128	\$0	\$1,260,207
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$4,710,729	\$641,432	\$18,744,161	\$13,129,455	\$0	\$37,258,480	\$0	\$6,251,513

Kitsap Consolidated Housing Authority (WA036)

Silverdale, WA

Submission Type: Audited/Single Audit

Entity Wide Balance Sheet Summary

Fiscal Year End: 06/30/2021

	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	10.420 Rural Self-Help Housing Technical Assistance	14.247 Self-Help Homeownership Opportunity Program	5 Fiduciary	14.PHC Public Housing CARES Act Funding	ELIM	Total
111 Cash - Unrestricted	\$59,276	\$483,581		\$495,020	\$753,680	\$460,773			\$6,665,182
112 Cash - Restricted - Modernization and Development									
113 Cash - Other Restricted		\$58,583	\$121,211						\$4,050,302
114 Cash - Tenant Security Deposits									\$345,830
115 Cash - Restricted for Payment of Current Liabilities									
100 Total Cash	\$59,276	\$542,164	\$121,211	\$495,020	\$753,680	\$460,773	\$0	\$0	\$11,061,314
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects									\$0
124 Accounts Receivable - Other Government				\$200,195					\$640,204
125 Accounts Receivable - Miscellaneous				\$36					\$1,665
126 Accounts Receivable - Tenants									\$1,309,125
126.1 Allowance for Doubtful Accounts -Tenants									-\$553,961
126.2 Allowance for Doubtful Accounts - Other				\$0					-\$101,293
127 Notes, Loans, & Mortgages Receivable - Current								-\$348,772	\$421,339
128 Fraud Recovery									
128.1 Allowance for Doubtful Accounts - Fraud									
129 Accrued Interest Receivable									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$0	\$200,231	\$0	\$0	\$0	-\$348,772	\$1,717,079
131 Investments - Unrestricted									
132 Investments - Restricted									
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets		\$572		\$747					\$189,428
143 Inventories									
143.1 Allowance for Obsolete Inventories									
144 Inter Program Due From				\$318,579				-\$1,982,772	\$0
145 Assets Held for Sale					\$2,092,673				\$2,426,586
150 Total Current Assets	\$59,276	\$542,736	\$121,211	\$1,014,577	\$2,846,353	\$460,773	\$0	-\$2,331,544	\$15,394,407
161 Land									\$15,205,563
162 Buildings									\$54,735,775
163 Furniture, Equipment & Machinery - Dwellings		\$372		\$57,233					\$2,433,427
164 Furniture, Equipment & Machinery - Administration									\$232,220
165 Leasehold Improvements				\$1,000					\$3,982,405
166 Accumulated Depreciation		-\$372		-\$53,173					-\$30,581,314
167 Construction in Progress									\$34,662
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$5,060	\$0	\$0	\$0	\$0	\$46,042,738
171 Notes, Loans and Mortgages Receivable - Non-Current	\$894,353				\$0			-\$2,564,902	\$19,815,663
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due					\$127,385				\$127,385
173 Grants Receivable - Non Current									
174 Other Assets									\$81,563
176 Investments in Joint Ventures								-\$99,811	\$0
180 Total Non-Current Assets	\$894,353	\$0	\$0	\$5,060	\$127,385	\$0	\$0	-\$2,664,713	\$66,067,349
200 Deferred Outflow of Resources				\$94,240					\$443,721
290 Total Assets and Deferred Outflow of Resources	\$953,629	\$542,736	\$121,211	\$1,113,877	\$2,973,738	\$460,773	\$0	-\$4,996,257	\$81,905,477

Kitsap Consolidated Housing Authority (WA036)

