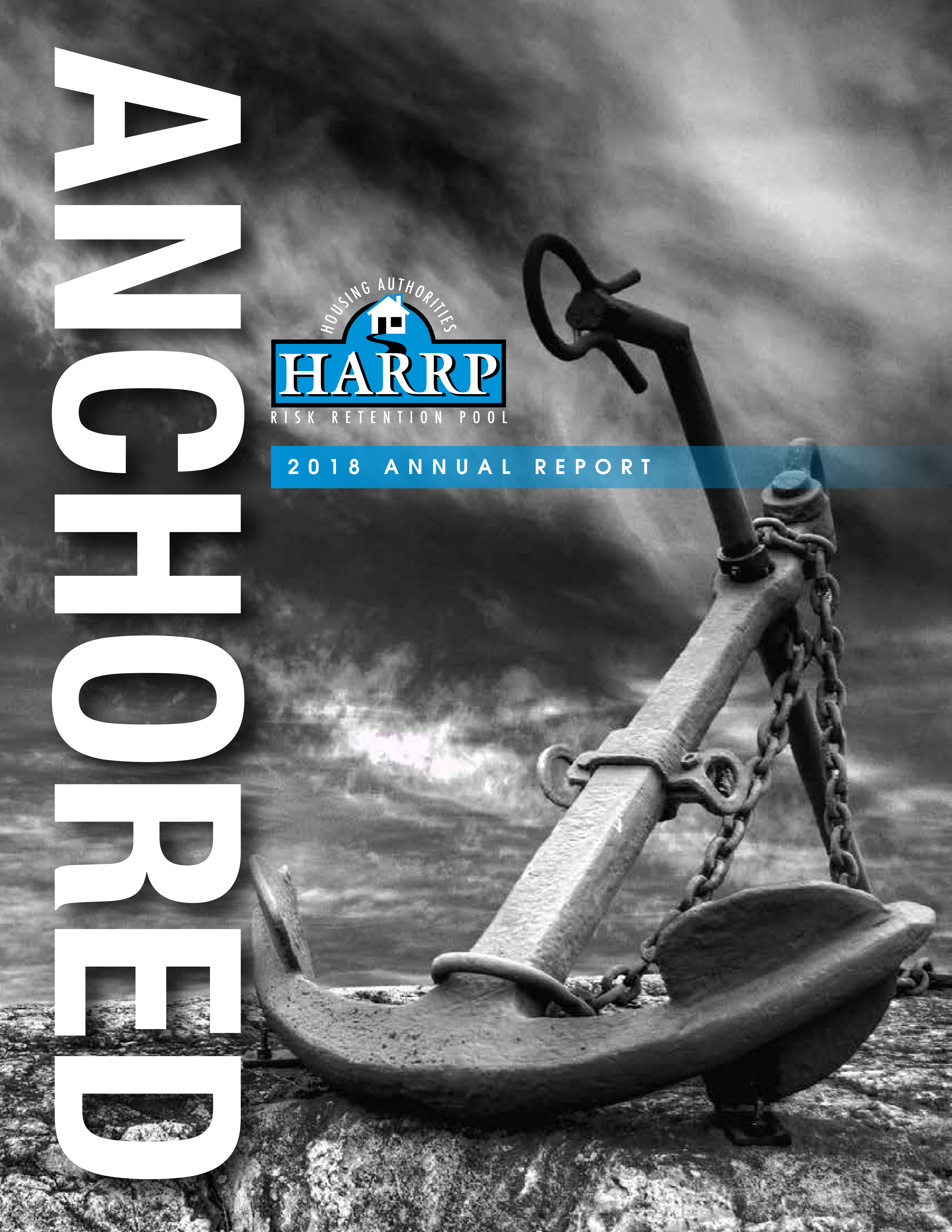


ANCHORED

HOUSING AUTHORITIES

HARRP

RISK RETENTION POOL

2018 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:	$5,972,065,474
Number of Claims Opened:	119
Retention Rate:	100%
Number of Units:	34,110
Number of Certificates of Insurance Issued:	1,303
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

We are pleased to present the 2018 annual report for the membership of the Housing Authorities Risk Retention Pool.

