

CELEBRATING

30

★ YEARS ★



1987-2017

2017 ANNUAL REPORT



The mission of the Housing Authorities Risk Retention Pool is to provide needed insurance benefits for its Public Housing Agency members on a consistent basis at stable, affordable rates.



## BY THE NUMBERS

■ Number of Members:

83

■ Total Insured Values:

\$5,595,103,534

■ Number of Claims Opened:

121

■ Total Paid on Claims since Inception:

\$80,796,282

■ Retention Rate:

97%

■ Number of Units:

34,871

■ Number of Certificates of Insurance Issued:

1,271

■ Square Miles Served:

434,393

### HARRP will strive to:

- Provide Member Public Housing Agencies with the broadest form of insurance coverages possible while maintaining strong, sound financial business practices.
- Take a leadership role in meeting Members' needs to control risk and provide high quality risk management services.
- Encourage Member participation by keeping them informed of HARRP activities through regular newsletters and meetings and by soliciting feedback on HARRP operations.
- Provide prompt, courteous service to its Members.
- Increase the membership of Public Housing Agencies seeking stable, affordable insurance coverage who are supportive of HARRP services and management and who meet HARRP underwriting criteria.



REPORT TO

# Members

On behalf of the Board of Directors and the Housing Authorities Risk Retention Pool staff, it is our privilege to present the 2017 Annual Report.

The mission of HARRP is to provide member public housing authorities with the broadest insurance coverage, take a leadership role in meeting our members' need to control losses, and to provide the highest quality of risk management services. 2017 was a banner training year for our risk management team, who provided training to over 2,500 public entity employees in the areas of diversity, ADA, fair housing, driver safety and harassment.

However, some things are out of the control of risk management professionals! Members have filed record claims in 2017, which will be one of the biggest claim years in HARRP's 30-year history. With any brutal winter, claims can be an expected result and the 2017 program year suffered numerous property claims from winter related issues throughout the four states. Additionally, HARRP suffered its first policy limits fire loss, making 2017 the first year that HARRP will cede part of a property loss to a reinsurer. Even with the losses, HARRP's financial position remains incredibly strong. HARRP remains funded at a 99% confidence level, meaning that we are 99% sure that reserves and surplus are sufficient to cover all current claims, and incurred but not reported yet claims. This is significant as most commercial insurers operate at a 50-55% confidence level.

2017 also brought some changes in the membership, staffing and the directors. Three members withdrew from the pool in 2017. As a result, HARRP's inventory is reduced by approximately 3.5 %. As far as staffing, Account Executive Gil Stuart left HARRP in May to pursue another career outside of insurance. With his departure, duties were shifted among existing employees. We also hired Torey Plummer as our Administrative Assistant to provide support services for the staff. Another significant change can be seen on the Board. After serving on the HARRP Board of Directors for 18 years, 12 of those years as President, Scott Foster announced his retirement in 2017, and we are all sad to see him go. Unfortunately, we lost Scott suddenly in January 2018.

Looking forward to 2018, HARRP will continue to emphasize training and marketing. In keeping with the outcome of HARRP's strategic planning sessions in late 2016, one of HARRP's focused objectives this coming year is to reach out to public housing authorities not currently participating in HARRP. Spreading the word of HARRP and the benefits of membership is incumbent of all members and staff to minimize the costs of insurance and maximize the risk management potential for everyone's benefit.

We would like to thank you for your continued support of HARRP and your valuable membership as we celebrate our thirtieth anniversary!

Renée Rooker  
HARRP President

William Gregory  
Executive Director



## ■ OPERATIONS

HARRP provides many types of coverage for its member housing authorities: general liability, fidelity and employee dishonesty, automobile liability, public officials' errors and omissions liability, Section 8 liability, and property. This protection is provided through the pooled contributions of the member housing authorities to HARRP, and the purchase of reinsurance and excess insurance above HARRP's self-insured retention. Because of the flexibility of HARRP's structure, its ability to adequately fund new coverage and evaluate multiple factors that may suggest removal of coverage, HARRP is able to add or remove coverage as conditions warrant.

### • GENERAL LIABILITY

HARRP provides general liability coverage to its member authorities, which protects them from tort claims of third parties. Losses under this coverage predominantly include premise liability protection. Coverage is extended to member housing authorities and their employees while acting in the scope of their employment. Currently, the limits are \$2M per occurrence with no annual aggregate. Excess limits are available by contacting the HARRP office.

### • PUBLIC OFFICIALS ERRORS & OMISSIONS LIABILITY

This coverage is intended to protect HARRP's member housing authorities, their employees, commissioners and volunteers from liability arising from the official, non-arbitrary decisions they make on behalf of the authorities, subject to appropriate conditions. The coverage includes employment related exposures such as allegations of wrongful termination, whistleblowing, retaliation and discrimination. The limits for this coverage are included in the general liability limits of \$2M per occurrence with an annual aggregate of \$2M. Each member retains the greater of 10% of each loss or a minimum deductible of \$2,500.

### • FIDELITY

HARRP members are protected from losses they might suffer as a result of employee dishonesty or the loss of monies and/or securities. The basic program limits are \$100,000 per occurrence for employee dishonesty and \$10,000 per occurrence for loss of monies and/or securities. Higher limits are available in denominations of \$50,000 per occurrence for an additional contribution.

### • AUTOMOBILE LIABILITY AND PHYSICAL DAMAGE

HARRP offers protection to member housing authorities against risks associated with the ownership and use of automobiles. The limit is \$2M per occurrence with no annual aggregate. Due to multi-state regulations, auto coverage options are tailored to comply with each state's specific requirements.

### • PROPERTY

HARRP provides property replacement coverage for its member housing authorities. The program for property coverage has a \$2M limit with an additional \$45M of excess coverage purchased on behalf of the pool. HARRP's property coverage covers real and personal property of the member, expediting expenses and loss of rents coverage for losses sustained at administrative offices. Optional coverage is available for member housing authorities for loss of rents, designed to continue cash flow in the event of loss of rents due to the repairs of damaged units. Contents coverage is also provided and is based on valuations provided by HARRP member housing authorities. The program has a base deductible of \$2,500 per occurrence with higher deductibles available.

### • SECTION 8 LIABILITY

As an extension of the liability coverage, HARRP provides errors and omissions coverage for member housing authorities associated with Section 8 vouchers. The Section 8 line of protection provides coverage for liabilities encountered with the administration of vouchers.

### • RATES

The rates used by HARRP to calculate the contributions of its member housing authorities are adopted annually by the Board of Directors after its review of an actuarial analysis of HARRP's loss history, exposure units and national trends in the insurance industry. The rates are adjusted by the loss experience of each individual member housing authority through tiers. There are six tiers and each member housing

authority is assigned to two tiers - one for property and one for casualty, which includes all lines of coverage except property. The tiers reflect discounts for members with good loss experience and higher rates for those members with worse than average loss experience. The intent of the tiered rating structure is to reward members who diligently practice effective risk management and control of claims, but also to alert those members with elevated loss experience that risk management practices are critical to the continued success of the pool.

### • RESERVES

HUD requires that HARRP maintain a financial standard that is "equivalent to a financially sound and responsible insurance company." Accordingly, HARRP must maintain assets sufficient to pay its costs in order to stay in compliance, which requires that HARRP estimate costs and establish appropriate reserves for claims. Reserves are the basis for ensuring the solvency of the pool. After reserves, surplus is a measure of how much the pool's additional funds can assist in moderating unanticipated high claims, low investment revenues and other detrimental factors, and provides the ability for the pool to reduce or absorb these costs.

HARRP establishes a reserve on each and every claim that is reported. Additionally, HARRP must account for claims that may have already occurred, but have not been reported to HARRP or even the member housing authority. These reserves are known as incurred but not reported (IBNR) and must be included with all actuarial and financial analyses performed by or for HARRP.

HARRP's Board of Directors has historically been very conservative on rate setting and the affect of rates in relation to reserves and acceleration of surplus. At the conclusion of 2016, HARRP had surplus funds in excess of \$20.1M and HARRP is funded at just over a 99% confidence level.

### • UNDERWRITING

Public housing authorities seeking membership in HARRP are subject to extensive underwriting before a staff recommendation is submitted to the Board of Directors for possible inclusion in the pool. The materials reviewed include pertinent information such as previous loss history, number of units, employees, total insured values, management and unusual activities or exposures that could adversely affect the pool.

### • LOSS CONTROL

A foundation of HARRP's success is the extent to which its members' internal resources are allocated to controlling losses before they occur. Proactive intervention, rather than reactive treatment, is paramount to the continued success of HARRP and is a key reason why HARRP has enjoyed the success it has.

HARRP provides a wide range of loss control services, including HARRP's website, periodic newsletters and other written communications providing tips on actions members can take to reduce the frequency and severity of damage to property or injury to residents and their guests. HARRP staff continually evaluates statistical loss data to isolate any trends that may affect coverage.

HARRP boasts cutting edge, interactive training through web based sites, such as In2Vate™. The most popular service HARRP's risk management department provides is the Attorney Helpline, in which attorneys are available, free of charge to its members, to answer a myriad of questions dealing with employment law, federal employment standards and many other areas of common legal concerns.

Through its affiliation and sponsorship of regional NAHROs, HARRP provides training programs at national, regional and local events, and conducts numerous training sessions for small groups or individuals within a member's location. HARRP is continually fine tuning its training programs to address specific loss trends, or exposures to loss, that have been experienced by the pool and its members.

HARRP staff provides onsite safety surveys and submits written findings on safety hazards noted in the field. Additionally, HARRP staff provides assistance and verification that members' property inventory and contents values are consistent with current reconstruction and/or replacement costs. Members also receive hundreds of hours of telephone and electronic consultation regarding risk management, claims management and insurance contractual issues.