Silverdale, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	10.420 Rural Self-Help Housing Technical Assistance	14.247 Self-Help Homeownership Opportunity Program	5 Fiduciary	14.PHC Public Housing CARES Act Funding	ELIM	Total
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$59,276	\$110		\$2,028		\$183,160			\$1,063,313
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable									\$18,742
322 Accrued Compensated Absences - Current Portion									\$151,463
324 Accrued Contingency Liability									
325 Accrued Interest Payable								-\$43,672	\$1,914,144
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects									\$165
333 Accounts Payable - Other Government									\$35,707
341 Tenant Security Deposits									\$345,830
342 Unearned Revenue			\$121,211						\$244,352
344 Current Portion of Long-term Debt - Operating Borrowings								-\$190,000	\$825,660
344 Current Portion of Long-term Debt - Operating Borrowings									\$549,788
345 Other Current Liabilities									\$18,327
346 Accrued Liabilities - Other									
347 Inter Program - Due To						\$51,014		-\$1,982,772	\$0
348 Loan Liability - Current									
310 Total Current Liabilities	\$59,276	\$110	\$121,211	\$2,028	\$0	\$234,174	\$0	-\$2,216,444	\$5,167,491
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					\$0			-\$2,680,002	\$32,299,553
352 Long-term Debt, Net of Current - Operating Borrowings					\$396,024				\$23,023,969
353 Non-current Liabilities - Other		\$25,791							\$4,810,605
354 Accrued Compensated Absences - Non Current									\$50,488
355 Loan Liability - Non Current									
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities				\$173,957					\$919,063
350 Total Non-Current Liabilities	\$0	\$25,791	\$0	\$173,957	\$396,024	\$0	\$0	-\$2,680,002	\$61,003,678
300 Total Liabilities	\$59,276	\$25,901	\$121,211	\$175,985	\$396,024	\$234,174	\$0	-\$4,896,446	\$66,171,169
400 Deferred Inflow of Resources				\$87,308					\$411,080
508.4 Net Investment in Capital Assets				\$5,060			\$0		\$9,993,193
511.4 Restricted Net Position		\$32,792							\$3,897,096
512.4 Unrestricted Net Position	\$894,353	\$484,043	\$0	\$845,524	\$2,577,714	\$226,599	\$0	-\$99,811	\$1,432,939
513 Total Equity - Net Assets / Position	\$894,353	\$516,835	\$0	\$850,584	\$2,577,714	\$226,599	\$0	-\$99,811	\$15,323,228
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$953,629	\$542,736	\$121,211	\$1,113,877	\$2,973,738	\$460,773	\$0	-\$4,996,257	\$81,905,477

Kitsap County Consolidated Housing Authority (WA036)

Silverdale, WA

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

Fiscal Year End: 06/30/2021

	Project Total	14,218 Community Development Block Grants/Entitlement Grants	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14,900 Lead-Based Paint Hazard Control in Privately-Owned Housing	1 Business Activities	9 Other Federal Program 2	10,415 Rural Rental Housing Loans
70300 Net Tenant Rental Revenue	\$545,106		\$2,325,132	\$2,021,921		\$1,057,844		\$542,922
70400 Tenant Revenue - Other	\$565		\$0	\$14,117		\$7,425		\$18,080
70500 Total Tenant Revenue	\$545,671	\$0	\$2,325,132	\$2,036,038	\$0	\$1,065,269	\$0	\$561,002
70600 HUD PHA Operating Grants	\$710,592	\$315,280	\$0	\$0		\$0		
70610 Capital Grants								
70710 Management Fee								
70720 Asset Management Fee								
70730 Book Keeping Fee								
70740 Front Line Service Fee								
70750 Other Fees						\$390,745		
70700 Total Fee Revenue								
70800 Other Government Grants			\$0	\$0		\$666,779		\$623,380
71100 Investment Income - Unrestricted	\$16	\$1	\$2,909	\$798		\$928		\$243
71200 Mortgage Interest Income						\$875,376		
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery								
71500 Other Revenue	\$128,111	\$19,247	\$49,895	\$64,519		\$2,058,044	\$44,843	\$114,393
71600 Gain or Loss on Sale of Capital Assets						\$7,500		
72000 Investment Income - Restricted								
70000 Total Revenue	\$1,384,390	\$334,528	\$2,377,936	\$2,101,355	\$0	\$5,064,641	\$44,843	\$1,299,018
91100 Administrative Salaries	\$204,750	\$65,550	\$130,039	\$369,408		\$645,263		\$86,146
91200 Auditing Fees	\$21,515	\$1,898		\$50,179		\$51,092		
91300 Management Fee	\$0		\$136,836	\$39,254		\$0		\$100,862
91310 Book-keeping Fee								
91400 Advertising and Marketing	\$51		\$380	\$7,901		\$182		\$306
91500 Employee Benefit contributions - Administrative	\$120,978	\$28,917	\$22,564	\$125,012		\$448,308		\$94,612
91600 Office Expenses	\$28,435	\$14,982	\$2,187	\$50,398		\$101,362		\$25,766
91700 Legal Expense	\$3,272	\$265		\$6,162		\$11,484		\$151
91800 Travel	\$837		\$0	\$2,862		\$1,534		\$5,090
91810 Allocated Overhead	\$0	\$0		\$0		\$0		
91900 Other	\$29,993	\$2,130	\$11,700	\$64,252		\$238,386		\$19,058
91000 Total Operating - Administrative	\$409,831	\$113,742	\$303,706	\$715,428	\$0	\$1,497,611	\$0	\$331,991
92000 Asset Management Fee								
92100 Tenant Services - Salaries								
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services								
92400 Tenant Services - Other	\$16,278	\$1,125	\$0	\$12,869		\$1,567		\$3,244
92500 Total Tenant Services	\$16,278	\$1,125	\$0	\$12,869	\$0	\$1,567	\$0	\$3,244