We began 2018 with growing optimism that HARRP would reverse the negative claim trends from 2016 and 2017. On November 9, 2018, that optimism changed in one disastrous afternoon when wildfires consumed 80% of the community of Paradise, California. While wildfires have always been a huge concern, HARRP's inventory has been spared any losses in the past. The events of November 9, 2018 will have a lasting effect on all those who have been impacted. As a result of the impact on HARRP, HARRP has honed its internal processes to deal more effectively with this type of total loss.

In addition, 2018 ushered in a new and exciting opportunity for HARRP and its subsidiaries. The Board of Directors, staff and consultants spent considerable time discussing HARRP's current place in the industry and what the future needs of HARRP might be. The conversation was a mix of old and new; new technologies and ideas mingled with the experience of pool management. The direction into the future promises excitement along with systems implemented to assist the membership well into the future. Several priority changes will be unveiled during 2019.

Looking back on 2018, the trend of increasing trainings continued. HARRP provided numerous classes in contractual risk transfer, electrical safety, active shooter response, fair housing and coverages. This is in addition to the online training modules that continue to be utilized on a very high level. The attorney helpline, which provides free legal advice to our members in employment law, once again topped its previous year's record of utilization. Looking forward into 2019 and beyond, one of 29 objectives is to research new technologies to provide trainings at desktops through webinars and specialized training videos.

After twenty-five years of dedicated service to HARRP and its affiliates, Director of Risk Management, Al Alvarez, has announced his retirement. Due to the void left by Al, there has been an internal shift of duties and training on risk control services and policy services. Adiah Mattern will be moving into the position of Risk Control and Underwriting Specialist, while Torey Plummer has been moved into policy management for HARRP. The Board of Directors also approved funding for a new position in 2019 that will provide much needed assistance in policy management for the pools.

In closing, on behalf of the Board of Directors and HARRP staff, thank you for taking the time to read the 2018 annual report. Additionally, thank you for your continued support, participation and the confidence you place in HARRP when considering coverages for your Authority.

Renée Rooker
HARRP President

William Gregory
Executive Director

OPERATIONS

The Housing Authorities Risk Retention Pool (HARRP) is a coalition of 83 housing authorities in the states of Washington, Nevada, Oregon and California, which have pooled their collective resources in order to provide insurance coverage for affordable housing risk at an affordable cost.

HARRP was formed in 1987 as a response to the rapidly escalating costs of insurance. The purpose of forming HARRP was to pool risk associated with the ownership and operation of affordable housing by s housing authority public agencies. Our programs include coverages that restore our members' residential and administrative properties, general liability, errors and omissions, employment practices liability, section 8 liability and auto.

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

HARRP operates a similar pool for non-governmental affordable housing providers. The Affordable Housing Risk Pool (AHRP) is a limited liability corporation formed in accordance with enabling legislation in HARRP's states of operation. AHRP shares the same basic goals as HARRP: affordability, stability and exceptional service.

A subsidiary of AHRP, the ORWACA Agency Insurance Services, LLC, is dedicated to the procurement of commercial insurance products for HARRP members and AHRP policyholders. ORWACA focuses on acquiring specialty coverages excluded by the pools or obtaining coverage for risks that are ineligible to be covered by HARRP under Internal Revenue Code Section 115 or the legislative mandates imposed by state regulations.

HARRP self-insures its members for $2,000,000 of each casualty, property or auto loss. HARRP purchases an additional $45,000,000 of excess coverage for property claims. HARRP members can purchase optional excess liability coverage in $1M increments for a very low cost through a group purchasing program.

Reserves

To maintain its status under HUD regulations as equivalent to a fiscally sound insurance company, HARRP must maintain assets sufficient to pay its anticipated losses and administrative costs. HARRP uses actuarial statistical models to ascertain losses for any given year. Also included in HARRP's annual analysis of claims, are incurred but not reported losses (IBNR), which provide an additional level of safety when determining funding needs for the pool.

In most cases, property claims will settle out within a year of the date of loss. Although HARRP attempts to resolve liability claims in an efficient and timely manner, some liability claims may take several years to settle. HARRP establishes a reserve for each and every claim that is expected to result in any expenses to the pool. The reserves are frequently reviewed to ensure that they reflect the latest activity on the claim.