All these services are designed to support our members' loss control activities. With the increased importance of controlling losses in relation to tiered rates that reflect each member's individual loss experience, there has never been a better time to access and utilize HARRP's vast network of services.

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OPERATIONS Continues...  
from page 5

INVESTMENTS

HARRP utilizes the services of Morgan Stanley, which merged with Smith Barney in 2012, for investment management. Morgan Stanley also acts as HARRP’s custodial agent. Morgan Stanley currently manages over \$23.4M of investments, invested predominantly in government agency bonds. HARRP observes strict adherence to applicable governmental regulations, making the portfolio very conservative.

CLAIMS

Evaluation and resolution of claims is an important function of HARRP’s administration. HARRP has contracts with independent insurance adjustors and defense counsel in each state in which HARRP operates to investigate and defend claims. Beginning in 2015, the Board of Directors delegated authority to HARRP’s Director of Claims to resolve all property claims. HARRP tightly manages all property claims, and because these claims typically have little ambiguity as to scope, the Board of Directors felt that settlement authority for property claims should be retained by staff.

Staff has \$300,000 settlement authority for all other types of claims. For any potential casualty settlement exceeding \$300,000, a special meeting of the full Board of Directors is convened to discuss the proposed settlement. The philosophy of HARRP and the Board of Directors in dealing with claims is to attempt to obtain reasonable settlements and provide compensation to claimants presenting valid claims. Claims which have been determined to have no validity are vigorously defended. Consistent with this philosophy, HARRP, as a member-owned risk sharing pool, makes every effort to coordinate claim settlements and defense with the member housing authority involved in the claim.

SATISFACTION SURVEY RESULTS

Annually, HARRP surveys the membership to determine the level of satisfaction with HARRP’s performance in the management and resolution of their claims. The satisfaction surveys have a long history of exceptional results. Below lists the last ten years of survey results:

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Very Satisfied	85%	84%	83%	82%	83%	81%	82%	79%	83%	91%	96%
Satisfied	15%	16%	17%	16%	17%	19%	16%	21%	17%	7%	4%
Not Satisfied	0%	0%	0%	2%	0%	0%	2%	0%	0%	2%	0%



RISK MANAGEMENT

HARRP’s risk management programs are specifically designed to address the unique exposures associated with public housing authorities. Designed to minimize both the risk and the financial consequences associated with losses, HARRP’s proactive services are constantly evaluated and updated to reflect the latest trends in training, compliance with state and/or federal regulations and making available the latest methods to address specific loss trending for the membership.

HARRP allocates extensive resources to the risk management services it offers to its membership. Always dedicated to a proactive stance on controlling losses before they occur, HARRP provides numerous effective, proven methods to control losses, including in the following areas:

- Variety of site based trainings, including contractual risk transfer, claims processing, fair housing, driver’s training, etc.
- Contract reviews
- Safety grants
- Attorney Helpline
- Online training, including modules in sexual harassment, fair housing and diversity
- On-site inspections
- Phone, fax, and electronic support services
- Loss trending and evaluation
- Property valuation
- Legal opinions
- Coverage issues
- Special event risk control

Please refer to the HARRP webpage, [www.harrp.com](http://www.harrp.com) for additional services and programs.

CLAIMS MANAGEMENT

Evaluation and resolution of claims is an important function of HARRP management. HARRP contracts with independent adjusters in each state in which HARRP operates. The philosophy of HARRP’s management team and Board of Directors in dealing with claims is to attempt to obtain the most reasonable settlement and compensate the injured parties when compensation is warranted. Claims which lack validity are strenuously defended. HARRP makes every attempt to coordinate all parties with the handling of claims. HARRP contracts with an outside claim auditor every three (3) years to evaluate the management and oversight of claims processing. The most recent claims audit was performed in 2017 and concluded with only one minor comment regarding a reserve opinion. The audit is available for review upon request.



# ORWACA

## AGENCY

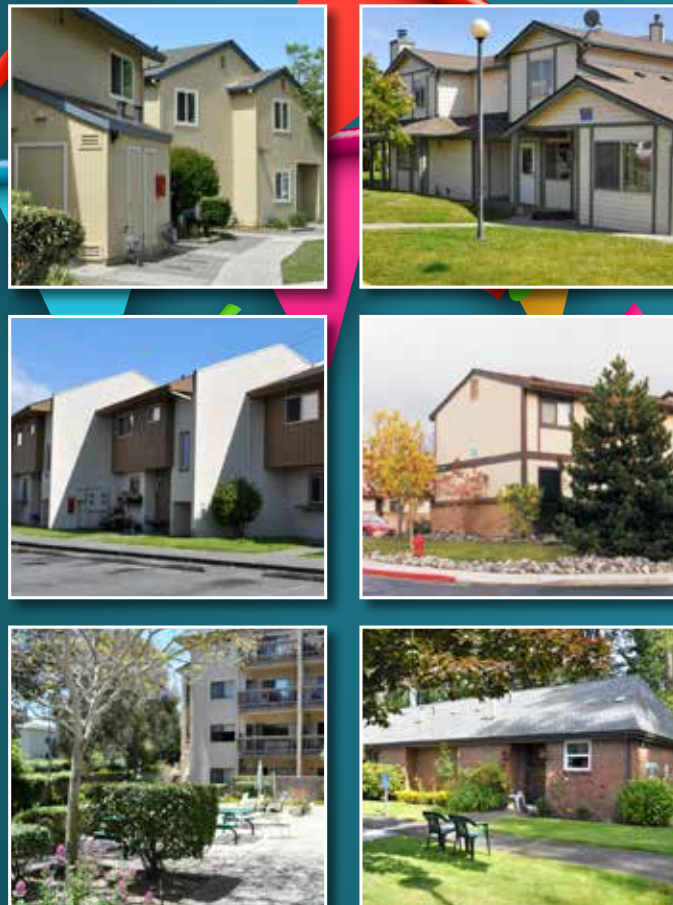
### INSURANCE SERVICES, LLC

When your Housing Authority uses affiliates or non-profit partner agencies, ORWACA Agency Insurance Services, LLC can assist with your insurance needs. ORWACA has access to social service insurance providers, offering professional executive risk insurance products and general property & casualty coverages. ORWACA also has access to bonding markets for unique situations when surety is required.

The following examples serve as a reference of the type of programs needing coverage and products frequently requested. Additional lines of coverage are normally accessible by the ORWACA Agency Insurance Services, LLC:

- Homeless shelters & transitional housing programs
- Private non-profit operations & city/county funded operations
- Community mental health providers that include housing solutions
- Most service providers at your housing authority's properties
- Directors' and officers' insurance for independent non-profit boards related to housing
- Professional liability (E&O) and miscellaneous professions
- Flood and earthquake
- DIC – difference in conditions – broadens property forms
- Builder's risk – for property in the course of construction
- Policies for property and general liability for affiliates & partner non-profits
- Employment practices liability (monoline product policy)
- Bonding/surety, notary/bid & performance and miscellaneous bonds
- Fund raising or special event policies
- Lead based paint professional liability for housing inspectors
- Tenant discrimination
- Boiler & machinery/mechanical breakdown
- Underground storage tank liability & other pollution related coverage
- Cyber Liability

Dedicated to offering insurance services to HARRP pool members, ORWACA is designed to service housing authorities and non-profit entities as a one stop shop. ORWACA can help when HARRP pool members are faced with coverage issues outside the scope of intergovernmental agreements.



# 30

## ★ YEARS ★

### HISTORY LESSON

As HARRP concludes its 30th year of providing housing authorities with comprehensive insurance coverage and exceptional risk management services, we recognize and honor those who have given their time and expertise to make HARRP the resounding success it is today. We pay tribute the members of our Board of Directors, past and present, who have guided HARRP to success, and we look forward to the future and all its challenges and rewards.

Beginning in 1984, public entities, including housing authorities, were facing a crisis in the placement of their property and casualty insurance. Commercial insurance companies were rapidly increasing rates and many companies were declining to write most lines of coverage for public entities. Because of the lack of coverage and the costs associated with procuring what limited coverage was available, public entities faced dire circumstances.

In response, risk sharing pools emerged. HUD quickly recognized the issues and encouraged public entities to form risk pools on a state or regional basis.

In 1986, an investigative committee was formed to explore a multi-state pooling program for housing authorities in Oregon, Washington and Northern California. LMC & Associates, a Portland, Oregon based risk management consulting firm, was hired to lead the feasibility study. Lindsay, Hart, Neil and Weigler, also based in Portland, was retained to provide legal counsel. The result of their combined efforts was a feasibility study and business plan which soon became the framework for the creation of Housing Authorities Risk Retention Pool (HARRP).

In the fall of 1986, HARRP bylaws and governing documents were submitted and approved by each of the member's state regulatory agencies. Enrollment began on February 1, 1987. HUD approved the final plan documents and its support made it possible for the members to secure Annual Contributions Contract (ACC) procurement waivers.

Because an existing provision under California State law prohibited housing authorities operating within the state to contract with housing authorities from other states, HARRP was originally organized as three separate state risk retention pools. Subsequently, HARRP was able to successfully amend California Government Code Section 6500 to allow California housing authorities to enter into agreements with other states. On June 16, 1987, the three states were combined to form one pool. Participation of Nevada housing authorities was approved in 1989 with coverage offered in 1990.

Over the past thirty years, HARRP has experienced phenomenal success. Starting with 55 members in 1987, HARRP grew its membership to 91 members in 2007. Due to consolidations and other factors, HARRP's current membership sits at 83. The long-standing stability in HARRP's Board of Directors and its ongoing commitment is the foundation of HARRP's existence and places HARRP among the best pooling programs in the nation.