Kitsap County Consolidated Housing Authority (WA036)

Silverdale, WA

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

Fiscal Year End: 06/30/2021

	Project Total	14,218 Community Development Block Grants/Entitlement Grants	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14,900 Lead-Based Paint Hazard Control in Privately-Owned Housing	1 Business Activities	9 Other Federal Program 2	10,415 Rural Rental Housing Loans
93100 Water	\$65,028	\$160	\$76,964	\$104,124		\$25,088		\$14,307
93200 Electricity	\$12,584	\$293	\$21,319	\$65,518		\$27,040		\$23,841
93300 Gas	\$1,026	\$96	\$1,081	\$1,495		\$5,657		
93400 Fuel								
93500 Labor								
93600 Sewer	\$112,512	\$344	\$157,873	\$212,287		\$145,082		\$92,572
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense			\$0	\$7,033				
93000 Total Utilities	\$191,150	\$893	\$257,237	\$390,457	\$0	\$202,867	\$0	\$130,720
94100 Ordinary Maintenance and Operations - Labor	\$96,620		\$178,532	\$90,460		\$43,548		\$87,183
94200 Ordinary Maintenance and Operations - Materials and Other	\$54,668	\$1,845	\$65,691	\$91,819		\$42,418		\$57,115
94300 Ordinary Maintenance and Operations Contracts	\$150,430	\$755	\$226,018	\$202,665		\$80,646		\$106,016
94500 Employee Benefit Contributions - Ordinary Maintenance	\$94,947		\$39,911	\$101,582		\$38,217		\$95,558
94000 Total Maintenance	\$396,365	\$2,600	\$510,152	\$486,526	\$0	\$204,829	\$0	\$345,872
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs	\$3,807	\$106	\$0	\$19,725		\$7,633		\$8,190
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$3,807	\$106	\$0	\$19,725	\$0	\$7,633	\$0	\$8,190
96110 Property Insurance	\$21,955	\$314	\$36,914	\$41,596		\$30,566		\$18,376
96120 Liability Insurance								
96130 Workmen's Compensation								
96140 All Other Insurance								
96100 Total Insurance Premiums	\$21,955	\$314	\$36,914	\$41,596	\$0	\$30,566	\$0	\$18,376
96200 Other General Expenses	\$193	\$135,031	\$13,762	\$1,452		\$595,564		\$12
96210 Compensated Absences						\$754		
96300 Payments in Lieu of Taxes	\$35,200							
96400 Bad debt - Tenant Rents			\$15,395	\$108,822		\$0		\$0
96500 Bad debt - Mortgages		\$100,680						
96600 Bad debt - Other	\$0	\$501				\$0		\$18,762
96800 Severance Expense								
96000 Total Other General Expenses	\$35,393	\$236,212	\$29,157	\$110,274	\$0	\$596,318	\$0	\$18,774
96710 Interest of Mortgage (or Bonds) Payable			\$888,584	\$258,119		\$1,050,450		\$274,793
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$888,584	\$258,119	\$0	\$1,050,450	\$0	\$274,793
96900 Total Operating Expenses	\$1,074,779	\$354,992	\$2,025,750	\$2,034,994	\$0	\$3,591,841	\$0	\$1,131,960

See report of independent auditors.

Kitsap County Consolidated Housing Authority (WA036)