Surplus

HARRP has always strived to provide rate stability and conservative funding. In the unlikely event of a disastrous claim year, HARRP has the fiscal ability to absorb the unforeseen escalation in loss costs. As of December 31, 2018, HARRP's retained surplus is in excess of $24,000,000. HARRP's surplus has again exceeded the industry benchmark goal of ten times the self-insured retention, or $20,000,000. Because HARRP's operations and exposures are geographically spread out, the occurrence of many catastrophic losses is extremely remote. Few insurers could boast of this level of protection for its policyholders.

Investments

HARRP utilizes the service of Morgan Stanley for investment management and custodial agent services. Morgan Stanley currently manages just over $21,000,000 of investments, invested predominantly in Government Agency bonds. HARRP strictly adheres to applicable governmental regulations, which makes the portfolio very conservative and safe. As such, HARRP's heavy investment in bonds earned approximately 1.10% return in 2018.

RISK CONTROL PROGRAMS

To keep members' self-insurance and excess insurance costs as low as possible, HARRP provides a wide range of risk control services. HARRP's website, www.harrp.com, eblasts, newsletters and other written communications provide tips and advice on actions members can take to reduce the frequency and severity of damage to their property inventories and injury to residents, employees, guests and others.

HARRP staff and retained consultants provide formal classroom training at conferences or at the member's location. HARRP also provides numerous web-based training modules and our push for the immediate future is the development of webinars for training, educating and assisting in claims and risk control processes. Staff is also available to conduct onsite physical safety surveys of HARRP members to address and provide recommendations when conditions warrant.

Members receive hundreds of hours of telephone and email communications regarding risk control issues they have raised or have been discovered by HARRP staff. These activities are all aimed at minimizing not only the direct financial impact of claims, but also the demands on the time of members in dealing with claims, litigation, training requirements and proactive risk control. All these services are offered to our members for free.

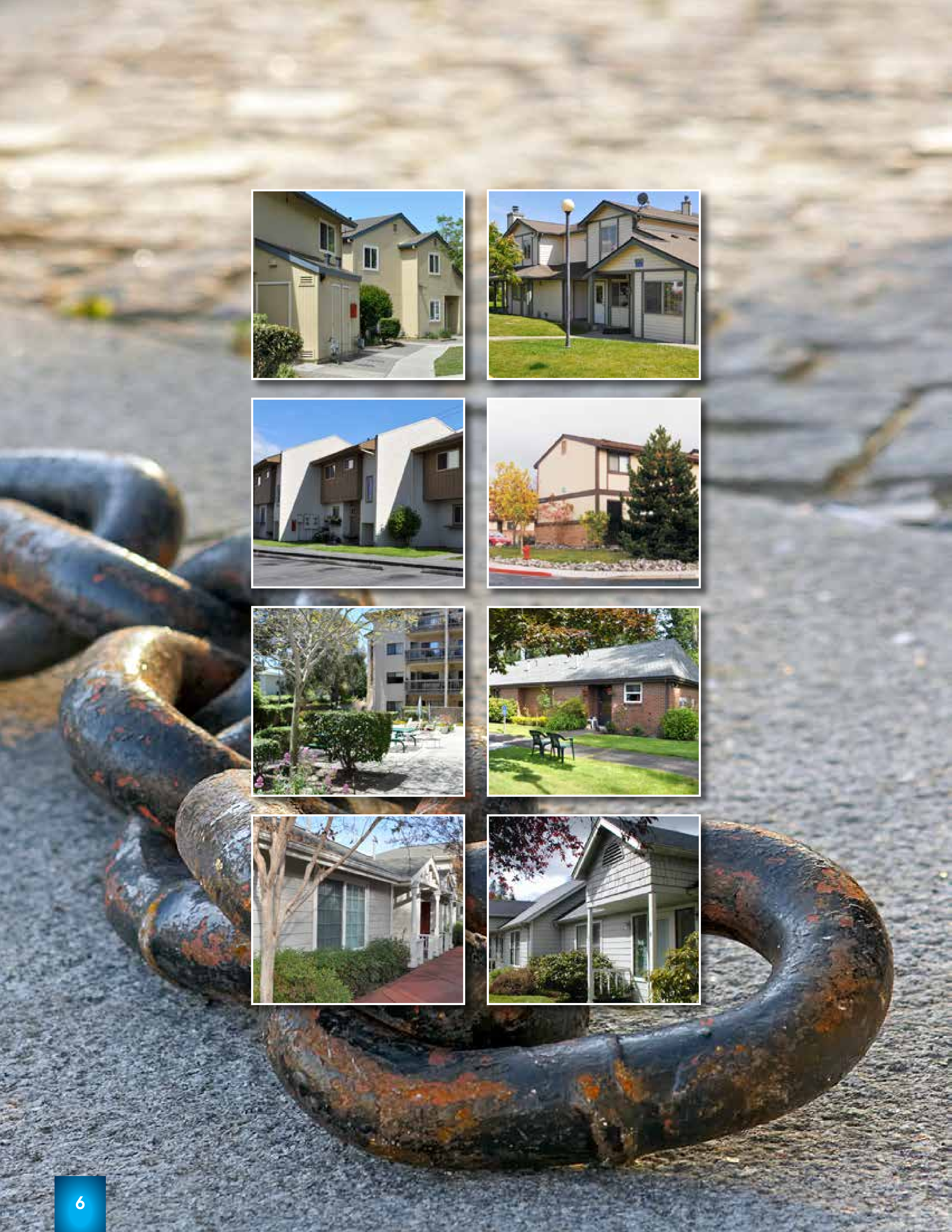
As a result of the Board of Directors planning session in November, staff has embarked on numerous risk control platforms to bolster the current training, enhanced loss analysis and safety strategies to aid the membership in the control of losses. Many of these enhancements will be unveiled in 2019. We encourage you to continue to take advantage of HARRP's premium service, risk management tools and training tools.