For this, we dedicate the 2017 Annual Report to those individuals, both present and past, who have provided guidance and leadership to HARRP!

#### ORIGINAL BOARD MEMBERS

Ophelia Basgal  
Bill Brugger  
Rich Chubon  
Tom Gay  
Steven Holt  
Thomas Matthews  
Phil Perkins  
Ric Weaver  
James Wiley

#### RETIRED BOARD MEMBERS

Ophelia Basgal • 1987 - 2005  
Bill Brugger • 1987 - 1992  
Rich Chubon • 1987 - 2006  
Tom Gay • 1987 - 1990  
Steven Holt • 1987 - 1993  
Thomas Matthews • 1987 - 1989  
Phil Perkins • 1987 - 1993  
Ric Weaver • 1987 - 1998  
James Wiley • 1987 - 1993  
David Ward • 1990 - 1994

Marcia King • 1991 - 2000  
Bill Walker • 1992 - 2000  
Merrill Wallace • 1993 - 2006  
Art Bunger • 1994 - 1999  
Mitch Sperling • 1994 - 2003  
John M. Smith • 1994 - 2007  
Scott Foster • 1999 - 2017  
Gary Dizenzo • 2000 - 2007  
James Hackett • 2001 - 2010  
David Morton • 2003 - 2014  
Tim Sciacqua • 2005 - 2007  
Bud Alkire • 2006 - 2012

Mike Pucci • 2007 - 2012  
Todd Salvo • 2008 - 2012  
Bill Fagan • 2010 - 2015  
Elise Hui • 2010 - 2016  
Michael Mirra • 2013 - 2014  
Larry Abel • 2013 - 2015  
Rob Pearson • 2013 - 2016  
Tom Kemper • 2013 - 2017  
Linda Nichols • 2013 - 2015



## ■ HARRP STAFF

Each of HARRP's full time staff members is responsible for a wide range of duties. All staff members bring a high level of expertise and broad experiences with the issues typically faced by pools, the insurance industry, housing operations, and agency functions, not to mention specific tasks handled by housing authorities daily.

As with most small offices, HARRP relies heavily on cross training to ensure smooth transitions and uninterrupted service to its members. Staff members have been with HARRP for a combined 98 years! Stability not only applies to HARRP's rates and coverage, but also to the dedicated staff who serves its members.

### Back Row Left to Right

- **ROBIN COX**  
*Claims Administrator*  
New and existing claims, claim status and resolution issues, litigation issues
- **MICHELLE FRYE**  
*Director of Finance*  
Accounts receivable, accounts payable, financial statements, human resources
- **REBECCA PLUMMER**  
*Policy & Agency Administrator*  
Assistance in AHRP policy development, billings, database management and agency support services
- **TOREY PLUMMER**  
*Administrative Assistant*  
Office management and staff support services
- **ADIAH SWENSON**  
*Policy Administrator*  
HARRP invoicing and data management, annual coverage renewal issues, requests for insurance certificates, adds and deletes

### Front Row Left to Right:

- **WILLIAM (BILL) GREGORY**  
*Executive Director*  
Overall management, loss control issues, compliments, complaints, suggestions, coverage issues, board relations, human resources and strategic planning
- **ALBERT (AL) ALVAREZ**  
*Director of Risk Management*  
Loss control issues, contractual risk transfer issues, risk/loss analysis, training needs, insurance contract evaluation
- **RICK GEHLHAAR**  
*Director of Claims*  
New and existing claims, claim status and resolution issues, litigation issues, loss control issues



## ■ HARRP BOARD OF DIRECTORS

The HARRP Board of Directors is comprised of nine members, three representing the Association of Washington Housing Authorities, three representing the Oregon Housing Association, and three representing the California Association of Housing Authorities. The Directors are subdivided into three classes, each class with a staggered term of three years. Annually, one-third of the Board is elected at separate meetings of each Association. The Board of Directors meets quarterly and is responsible for establishing HARRP policy, rate setting, claims, risk management and other administrative functions. Ad hoc committees are formed by the Board when necessary to handle specific issues or projects or urgent issues between regularly scheduled Board of Directors' Meetings.

### HARRP'S DIRECTORS ARE AS FOLLOWS:

#### WASHINGTON



**Chris Pegg**  
(Term Expires 2018)



**Renée Rooker**  
(Term Expires 2019)



**Duane Leonard**  
(Term Expires 2020)

#### OREGON



**Jason Elzy**  
(Term Expires 2018)



**Tom Kemper**  
(Term Expires 2019  
retiring in 2018)



**Jacob Fox**  
(Term Expires 2020)

#### CALIFORNIA/NEVADA



**Barbara Kauss**  
(Term Expires 2018)



**Bob Havlicek**  
(Term Expires 2019)



**Ken Kugler**  
(Term Expires 2018)

**The Board of Directors  
Housing Authorities Risk Retention Pool and Subsidiary  
Vancouver, Washington**



We have audited the accompanying financial statements of Housing Authorities Risk Retention Pool and its blended component units (the “Pool”) which comprise the Statements of Net Position as of December 31, 2017 and 2016, and the related Statements of Revenues, Expenses and Changes in Net Position, and Cash Flows for the years then ended, and the related notes to the financial statements.

***Management’s Responsibility for the Financial Statements***

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

***Auditor’s Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Authorities Risk Retention Pool and its blended component units as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, the Reconciliation of Claims Liabilities by Type of Coverage, the Ten-Year Loss Development Information and Pension Plan Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pool’s basic financial statements. Other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Perkins & Company, P.C.  
Portland, Oregon  
April 5, 2018*

## MANAGEMENT’S DISCUSSION AND ANALYSIS

### ■ INTRODUCTION

The Housing Authorities Risk Retention Pool (“HARRP”) Management is pleased to offer this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2017. This discussion and analysis includes HARRP as well as HARRP’s subsidiary entity, the Affordable Housing Risk Pool (“AHRP”), and AHRP’s subsidiary entity, the ORWACA Agency Insurance Services, LLC (“ORWACA”). We encourage readers to consider the information presented here in conjunction with HARRP’s financial statements and notes.

### ■ FINANCIAL HIGHLIGHTS

Primarily as a result of significant increases in claim expenses, HARRP experienced a net decrease in 2017 of \$2,189,477, compared to a net increase of \$3,065,094 in 2016. Conversely, significant decreases in claim expenses allowed AHRP and ORWACA to post an aggregate net increases of \$750,778 in 2017, compared to an aggregate net decrease of \$476,064 in 2016. The combined net decrease for all three entities for 2017 is \$1,438,699, as compared to \$2,589,030 in 2016.

### ■ GENERAL PROGRAM HIGHLIGHTS

HARRP was formed in 1987 as a response to the rapidly escalating costs and availability of public entity insurance. HARRP was formed to pool risks associated with operations of public housing authority agencies. HARRP is governed by a nine-member Board of Directors, elected by and representing member housing authorities that participate in the HARRP program. The Board of Directors oversees operations, policy, claims, underwriting, risk management, and finances.

Claims administration, risk management, financial services, and underwriting are performed in-house. Claims adjusting, actuarial analysis, financial audits, and legal services are outsourced to firms specializing in pooling, habitational risks, employment law, and civil litigation.

HARRP has one subsidiary entity, AHRP. In 2013, AHRP acquired ORWACA at the same time the corporate structure was changed from a corporation to a limited liability company in Oregon. ORWACA is dedicated to procurement of commercial insurance products for HARRP and AHRP. With five licensed insurance agents, ORWACA specializes in acquiring specialty coverage. Launched in 2011, AHRP provides coverage for tax credit partnership and non-profits providing affordable housing.

### ■ FINANCIAL STATEMENT OVERVIEW

HARRP and its subsidiaries report their financial activities as an enterprise fund, utilizing full accrual practices, meaning revenues are booked as earned and expenses are recognized as they

are incurred. HARRP and subsidiaries establish a budget annually to monitor many aspects of the financial condition of the pool.

The annual financial report consists of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows. This report also contains supplementary information in addition to the basic financial statements.

- The Statements of Net Position presents information on the pool’s assets and liabilities, and net position or members’ equity. Increase or decrease in the members’ equity from year to year is an indication of how effectively HARRP and AHRP are rating their programs to assure sufficient funding as well as the level of HARRP’s internal administrative efficiency.

- The Statements of Revenues, Expenses and Changes in Net Position present information showing total revenues versus total expenses and how the pools’ net position changed from year-end 2016 to year-end 2017. All revenues and expenses are reported on an accrual basis.

In the required supplemental information section of the audit report is the Reconciliation of Claims Liabilities by Type of Coverage, the Ten-Year Loss Development Information and the Pension Plan Information. The Ten-Year Loss Development Information schedule for the most recent 10 years shows loss development which demonstrates whether the originally funded rate was adequate or inadequate to cover the cost of losses as the loss matures. These reports are submitted pursuant to Governmental Accounting Standards Board (“GASB”) Statement 10, as amended by Statement 30 and GASB Statement 68.

In the supplementary information section of the audit report, the Combining Statement of Net Position and the Combining Statement of Revenues, Expenses and Changes in Net Position or Members’ Equity, is presented by program. Hence, HARRP, AHRP and ORWACA are presented separately. This allows specific identification of performance by each program.

HARRP’s overall financial position decreased in 2017, due to high claim activity, while AHRP’s overall position increased in 2017 due to stabilization of claims.

### ■ ASSETS

Total assets increased by \$973,962 in 2017 from the previous year. This followed an increase in assets of \$3,751,651 from 2015 to 2016.