Silverdale, WA

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

Fiscal Year End: 06/30/2021

	Project Total	14,218 Community Development Block Grants/Entitlement Grants	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14,900 Lead-Based Paint Hazard Control in Privately-Owned Housing	1 Business Activities	9 Other Federal Program 2	10,415 Rural Rental Housing Loans
97000 Excess of Operating Revenue over Operating Expenses	\$309,611	-\$20,464	\$352,186	\$66,361	\$0	\$1,472,800	\$44,843	\$167,058
97100 Extraordinary Maintenance	\$18,763			\$21,326		\$3,005		\$21,414
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments								
97350 HAP Portability-In								
97400 Depreciation Expense	\$178,655	\$62	\$429,580	\$497,524		\$174,216		\$178,688
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$1,272,197	\$355,054	\$2,455,330	\$2,553,844	\$0	\$3,769,062	\$0	\$1,332,062
10010 Operating Transfer In	\$223,575							
10020 Operating transfer Out	-\$223,575							
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)						-\$715,306		
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	-\$715,306	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$112,193	-\$20,526	-\$77,394	-\$452,489	\$0	\$580,273	\$44,843	-\$33,044
11020 Required Annual Debt Principal Payments	\$0	\$0	\$330,000	\$111,887	\$0	\$686,014	\$0	\$281,245
11030 Beginning Equity	\$4,341,165	\$1,587,662	-\$1,440,055	\$2,836,136	-\$107,427	-\$1,451,316	\$375,742	\$1,293,251
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$22,950	-\$926,075	-\$1,556,830	\$1,550,882	\$107,427	\$3,990,171	-\$420,585	\$0
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 Rents								
11100 Changes in Allowance for Doubtful Accounts - Other								
11170 Administrative Fee Equity								
11180 Housing Assistance Payments Equity								
11190 Unit Months Available								
11210 Number of Unit Months Leased	1632		2604	1788		2988		1836

Kitsap County Consolidated Housing Authority (WA036)

Silverdale, WA

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

Fiscal Year End: 06/30/2021

	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	10.420 Rural Self-Help Housing Technical Assistance	14.247 Self-Help Homeownership Opportunity Program	5 Fiduciary	14.PHC Public Housing CARES Act Funding	ELIM	Total
70300 Net Tenant Rental Revenue									\$6,492,925
70400 Tenant Revenue - Other									\$40,187
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,533,112
70600 HUD PHA Operating Grants		\$2,940,076			\$640,000		\$30,679		\$4,636,627
70610 Capital Grants									
70710 Management Fee									
70720 Asset Management Fee									
70730 Book Keeping Fee									
70740 Front Line Service Fee									
70750 Other Fees								-\$390,745	\$0
70700 Total Fee Revenue								-\$390,745	-\$390,745
70800 Other Government Grants				\$830,425					\$2,120,584
71100 Investment Income - Unrestricted		\$977		\$67		\$543			\$6,482
71200 Mortgage Interest Income									\$875,376
71300 Proceeds from Disposition of Assets Held for Sale					\$1,208,000				\$1,208,000
71310 Cost of Sale of Assets					-\$662,214				-\$662,214
71400 Fraud Recovery									
71500 Other Revenue	\$68,629			\$295,441	\$536,753	\$4,287,758			\$7,667,633
71600 Gain or Loss on Sale of Capital Assets					\$0				\$7,500
72000 Investment Income - Restricted									
70000 Total Revenue	\$68,629	\$2,941,053	\$0	\$1,125,933	\$1,722,539	\$4,288,301	\$30,679	-\$390,745	\$22,393,100
91100 Administrative Salaries	\$3,178			\$356,845					\$1,861,179
91200 Auditing Fees				\$15,222					\$139,906
91300 Management Fee		\$250,629		\$0				-\$390,745	\$136,836
91310 Book-keeping Fee									
91400 Advertising and Marketing				\$1,210					\$10,030
91500 Employee Benefit contributions - Administrative	\$777			\$277,678					\$1,118,846
91600 Office Expenses		\$37,009		\$22,343					\$282,482
91700 Legal Expense				\$3,031					\$24,365
91800 Travel				\$169					\$10,492
91810 Allocated Overhead				\$0				\$0	\$0
91900 Other		\$1,419		\$30,013	\$10				\$396,961
91000 Total Operating - Administrative	\$3,955	\$289,057	\$0	\$706,511	\$10	\$0	\$0	-\$390,745	\$3,981,097
92000 Asset Management Fee									
92100 Tenant Services - Salaries									
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services									
92400 Tenant Services - Other				\$4,131					\$39,214
92500 Total Tenant Services	\$0	\$0	\$0	\$4,131	\$0	\$0	\$0	\$0	\$39,214

Kitsap County Consolidated Housing Authority (WA036)