At December 31, 2017 and 2016, HARRP and its subsidiary, AHRP, invested approximately \$29.3 million and \$29.6 million, respectively, in obligations of the U.S. Government, U.S. Government agencies and U.S. Government sponsored agencies, as stipulated by applicable State investment statutes. Income derived from these investments is used to offset program costs and accordingly reduces both HARRP’s and AHRP’s rates.

*continues on page 14*



ANALYSIS OF THE STATEMENTS  
OF NET POSITION

	2017	2016	2015
<b>Assets</b>			
Current and Other Assets	\$ 35,585,935	\$ 34,571,008	\$ 30,775,470
Capital Assets	1,424,067	1,465,032	1,508,919
Total Assets	37,010,002	36,036,040	32,284,389
<b>Liabilities</b>			
Current Liabilities	10,416,019	9,291,973	8,457,330
Noncurrent Liabilities	2,726,153	1,437,538	1,109,560
Total Liabilities	13,142,172	10,729,511	9,566,890
<b>Net Position</b>			
Net Investment in Capital Assets	1,424,067	1,465,032	1,508,919
Unrestricted	22,443,763	23,841,497	21,208,580
Total Net Position	\$ 23,867,830	\$ 25,306,529	\$ 22,717,499

Discussion & Analysis Cont...  
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LIABILITIES

At December 31, 2017 and 2016, total liabilities increased \$2,412,661 and \$1,162,621, respectively, over the previous period. HARRP and subsidiaries liabilities are generally unearned member contributions (deferred revenue), claim reserves payable at a future date, reserves for incurred but not reported (IBNR) claims, accounts payable and accrued expenses and pension liability.

REVENUES

Members contribute funds to the pool allowing HARRP to manage its objective of self-insurance. The predominant source of revenue is member contributions. Each year, HARRP conducts an actuarial analysis to determine contribution levels, which are based on loss trends, exposure units, and other trending factors. Rates are ultimately adopted by the Board of Directors.

HARRP’s revenues (exclusive of investment income) decreased slightly in 2017 compared to an increase in 2016 due to changes in exposure units covered. AHRP’s revenues (exclusive of investment income and commissions) increased 1% and 15% in 2017 and 2016, respectively, for AHRP, due primarily to the generation of new business and the subsequent issuance of policies. AHRP began accepting new business from all low-income tax credit and nonprofit affordable housing providers on January 1, 2013. Previously, only those entities affiliated with a HARRP member were able to secure coverage through AHRP.

The HARRP Board of Directors approved holding rates flat for 2017, except for a decrease in the section 8 liability rate. The AHRP Board of Directors modified rates based on realigning state differentials and required increase of rates. The new rates applied to policies renewing in 2017.

EXPENSES

HARRP and AHRP administration costs are comprised of administration and claim handling costs. In 2017, HARRP’s administration expenses increased by \$402,239, or 17.6%, compared to a decrease in 2016 of \$52,573, or 2% over the previous year. This was due primarily to the GASB pension liability expense requirement. In 2017 AHRP’s administration costs decreased by \$86,582, or 4% over the previous year. In 2016, AHRP’s administration costs increased by \$184,445, or 10% over the previous year. During the year ended December 31, 2017 the income tax expense totaled \$578,588 due primarily to application of a previous net operating loss as deferred tax expense to offset current year taxable income. During the year ended December 31, 2016, AHRP had an income tax benefit of \$302,209 resulting primarily from the origination of a net operating loss due to the losses.

During 2017 and 2016, total direct costs for HARRP increased \$4,760,695, or 225.9%, compared to a decrease in 2016 of \$642,444, or 23.4%, mostly due to the shift in claim activity. AHRP’s direct

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ANALYSIS OF THE STATEMENTS OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION

	2017	2016	2015
<b>Revenues</b>			
Member Contributions	\$ 11,201,631	\$ 11,408,319	\$ 10,390,273
Investment Income	370,676	136,601	144,169
Other Income	171,537	180,412	186,035
Total Revenue	11,743,844	11,725,332	10,720,477
<b>Expenses</b>			
Claims Expense	8,321,422	5,501,344	4,519,975
Administration/Other Expense	4,861,121	3,634,958	4,009,703
Total Expenses	13,182,543	9,136,302	8,529,678
<b>Change in Net Position</b>	(1,438,699)	2,589,030	2,190,799
Net Position, Beginning	25,306,529	22,717,499	20,526,700
Net Position, Ending	\$ 23,867,830	\$ 25,306,529	\$ 22,717,499

Referral to the accompanying financial statements and the related notes for the financial statements is encouraged.

Discussion & Analysis Cont...  
continued from page 14

costs decreased by \$1,940,617, or 57.2%, in 2017, as a result of a reduction in the frequency and servicing of claims. In 2016, AHRP’s direct costs increased by \$1,623,813, or 92%, as a result of higher than anticipated property claims.

DEBT ADMINISTRATION

Neither HARRP nor AHRP have any existing or pending long term debt. HARRP is positioned to finance bonds in the four states in which it operates to raise capital, if necessary. There are no plans to raise capital through capital contributions, bond financing or other means. In the 30 years since inception, HARRP has not had to rely on debt financing to fund any portion of its operations.

FORECAST OF FACTS OR CONDITION AFFECTING  
RESULTS OF OPERATIONS

HARRP benefits from its long-term existence as a risk pool. HARRP’s cumulative surplus assures HARRP’s solvency. HARRP, like most public entity pools, has suffered due to stringent investment guidelines to which the pool must adhere that limit investments to short-term government securities. Much of HARRP’s investment portfolio is maturing and will be reinvested with very low returns. Historically, investment income supplements the revenue generated by pool contributions and is a crucial factor in rate setting at the end of the year.

The industry trending prediction has property and casualty markets continuing to soften, which means the capacity in the insurance markets is favorable. Insurance companies typically reduce rates when capacity is high.

In 2011, HARRP obtained board and member approval to launch AHRP. The growth of AHRP has slowed through 2016 and 2017.

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the finances of HARRP and its subsidiaries. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authorities Risk Retention Pool, 7111 NE 179th Street, Vancouver, WA 98686-1888.



## STATEMENTS OF NET POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 5,056,835	\$ 3,633,499
Interest receivable	259,960	174,108
Investments	2,825,123	3,507,818
Restricted investments	254,794	-
Accounts receivable, net	87,872	99,579
Prepaid expenses	615,054	559,252
Receivables from tax authorities	27,664	36,864
Deferred income tax asset	108,518	189,442
Total current assets	9,235,820	8,200,562
<b>DEFERRED INCOME TAX ASSET</b>	54,911	534,802
<b>NON-CURRENT INVESTMENTS</b>	24,682,284	25,835,644
<b>NON-CURRENT RESTRICTED INVESTMENTS</b>	1,220,810	-
<b>CAPITAL ASSETS, NET</b>	1,424,067	1,465,032
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	392,110	-
	37,010,002	36,036,040
<b><u>LIABILITIES</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	136,232	87,239
Unearned contributions	5,550,493	5,850,480
Income tax payable	7,572	-
Current portion of losses and loss adjustment expense reserves	4,721,722	3,354,254
Total current liabilities	10,416,019	9,291,973
<b>NET PENSION LIABILITY</b>	603,332	-
<b>NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES</b>	2,023,595	1,437,538
<b>DEFERRED INFLOWS OF RESOURCES</b>	99,226	-
<b><u>NET POSITION</u></b>		
Net investment in capital assets	1,424,067	1,465,032
Unrestricted	22,443,763	23,841,497
Total net position	\$ 23,867,830	\$ 25,306,529

See Notes to Financial Statements

## STATEMENTS OF REVENUES, EXPENSES AND

### CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<b>OPERATING REVENUES:</b>		
Contributions earned	\$ 11,201,631	\$ 11,408,319
Commissions	167,037	155,762
Other income	4,500	24,650
Total operating revenues	11,373,168	11,588,731
<b>OPERATING EXPENSES:</b>		
Change in losses and loss adjustment expenses incurred	8,321,422	5,501,344
Excess and reinsurance expense	2,212,721	2,261,186
Professional fees	180,992	103,503
Salaries and benefits	1,406,871	1,091,333
General and administrative expense	440,983	437,258
Depreciation expense	40,966	43,887
Total operating expenses	12,603,955	9,438,511
<b>OPERATING INCOME (LOSS)</b>	(1,230,787)	2,150,220
<b>NON-OPERATING INCOME</b>		
Investment income	370,676	136,601
<b>INCREASE IN NET POSITION BEFORE INCOME TAX BENEFIT (EXPENSE)</b>	(860,111)	2,286,821
<b>INCOME TAX BENEFIT (EXPENSE)</b>	(578,588)	302,209
<b>INCREASE (DECREASE) IN NET POSITION</b>	(1,438,699)	2,589,030
<b>NET POSITION, BEGINNING OF YEAR</b>	25,306,529	22,717,499
<b>NET POSITION, ENDING OF YEAR</b>	\$ 23,867,830	\$ 25,306,529

See Notes to Financial Statements

STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Contributions received	\$ 10,951,137	\$ 11,643,784
Commissions received	129,251	154,297
Interest received	735,176	1,554,027
Taxes paid (refunded)	(17,773)	22,805
Losses and loss adjustment expenses paid	(6,367,897)	(4,408,088)
Salaries and benefits paid	(1,104,720)	(1,069,205)
General and administrative expenses paid	(422,724)	(588,134)
Professional fees paid	(180,992)	(103,503)
Excess insurance expenses paid	(1,042,117)	(1,060,730)
Reinsurance expenses paid	(1,170,604)	(1,200,456)
Net cash provided by operating activities	1,508,737	4,944,797
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(4,886,167)	(14,168,826)
Proceeds from sales and maturities of investments	4,800,766	8,762,377
Net cash used in investing activities	(85,401)	(5,406,449)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,423,336	(461,652)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	3,633,499	4,095,151
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 5,056,835	\$ 3,633,499
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES OF INVESTING AND FINANCING ACTIVITIES:</b>		
Transfer of investments to restricted investments	\$ 1,475,604	\$ -