Silverdale, WA

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

Fiscal Year End: 06/30/2021

	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	10.420 Rural Self-Help Housing Technical Assistance	14.247 Self-Help Homeownership Opportunity Program	5 Fiduciary	14.PHC Public Housing CARES Act Funding	ELIM	Total
93100 Water				\$1,037					\$286,708
93200 Electricity				\$1,894					\$152,489
93300 Gas				\$622					\$9,977
93400 Fuel									
93500 Labor									
93600 Sewer				\$2,226			\$1,954		\$724,850
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									\$7,033
93000 Total Utilities	\$0	\$0	\$0	\$5,779	\$0	\$0	\$1,954	\$0	\$1,181,057
94100 Ordinary Maintenance and Operations - Labor				\$165,370					\$661,713
94200 Ordinary Maintenance and Operations - Materials and Other				\$9,561		\$4,342,599			\$4,665,716
94300 Ordinary Maintenance and Operations Contracts				\$6,667					\$773,197
94500 Employee Benefit Contributions - Ordinary Maintenance				\$76,319					\$446,234
94000 Total Maintenance	\$0	\$0	\$0	\$257,917	\$0	\$4,342,599	\$0	\$0	\$6,546,860
95100 Protective Services - Labor									
95200 Protective Services - Other Contract Costs				\$1,128					\$40,589
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services									
95000 Total Protective Services	\$0	\$0	\$0	\$1,128	\$0	\$0	\$0	\$0	\$40,589
96110 Property Insurance		\$524		\$3,222					\$153,467
96120 Liability Insurance									
96130 Workmen's Compensation									
96140 All Other Insurance									
96100 Total Insurance Premiums	\$0	\$524	\$0	\$3,222	\$0	\$0	\$0	\$0	\$153,467
96200 Other General Expenses				\$199	\$8,753				\$754,966
96210 Compensated Absences									\$754
96300 Payments in Lieu of Taxes									\$35,200
96400 Bad debt - Tenant Rents									\$124,217
96500 Bad debt - Mortgages	\$389,544								\$490,224
96600 Bad debt - Other	\$498			\$2,739					\$22,500
96800 Severance Expense									
96000 Total Other General Expenses	\$390,042	\$0	\$0	\$2,938	\$8,753	\$0	\$0	\$0	\$1,427,861
96710 Interest of Mortgage (or Bonds) Payable				\$1					\$2,471,947
96720 Interest on Notes Payable (Short and Long Term)									
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$1	\$0	\$0	\$0	\$0	\$2,471,947
96900 Total Operating Expenses	\$393,997	\$289,581	\$0	\$981,627	\$8,763	\$4,342,599	\$1,954	-\$390,745	\$15,842,092

Kitsap County Consolidated Housing Authority (WA036)

Silverdale, WA

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

Fiscal Year End: 06/30/2021

	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	10.420 Rural Self-Help Housing Technical Assistance	14.247 Self-Help Homeownership Opportunity Program	5 Fiduciary	14.PHC Public Housing CARES Act Funding	ELIM	Total
97000 Excess of Operating Revenue over Operating Expenses	-\$325,368	\$2,651,472	\$0	\$144,306	\$1,713,776	-\$54,298	\$28,725	\$0	\$6,551,008
97100 Extraordinary Maintenance				\$14					\$64,522
97200 Casualty Losses - Non-capitalized									
97300 Housing Assistance Payments		\$2,727,571							\$2,727,571
97350 HAP Portability-In									
97400 Depreciation Expense				\$410					\$1,459,135
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$393,997	\$3,017,152	\$0	\$982,051	\$8,763	\$4,342,599	\$1,954	-\$390,745	\$20,093,320
10010 Operating Transfer In								-\$223,575	\$0
10020 Operating Transfer Out								\$223,575	\$0
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)								\$457,405	-\$257,901
10091 Inter Project Excess Cash Transfer In									
10092 Inter Project Excess Cash Transfer Out									
10093 Transfers between Program and Project - In								\$0	\$0
10094 Transfers between Project and Program - Out								\$0	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$457,405	-\$257,901
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$325,368	-\$76,099	\$0	\$143,882	\$1,713,776	-\$54,298	\$28,725	\$457,405	\$2,041,879
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$960,000	\$0	\$0		\$2,369,146
11030 Beginning Equity	\$1,981,845	\$592,934	\$0	-\$857,004	\$4,685,632	\$0	\$0		\$13,838,565
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$762,124	\$0		\$1,563,706	-\$3,821,694	\$280,897	-\$28,725		\$0
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 Rents									
11100 Changes in Allowance for Doubtful Accounts - Other									
11170 Administrative Fee Equity		\$484,043							\$484,043
11180 Housing Assistance Payments Equity									
11190 Unit Months Available		\$32,792							\$32,792
11210 Number of Unit Months Leased		4488							15336