See Notes to Financial Statements

	2017	2016
<b>RECONCILIATION OF INCREASE (DECREASE) IN NET POSITION TO CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Increase (decrease) in net position	\$ (1,438,699)	\$ 2,589,030
Adjustments to reconcile increase (decrease) in net position to net cash provided by operating activities:		
Depreciation expense	40,966	43,887
Deferred income taxes	560,815	(279,404)
Pension liability	310,447	-
Change in fair value of investments	445,852	1,437,984
Changes in assets and liabilities:		
Accounts receivable, net	11,707	105,008
Interest receivable	(85,852)	(45,208)
Receivables from tax authorities	9,200	(28,608)
Prepaid expenses	(55,802)	(40,513)
Unearned contributions	(299,987)	128,992
Accounts payable and accrued expenses	48,993	(59,627)
Payables to tax authorities	7,572	-
Losses and loss adjustment expense reserves	1,953,525	1,093,256
Net cash provided by operating activities	\$ 1,508,737	\$ 4,944,797

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

**Nature of Operations** - Housing Authorities Risk Retention Pool (“HARRP”) was established to serve affordable housing providers pursuant to specific statutes in Oregon, Washington, California and Nevada for the purpose of operating property, general liability, automobile, fidelity, tenant discrimination and public officials’ errors and omissions coverage to participants.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

**Reporting Entity** - The governmental reporting entity consists of HARRP, the primary government, and its blended component units.

Component units are legally separate organizations for which the Board of Directors is financially accountable or other organizations whose nature and significant relationship with HARRP are such that exclusion would cause the HARRP’s financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and (i) either HARRP’s ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on HARRP. The basic financial statements include blended component units. The blended component units are legally separate entities, and are considered, in substance, part of HARRP’s operations, and so data from these units is combined with data of the primary government.

The Pool’s operations include two blended component units, which are included in the basic financial statements and consists of two legally separate entities, Affordable Housing Risk Pool (“AHRP”) and ORWACA Agency Insurance Services, LLC (“the Agency”) (collectively, “the Pool”). The Agency is a member managed LLC owned by AHRP (100% ownership). AHRP began operations on March 31, 2011. AHRP is a 100% owned subsidiary of HARRP.

Governmental Accounting Standard Board (GASB) requires that the financial statements of AHRP and the Agency be blended into HARRP’s financial statements. Separately issued financial statements for AHRP and the Agency may be obtained by contacting the Executive Director, HARRP, 7111 NE 179th Street, Vancouver, Washington 98686.

**Basis of Accounting** - The Pool maintains its accounting records as a proprietary fund using the accrual basis of accounting. The Pool distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses are derived from providing services in connection with the Pool’s ongoing operations. The primary operating revenue is contributions from member entities. Operating expenses include claims expenses and general and administrative expenses. All other revenue and expenses not meeting this definition are classified as non-operating revenues and expenses.

**Use of Restricted and Unrestricted Resources** - When both restricted and unrestricted resources are available for use, it is the Pool’s policy to use restricted resources first, then unrestricted resources as they are needed.

**Membership** - HARRP was comprised of 82-member public housing authorities at December 31, 2017. HARRP has 73 members who participate in Auto, 81 members who participate in General Liability, 81 members who participate in Errors & Omissions and 82 members who participate in Property.

AHRP’s policyholders consist of non-profit and low income tax credit affordable housing providers affiliated with HARRP. AHRP provides policyholders property, general liability and tenant discrimination insurance coverage. AHRP has 300 member policies issued and outstanding at December 31, 2017.

Under HARRP’s Intergovernmental Cooperation Agreement, new members may be admitted by a majority vote of the Board of Directors.

Upon entry into HARRP, members may not voluntarily withdraw for a period of three years. Members must submit 30 days written notice prior to voluntary withdrawal. Members may be expelled by a majority vote of the HARRP Board of Directors. The effect of withdrawal does not terminate the responsibility of the member for any unpaid premiums.

**Description of Programs** - The Pool’s Self Insurance Programs (Auto Liability, General Liability, Errors & Omissions, Property and Employment Practices) were established for the purpose of operating and maintaining a self-insurance or group insurance program. Member contributions for coverage are to be used for the payment of, but not limited to, the following:

- Self-insured claim payments
- Reinsurance premiums
- Claims administration expenses
- Investigative costs
- Legal costs
- Internal administration service costs
- Audit costs
- Actuarial expenses
- Miscellaneous

The Board of Directors determines contribution requirements annually for the self-insurance programs adequate to fund for internal administration, projected losses and excess insurance costs. Member deductibles, self-insured retention (“SIR”), reinsurance and excess insurance for each program under HARRP are as follows:

<b>Auto Liability</b>	
Member Deductible:	\$250 to \$500 per occurrence (varies)
SIR Auto Physical Damage:	Actual Cash Value
SIR Bodily Injury & Property Damage:	\$2,000,000 per occurrence
<b>General Liability</b>	
Member Deductible:	None-or-\$2,500 to 10% of claim per occurrence
SIR:	\$2,000,000 per occurrence

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Errors & Omissions
Member Deductible: \$2,500 to 10% co-share of claim per occurrence
SIR: \$2,000,000 per occurrence

Property
Member Deductible: \$1,000 to \$25,000 per occurrence (varies)
SIR: \$2,000,000 per occurrence
Excess Property: \$2,000,001 to \$45,000,000

Employment Practices
Member Deductible: \$2,500 to 10% co-share of claim per occurrence
SIR: \$2,000,000 per occurrence

Policyholder deductibles, self-insured retention (SIR), reinsurance and excess insurance for each program under AHRP are as follows:

General Liability
Deductible: None or \$2,500 to 10% of claim per occurrence
SIR: \$1,000,000 per occurrence
Excess: \$1,000,000 per occurrence

Property
Deductible: \$1,000 to \$25,000 per occurrence (varies)
SIR: \$1,000,000 per occurrence
Reinsurance: \$1,000,000 per occurrence
Excess: \$2,000,001 to \$45,000,000

Tenant Discrimination
Deductible: None or \$2,500 to 10% of claim per occurrence
SIR: \$150,000 per occurrence

Advertising – Advertising - Advertising costs are expensed as incurred. Advertising expense was \$33,788 and \$47,112 for the years ended December 31, 2017 and 2016, respectively.

Cash and Cash Equivalents - The Pool considers all highly liquid investments with an original maturity of three months or less and money market mutual funds to be cash equivalents.

Accounts Receivable - Accounts receivable reflects uncollateralized amounts due from members for contributions billed and commissions due from insurance companies. The Pool grants credit to housing authorities, low income housing tax credit partnerships, and non-profit corporations in Oregon, Washington, California and Nevada. Contributions are due from housing authorities and policyholders generally prior to the start of the coverage period. Interest is not charged on delinquent balances. Management individually reviews all delinquent balances and works with the housing authority and policyholder to collect amounts owed. No receivable balances were delinquent more than 90 days as of December 31, 2017 and 2016. The Pool did not provide an allowance for doubtful accounts as all accounts are considered collectible.

Unearned Contributions/Prepaid Expenses - Policy period-end varies by policyholder. As such, certain contributions are treated as deferred and certain expenses as prepaid. This is to reflect a proper matching of contributions and expenses for the fiscal year-end financial statements.

Investments - The Pool records its investments at fair value. Changes in fair value are reported as non-operating income in the statement of revenue, expense and changes in net position. Fair value of investments has been determined by the Pool based on quoted market prices. Realized losses on investments sold in 2017 totaled \$3,357. Realized gains on investments sold in 2016 totaled \$13,240.

Restricted Investments - The Pool has federal agency bonds totaling \$1,475,604 at December 31, 2017 as designated for the benefit of The Princeton Excess and Surplus Lines Insurance Company (“PESLIC”) in accordance with a Regulation 114 Trust (see Note 7).

Capital Assets and Depreciation - Capital assets are carried at cost. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. The useful lives of capital assets are estimated as follows:

Building and improvements 39 years
Furniture and equipment 3 to 5 years

Losses and Loss Adjustment Expense - Each pool establishes claims liabilities based on estimates of the ultimate cost of claims (including future allocated claim adjustment expense) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

Net Position - Net position includes the various net earnings from operating income and non-operating revenues and expenses. Net position is classified in the following three components:

• Net investment in capital assets - This component of net position consists of 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that

portion of the debt is included in the same net position component as the unspent proceeds. At December 31, 2017 and 2016, the Pool did not have any outstanding capital debt to apply against its net investment in capital assets.

• Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation reduced by liabilities relating to those restricted assets. At December 31, 2017 and 2016, the Pool did not have a restricted net position.

• Unrestricted - This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Contribution Revenue - Revenues mainly consist of premium contributions from members and policyholders. Contribution development is performed by actuaries and the Board of Directors based on the particular characteristics of the members and policyholders. Contribution income consists of payments from members and policyholders that are planned to match the expense of insurance premiums for coverage in excess of self insured amounts, estimated payments resulting from self-insurance programs and operating expenses and is recognized as revenues in the period for which insurance protection is provided.

Use of Estimates - In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting actual results could differ from those statements.

Income Tax Status - HARRP is exempt from federal and state income taxes under Internal Revenue Code Section 115. AHRP has been formed as a Limited Liability Company and is taxed as an insurance corporation. The Agency is a Limited Liability Company and wholly owned by AHRP. For tax purposes, the Agency is considered a disregarded entity and its operations are combined with AHRP’s on AHRP’s income tax return.

AHRP’s income tax provision is based on the asset and liability method. Deferred income tax assets and liabilities have been provided for temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements.

Management believes the Pool has no material uncertain tax positions and, accordingly it has not recorded a liability for unrecognized tax expense. To the extent that the Pool was assessed interest or penalties associated with income tax positions, such expense would be recognized as an operating expense.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of all state sponsored pension plans and addition to/deductions from those plans’ fiduciary net position have been determined on the same basis as they are reported by

the Washington State Department of Retirement Systems. 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.

Recently Adopted Accounting Standards - In January 2016, GASB issued Statement No. 80, Blending Requirements for Certain Component Units—an Amendment of GASB Statement No. 14. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The provisions of this statement are effective for reporting periods beginning after June 15, 2016, which requires the Pool to implement this statement in 2017. The statement was implemented without an impact to the Pool.

In March 2016, GASB issued Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, which requires the Pool to implement this statement in 2017. The statement was implemented without an impact to the Pool.

On November 20, 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-17, Balance Sheet Classification of Deferred Taxes. The new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. The new guidance will be effective for fiscal years beginning after December 15, 2017. The Pool has not yet evaluated the impact of adopting this standard.

NOTE 2 - CASH AND CASH EQUIVALENTS
Cash consisted of the following at December 31:

Table with 3 columns: Description, 2017, 2016. Rows: Balance Per Bank, Less: Outstanding Checks, Total Cash and Equivalents.

The amount of the Pool’s cash is covered by federal depository insurance up to \$250,000. Should the Pool’s deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with Washington law requiring the depository bank to hold collateral equal to 100% of the excess government funds on deposit.

ORWACA Insurance Agency, LLC cash is restricted for use by the State of Washington until the premiums are paid to the respective insurance companies.

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NOTE 3 - INVESTMENTS

The Pool had the following investments held in a managed portfolio as of December 31:

Investment Type	2017	2016
Federal Agencies	\$ 25,349,001	\$ 25,443,756
Certificates of deposit	1,853,904	2,191,078
Corporate Bonds	1,780,106	1,563,410
Treasury Securities	-	145,218
Total	\$ 28,983,011	\$ 29,343,462

**Credit Risk** - It is the Pool’s general investment policy to apply the prudent person standard; investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Securities eligible for investments are direct obligations of the U.S. Government (U.S. Treasury obligations), U.S. Government agency securities and Money Market bank accounts. U.S. Treasury obligations are backed by the full faith and credit of the U.S. Government. Government agency securities are rated “AA+” by Standards and Poor’s. Certificates of Deposit are covered by federal depository insurance.

**Concentration of Risk** - The Pool’s investment policy allows for purchase of unlimited quantities of U.S. Treasury obligations, U.S. Government agency securities, or Money Market bank accounts. At December 31, the investments concentrated 5% or more as a percentage of the total investment portfolio were as follows:

.....

**Interest Rate Risk** - As a means of limiting its exposure to fair value losses arising from changes in interest rates, the Pool’s investment policy limits the investment portfolio to maturities of not more than five years from the date of investment.

Investment Type	Fair Value	Investment Maturities as of December 31, 2017		
		<1 yr.	1-3 yrs.	>3 yrs.
Federal agencies	\$25,349,001	\$ 3,079,916	\$17,252,785	\$ 5,016,300
Certificates of deposits	1,853,904	-	1,272,390	581,514
Corporate bonds	1,780,106	-	654,467	1,125,639
Total investments at fair value	<u>\$28,983,011</u>	<u>\$ 3,079,916</u>	<u>\$19,179,642</u>	<u>\$ 6,723,453</u>

Investment Type	Fair Value	Investment Maturities as of December 31, 2016		
		<1 yr.	1-3 yrs.	>3 yrs.
Federal agencies	\$25,443,756	\$ 3,362,600	\$14,653,702	\$ 7,427,454
Certificates of deposits	2,191,078	-	1,266,610	924,468
Corporate bonds	1,563,410	-	244,705	1,318,705
Treasury securities	145,218	145,218	-	-
Total investments at fair value	<u>\$29,343,462</u>	<u>\$ 3,507,818</u>	<u>\$16,165,017</u>	<u>\$ 9,670,627</u>

	2017 % of Portfolio	2016 % of Portfolio
Federal Home Loan Banks	45.20%	40.40%
Federal Farm Credit Banks	17.81%	15.57%
Federal National Mortgage Assoc.	14.32%	18.16%
Certificates of Deposits	6.74%	7.47%
Corporate Bonds	6.47%	5.33%
Federal Home Loan Mortgage Corp.	**	7.01%

\*\* Did not represent greater than 5% of total investment portfolio.

Fair Value Measurement

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value.

Level 1 - Inputs are quoted prices in active markets for identical assets.

Level 2 - Inputs are significant other observable inputs.

Level 3 - Inputs are significant unobservable inputs.

Fair values of assets measured on a recurring basis at December 31, 2017, are as follows:

	Level 1	Level 2	Level 3	Total
Federal agency securities	\$ -	\$ 25,349,001	\$ -	\$25,349,001
Certificate of deposit	-	1,853,904	-	1,853,904
Corporate bonds	-	1,780,106	-	1,780,106
	<u>\$ -</u>	<u>\$ 28,983,011</u>	<u>\$ -</u>	<u>\$28,983,011</u>

Fair values of assets measured on a recurring basis at December 31, 2016, are as follows:

	Level 1	Level 2	Level 3	Total
Treasury security	\$ 145,218	\$ -	\$ -	\$ 145,218
Federal agency securities	-	25,443,756	-	25,443,756
Certificate of deposit	-	2,191,078	-	2,191,078
Corporate bonds	-	1,563,410	-	1,563,410
	<u>\$ 145,218</u>	<u>\$ 29,198,244</u>	<u>\$ -</u>	<u>\$29,343,462</u>

NOTE 4 - CAPITAL ASSETS

Capital assets are as follows for 2016 and 2017

	Balance at December 31, 2016	Additions	Retirements	Balance at December 31, 2017
Land	\$ 285,900	\$ -	\$ -	\$ 285,900
Building and improvements	1,483,738	-	-	1,483,738
Furniture and equipment	487,571	-	-	487,572
Less depreciation	(792,177)	(40,966)	-	(833,143)
Net capital assets	<u>\$ 1,465,032</u>	<u>\$ (40,966)</u>	<u>\$ -</u>	<u>\$ 1,424,067</u>

Capital assets are as follows for 2015 and 2016:

	Balance at December 31, 2015	Additions	Retirements	Balance at December 31, 2016
Land	\$ 285,900	\$ -	\$ -	\$ 285,900
Building and improvements	1,483,738	-	-	1,483,738
Furniture and equipment	487,571	-	-	487,571
Less depreciation	(748,290)	(43,887)	-	(792,177)
Net capital assets	<u>\$ 1,508,919</u>	<u>\$ (43,887)</u>	<u>\$ -</u>	<u>\$ 1,465,032</u>

Depreciation expense was \$40,966 and \$43,887 for the years ended December 31, 2017 and 2016, respectively.



**NOTE 5 - LOSSES AND LOSS ADJUSTMENT EXPENSES**  
The Pool establishes a liability for both reported and unreported insured events at undiscounted amounts, which includes estimates of both future payments of losses and related claims adjustment expenses. The following represents changes in liabilities for the Pool during the years ended December 31:

	2017	2016
Losses and loss adjustment expense reserves, beginning of year	\$ 4,791,792	\$ 3,698,536
Incurring losses and loss adjustment expenses:		
Provision for covered events of the current year	8,781,786	5,123,800
Increase (decrease) in provision for covered events of the prior year	(460,364)	377,544
Total incurred losses and loss adjustment expenses	8,321,422	5,501,344
Payments:		
Losses and loss adjustment expenses attributable to covered events of the current year	3,267,898	2,138,464
Losses and loss adjustment expenses attributable to covered events of the prior year	3,099,999	2,269,624
Total payments	6,367,897	4,408,088
Loss and loss adjustment expense reserves, end of year	\$ 6,745,317	\$ 4,791,792
Detail of losses and loss adjustment expense reserves		
Current portion	\$ 4,721,722	\$ 3,354,254
Long-term portion	2,023,595	1,437,538
	\$ 6,745,317	\$ 4,791,792

**NOTE 6 - INCOME TAXES**  
AHRP is taxed as a mutual property / casualty insurance company. Deferred income tax assets result principally from differences between unpaid losses and loss adjustments, unrealized gains and losses, depreciation and unearned contributions for financial reporting and tax purposes.

Income tax benefit (expense) consists of the following for the year ended December 31:

Deferred - Federal	\$ (438,258)	\$ 51,947
Deferred - Enacted rate reduction	(76,915)	-
Deferred - Benefit of net operating loss carryforward	-	249,024
Deferred - State	(45,642)	(21,567)
	(560,815)	279,404
Current - State	(17,773)	22,805
	\$ (578,588)	\$ 302,209

The effective tax rate differs from the rate applied to the Pool’s net income before income taxes principally due to only AHRP being taxed as a mutual property / casualty insurance corporation. Tax laws enacted in 2017 lower tax rates beginning in 2018. The deferred income tax asset has been reduced to reflect the newly enacted rates.

The effective tax rate differs from the rate applied to the Pool’s net income before income taxes principally due to only AHRP being taxed as a mutual property / casualty insurance corporation. Tax laws enacted in 2017 lower tax rates beginning in 2018. The deferred income tax asset has been reduced to reflect the newly enacted rates.

The components of the deferred income tax asset are as follows as of December 31:

	2017	2016
Current:		
Unearned contributions	\$ 77,883	\$ 140,927
Unrealized losses	21,169	19,632
Loss reserve discount	9,466	28,883
Total current	108,518	189,442
Noncurrent:		
Federal net operating loss	13,362	441,051
State net operating loss	25,640	69,496
Capital loss disallowed	15,909	24,255
Total noncurrent	54,911	534,802
Net deferred tax assets	\$ 163,429	\$ 724,244

As of December 31, 2017, AHRP has available federal and state net operating loss carryforwards of approximately \$64,000 and \$389,000, respectively, which may provide future tax benefits. The carryforwards begin to expire in 2036.

The Tax Cut and Jobs Act, enacted December 22, 2017, reduced the US federal rate to 21% from 35% beginning January 1, 2018. AHRP measures its deferred tax assets and liabilities based on tax laws and tax rates that are enacted or substantively enacted at the end of the reporting period. As this law was enacted in 2017, the deferred taxes were remeasured at this future rate of 21% as of December 31, 2017. The effect of the enacted rate reduction of \$76,915 is included in income tax expense.

**NOTE 7 – EXCESS AND REINSURANCE**

The Pool purchases excess insurance and reinsurance to reduce its financial exposure to loss. The Pool does not report any liabilities that are the responsibility of the reinsurance and, or the excess insurance carrier.

All property and casualty lines for HARRP are self-insured at a level of \$2,000,000 per occurrence. HARRP secured \$45,000,000 of coverage in excess of the underlying \$2,000,000 for property losses through an additional excess insurance policy. HARRP provides coverage for the members’ stated total insured value up to the excess coverage limit.

AHRP provides only general liability, property and tenant discrimination coverage. The general liability coverage for AHRP is self-insured at a level of \$1,000,000 per occurrence. \$1,000,000 of reinsurance has been secured to provide higher limit coverage on both the property and general liability lines. Additionally, AHRP secured \$45,000,000 in excess of the underlying \$2,000,000 for property losses through an additional excess insurance policy.

During December 2017, HARRP and AHRP entered into a Regulation 114 Trust to provide collateral for PESLIC in exchange for fronting the credit risk related to HARRP’s reinsurance. The collateral is included in restricted investments consisting of federal agency bonds totaling \$1,475,604 at December 31, 2017. AHRP is a grantor on the Regulation 114 Trust.

**NOTE 8 – DEFINED CONTRIBUTION PLAN**

Prior to July 1, 2016, HARRP offered all of its employees, participation in a money purchase pension plan. On July 1, 2016, HARRP established a single employer defined contribution pension plan (“the Plan”) administered by Washington Department of Retirement Services (“WA DRS”). All assets held in trust for participants of the money purchase plan were transferred to WA DRS on July 1, 2016, for investing and administration under the new Plan. All full-time, permanent employees are eligible to participate in the Plan and there are no service requirements. Plan policies and contribution requirements are established by the Board of Directors of HARRP and implemented by the Retirement Committee (appointed by the Board of Directors). HARRP contributes 15% of each participant’s eligible earnings to the Plan and participants become fully vested after three years of service. Employees do not make contributions to the Plan. Contributions by HARRP to the Plan totaled \$122,355 and \$123,572 in 2017 and 2016, respectively, which was the required contribution.

**NOTE 9 – SUBSEQUENT EVENTS**

We have evaluated subsequent events through April 5, 2018. the date that these financial statements were available to be issued.

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF COVERAGE  
YEARS ENDED DECEMBER 31, 2017 AND 2016 (Unaudited)

The schedule below presents the changes in losses and loss adjustment expenses for 2017 and 2016 for the Pool’s three types of coverage, property, general and public officials’ liability, and automobile liability:

	General and Public Officials' Liability						Totals	
	Property		Liability		Automobile Liability		2017	2016
	2017	2016	2017	2016	2017	2016		
Losses and loss adjustment expense reserves beginning of year	\$ 2,399,085	\$ 1,573,245	\$ 2,348,232	\$ 2,061,038	\$ 44,475	\$ 64,253	\$ 4,791,792	\$ 3,698,536
Incurring losses and loss adjustment expenses:								
Provision for covered events of the current year	7,015,535	3,966,127	1,635,326	1,018,688	130,925	138,985	8,781,786	5,123,800
Increase (decrease) in provision for covered events of the prior year	(170,806)	83,251	(291,955)	290,519	2,397	3,774	(460,364)	377,544
Total incurred losses and loss adjustment expenses	6,844,729	4,049,378	1,343,371	1,309,207	133,322	142,759	8,321,422	5,501,344
Payments:								
Losses and loss adjustment expenses attributable to covered events of the current year	3,057,287	1,958,716	121,296	78,145	89,315	101,603	3,267,898	2,138,464
Losses and loss adjustment expenses attributable to covered events of the prior years	1,841,825	1,264,822	1,238,520	943,868	19,654	60,934	3,099,999	2,269,624
Total payments	4,899,112	3,223,538	1,359,816	1,022,013	108,969	162,537	6,367,897	4,408,088
Losses and loss adjustment expense reserves end of year	\$ 4,344,702	\$ 2,399,085	\$ 2,331,787	\$ 2,348,232	\$ 68,828	\$ 44,475	\$ 6,745,317	\$ 4,791,792

TEN YEAR LOSS DEVELOPMENT INFORMATION (Unaudited)  
YEAR ENDED DECEMBER 31, 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Required Contribution and Investment Revenue										
Ceded	\$ 6,531,727	\$ 6,001,790	\$ 5,809,396	\$ 6,326,859	\$ 7,235,117	\$ 7,798,335	\$ 8,891,787	\$ 10,534,442	\$ 11,544,920	\$ 12,444,719
(1) Net Earned Required Contribution and Investment Revenues	(330,953)	(410,779)	(496,774)	(1,358,325)	(1,853,409)	(2,183,899)	(2,163,149)	(2,012,868)	(2,150,085)	(2,117,250)
(2) Unallocated Expenses	6,200,774	5,591,011	5,312,622	4,968,534	5,381,708	5,614,436	6,728,638	8,521,574	9,394,835	10,327,469
(3) Estimated Incurred Claims and Expense	1,162,845	1,403,050	1,552,434	2,271,352	2,626,774	3,151,736	2,858,580	3,174,990	3,289,255	3,645,850
End of Year	2,947,756	4,301,509	3,079,516	3,580,591	5,386,896	7,376,830	4,952,784	4,459,786	5,123,800	8,781,786
Ceded	-	-	-	-	-	(17,566)	-	-	-	-
Net Incurred	2,947,756	4,301,509	3,079,516	3,580,591	5,386,896	7,359,264	4,952,784	4,459,786	5,123,800	8,781,786
(4) Paid (Cumulative)										
End of Year	1,500,706	1,559,992	1,636,340	1,148,261	1,380,908	3,759,633	2,412,627	2,274,907	2,138,464	3,267,898
One Year Later	2,138,332	3,563,943	4,262,340	3,362,975	4,324,991	6,874,409	4,262,602	3,710,043	4,214,949	
Two years Later	2,211,968	3,448,304	4,336,216	4,549,837	5,222,568	7,077,792	4,773,135	3,831,664		
Three Years	2,243,291	3,649,869	4,382,309	4,719,791	5,415,621	7,239,255	5,313,719			
Four Years Later	2,218,645	3,743,103	4,560,581	4,791,404	5,551,531	7,392,651				
Five Years Later	2,217,364	3,881,259	4,554,294	4,820,185	5,679,378					
Six Years Later	2,215,613	3,881,259	4,554,294	4,902,599						
Seven Years Later	2,213,430	3,881,259	4,554,294							
Eight Years Later	2,211,096	3,881,259								
Nine Years Later	2,208,960									
(5) Reestimated Ceded Claims and Expenses	-	-	-	-	-	17,566	-	-	-	-
(6) Reestimated Incurred Claims and Expenses										
End of Year	2,947,756	4,301,509	3,079,516	3,580,591	5,386,896	7,359,264	4,952,784	4,459,786	5,123,800	8,781,786
One Year Later	2,412,038	4,334,562	4,499,341	4,151,858	5,468,660	7,327,249	5,046,706	4,288,752	4,827,010	
Two years Later	2,286,653	3,677,630	4,455,472	4,733,470	5,684,561	7,351,647	5,219,916	4,053,164		
Three Years	2,301,605	3,821,391	4,524,913	4,793,051	5,585,451	7,502,537	5,400,161			
Four Years Later	2,235,580	3,960,541	4,599,277	4,893,930	5,686,001	7,395,966				
Five Years Later	2,233,843	3,881,259	4,554,294	4,909,436	5,679,378					
Six Years Later	2,215,613	3,881,259	4,554,294	4,902,599						
Seven Years Later	2,213,430	3,881,259	4,554,294							
Eight Years Later	2,211,096	3,881,259								
Nine Years Later	2,208,960									
(7) Increase (Decrease) in Estimated Incurred Claims Expense from End of Policy Year	\$ (738,796)	\$ (420,250)	\$ 1,474,778	\$ 1,322,008	\$ 292,482	\$ 36,702	\$ (447,377)	\$ 406,622	\$ 296,790	\$ -



# TEN YEAR LOSS DEVELOPMENT INFORMATION

YEAR ENDED DECEMBER 31, 2017 (Unaudited) (continued)

## CLAIMS DEVELOPMENT INFORMATION

The schedule illustrates the Pool’s earned revenues (net of reinsurance) and investment income compared to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Pool as of the end of the year.

The rows of the table are defined as follows:

1. This line shows the total of each year’s earned contribution revenues and investment revenues.
2. This line shows each year’s other operating costs of the Pool including overhead and claims expense not allocable to individual claims. All unallocable administration expenses are charged to the current year.
3. This line shows the Pool’s incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the year.
4. This section shows the cumulative amounts paid as of the end of the year.
5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each insured year.
6. This annual re-estimation results from new information received on known claims, as well as emergence of new claims not previously known.
7. This line compares the latest re-estimated incurred claim amount to the amount originally established (line 3) and shows whether this later estimate of claims cost is greater or less than originally estimated.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.



# COMBINING STATEMENT OF NET POSITION

YEAR ENDED DECEMBER 31, 2017

	Affordable Housing Pool	ORWACA Agency	Combining Eliminating Entries	Affordable Housing Risk Pool and ORWACA Combined	Housing Authorities Risk Retention Pool	Combining Eliminating Entries	Combined
<b>ASSETS</b>							
<b>CURRENT ASSETS:</b>							
Cash and cash equivalents	\$ 2,578,959	\$ 272,406	\$ -	\$ 2,851,365	\$ 2,205,470	\$ -	\$ 5,056,835
Interest receivable	22,257	-	-	22,257	237,703	-	259,960
Investments	-	-	-	-	2,825,123	-	2,825,123
Restricted investments	-	-	-	-	254,794	-	254,794
Accounts receivable, net	30,226	45,547	-	75,773	28,555	(16,456)	87,872
Prepaid expenses	581,031	2,316	-	583,347	31,707	-	615,054
Receivables from tax authorities	27,664	-	-	27,664	-	-	27,664
Deferred income tax asset	108,518	-	-	108,518	-	-	108,518
Total Current Assets	3,348,655	320,269	-	3,668,924	5,583,352	(16,456)	9,235,820
<b>DEFERRED INCOME TAX ASSET</b>	54,911	-	-	54,911	-	-	54,911
<b>NON-CURRENT INVESTMENTS</b>	4,197,188	-	-	4,197,188	20,485,096	-	24,682,284
<b>RESTRICTED INVESTMENTS</b>	-	-	-	-	1,220,810	-	1,220,810
<b>INVESTMENT IN SUBSIDIARY</b>	22,000	-	(22,000)	-	5,000,000	(5,000,000)	-
<b>CAPITAL ASSETS, NET</b>	-	-	-	-	1,424,067	-	1,424,067
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-	-	-	392,110	-	392,110
	7,622,754	320,269	(22,000)	7,921,023	34,105,435	(5,016,456)	37,010,002
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES:</b>							
Accounts payable and accrued expenses	16,662	61,860	-	78,522	74,166	(16,456)	136,232
Unearned contributions	2,275,969	-	-	2,275,969	3,274,524	-	5,550,493
Income tax payable	7,572	-	-	7,572	-	-	7,572
Current portion of losses and loss adjustment expense reserves	934,030	-	-	934,030	3,787,692	-	4,721,722
Total Current Liabilities	3,234,233	61,860	-	3,296,093	7,136,382	(16,456)	10,416,019
<b>NET PENSION LIABILITY</b>	-	-	-	-	603,332	-	603,332
<b>DEFERRED INFLOWS OF RESOURCES</b>	-	-	-	-	99,226	-	99,226
<b>NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES</b>	400,299	-	-	400,299	1,623,296	-	2,023,595
	3,988,222	258,409	(22,000)	4,224,631	23,219,132	(5,000,000)	22,443,763
	\$ 3,988,222	\$ 258,409	\$ (22,000)	\$ 4,224,631	\$ 24,643,199	\$ (5,000,000)	\$ 23,867,830
<b>NET POSITION</b>							
Net investment in capital assets	-	-	-	-	1,424,067	-	1,424,067
Unrestricted	3,988,222	258,409	(22,000)	4,224,631	23,219,132	(5,000,000)	22,443,763
Total Net Position	\$ 3,988,222	\$ 258,409	\$ (22,000)	\$ 4,224,631	\$ 24,643,199	\$ (5,000,000)	\$ 23,867,830

COMBINING STATEMENT OF NET POSITION  
YEAR ENDED DECEMBER 31, 2017

	Affordable Housing Risk Pool	ORWACA Agency	Combining Eliminating Entries	Affordable Housing Risk Pool and ORWACA Combined	Housing Authorities Risk Retention Pool	Combining Eliminating Entries	Combined
<b>OPERATING REVENUES:</b>							
Contributions earned	\$ 4,529,984	\$ -	\$ -	\$ 4,529,984	\$ 6,671,647	\$ -	\$ 11,201,631
Commissions	-	167,037	-	167,037	-	-	167,037
Other income	-	-	-	-	403,526	(399,026)	4,500
Total operating revenues	4,529,984	167,037	-	4,697,021	7,075,173	(399,026)	11,373,168
<b>OPERATING EXPENSES:</b>							
Change in losses and loss adjustment expenses incurred	1,453,338	-	-	1,453,338	6,868,084	-	8,321,422
Excess insurance expense	1,437,190	4,098	-	1,441,288	771,433	-	2,212,721
Professional fees	60,736	-	-	60,736	120,256	-	180,992
Salaries and benefits	-	-	-	-	1,406,871	-	1,406,871
General and administrative expense	383,515	102,691	-	486,206	353,803	(399,026)	440,983
Depreciation expense	-	-	-	-	40,966	-	40,966
Total operating expenses	3,334,779	106,789	-	3,441,568	9,561,413	(399,026)	12,603,955
<b>OPERATING INCOME (LOSS)</b>	1,195,205	60,248	-	1,255,453	(2,486,240)	-	(1,230,787)
<b>NON-OPERATING INCOME</b>							
Investment income	73,913	-	-	73,913	296,763	-	370,676
<b>INCREASE (DECREASE) IN NET POSITION BEFORE INCOME TAX BENEFIT</b>	1,269,118	60,248	-	1,329,366	(2,189,477)	-	(860,111)
<b>INCOME TAX EXPENSE</b>	(578,588)	-	-	(578,588)	-	-	(578,588)
<b>INCREASE (DECREASE) IN NET POSITION</b>	690,530	60,248	-	750,778	(2,189,477)	-	(1,438,699)
<b>NET POSITION, BEGINNING OF YEAR</b>	3,297,692	198,161	(22,000)	3,473,853	26,832,676	(5,000,000)	25,306,529
<b>NET POSITION, END OF YEAR</b>	\$ 3,988,222	\$ 258,409	\$ (22,000)	\$ 4,224,631	\$ 24,643,199	\$ (5,000,000)	\$ 23,867,830

California Housing Authorities

Housing Authority of the City of Alameda  
Housing Authority of Alameda County  
Housing Authority of the City of Benicia  
Housing Authority of the County of Butte  
Housing Authority of the City of Eureka  
Housing Authorities of the City and County of Fresno  
Housing Authority of the County of Humboldt  
Housing Authority of the County of Kern  
Housing Authority of Kings County  
Housing Authority of the City of Madera  
Community Development Commission of Mendocino County  
Housing Authority of the County of Merced  
Housing Authority of the County of Monterey  
Housing Authority of the City of Needles  
Plumas County Community Development Commission  
Housing Authority of the City of Riverbank  
Housing Authority of the County of San Bernardino  
Housing Authority of the County of San Joaquin  
Housing Authority of the City of San Luis Obispo  
Housing Authority of the City of Santa Barbara  
Housing Authority of the County of Santa Barbara  
Housing Authority of the County of Santa Cruz  
South San Francisco Housing Authority  
Housing Authority of the County of Stanislaus  
Regional Housing Authority of Sutter and Nevada Counties  
Housing Authority of the County of Tulare  
Housing Authority of the City of Vallejo  
California Affordable Housing Agency

Oregon Housing Authorities

Central Oregon Regional Housing Authority/Housing Works  
Housing Authority of Clackamas County  
Coos-Curry Housing Authority  
Housing Authority of Douglas County  
Housing Authority of Jackson County  
Josephine Housing & Community Development Council  
Klamath Housing Authority  
Housing Authority & Community Services Agency of Lane County  
Housing Authority of Lincoln County  
Linn-Benton Housing Authority  
Housing Authority of Malheur County  
Marion County Housing Authority  
Mid-Columbia Housing Authority  
North Bend City Housing Authority  
Northeast Oregon Housing Authority  
Housing Authority of Salem  
Housing Authority of the County of Umatilla  
Washington County Department of Housing Services  
West Valley Housing Authority  
Housing Authority of Yamhill County

Washington Housing Authorities

Housing Authority of the City of Anacortes  
Housing Authority of Asotin County  
Bellingham/Whatcom County Housing Authorities  
Housing Authority of the City of Bremerton  
Housing Authority of Chelan Co. & the City of Wenatchee  
Housing Authority of Clallam County/Peninsula Housing Authority  
Columbia Gorge Housing Authority  
Everett Housing Authority  
Housing Authority of Grant County  
Housing Authority of Grays Harbor County  
Housing Authority of Island County  
Housing Authority of the City of Kelso  
Housing Authority of the City of Kennewick  
Housing Authority of King County  
Kitsap County Consolidated Housing Authority  
Housing Authority of Kittitas County  
Housing Opportunities of Southwest Washington/  
Longview Housing Authority  
Housing Authority of Mason County  
Housing Authority of Okanogan County  
Oroville Housing Authority  
Housing Authority of the City of Othello  
Joint Pacific County Housing Authority  
Housing Authorities of Pasco & Franklin County  
Renton Housing Authority  
Joint City of Republic-Ferry County Housing Authority  
Housing Authority of the City of Sedro Woolley  
Housing Authority of Skagit County  
Housing Authority of Snohomish County  
Northeast WA Housing Solutions/Spokane Housing Authority  
Sunnyside Housing Authority  
Housing Authority of Thurston County  
Vancouver Housing Authority  
Walla Walla Housing Authority  
Yakima Housing Authority

Nevada Housing Authorities

Housing Authority of the City of Reno







# 30 ★ YEARS ★



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