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:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Very Satisfied	84%	83%	82%	83%	81%	82%	79%	83%	91%	96%	94%
Satisfied	16%	17%	16%	17%	19%	16%	21%	17%	7%	4%	6%
Not Satisfied	0%	0%	2%	0%	0%	2%	0%	0%	2%	0%	0%

We are very proud of these results and look forward to another year of customer satisfaction.



Members List

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

HOUSING AUTHORITIES
HARRP
RISK RETENTION POOL

ORWACA AGENCY

INSURANCE SERVICES, LLC

When your organization 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**

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

PROFESSIONAL SUPPORT

HARRP, AHRP and ORWACA Agency utilize the services of professionals in their field to complement and enhance internal staff and the commitment the organizations have in providing service to its members.

Legal Counsel:	Michelle Slater Law, LLC
Financial Auditing:	Perkins & Company
Compliance Auditing:	Washington State Auditor's Office
Actuarial Studies:	Bickmore & Associates
Broker/Consultant	Willis Watson Towers
Investment Management:	Morgan Stanley
Banking:	Umpqua Bank
Tax Consulting:	Crowe Horwath AIA
Excess & Reinsurance:	Munich Reinsurance America
Wholesale Broker/Agent:	CRC/Swett
Independent Claims Adjustors:	VeriClaim/Sedgwick
	Norcross, a McLarens Company
	Matrix Risk Management Solutions
	Meridian Adjusting & Appraisals
	Crawford & Company
Defense Attorneys:	Wood, Smith, Henning & Berman, LP
	Harrang Long Gary & Rudnick, PC
	Winston & Cashatt, Lawyers
	Arias & Lockwood, Attorneys at Law
	Smith Freed & Eberhard, PC
	Law Offices of Bill Ford
	Turner Kugler Law, PLLC

BENEFITS OF HARRP MEMBERSHIP

As HARRP completes its third decade of operation, the stability and dedication of the pool is evident. The risk control, claims service and pool administration provided by HARRP is second to none. HARRP can confidently toast to its success, which comes from the outstanding members of the pool, dedicated Board of Directors throughout the years, and a staff committed to providing service and expertise in the complicated pooling environment.

There are numerous benefits of membership in the pool; ask any of the eighty-three HARRP members. Our products cover risks specific to our pool membership - which is public housing. This is our expertise, our forte, and this is all HARRP does. Over thirty years of pool administration for housing authorities, HARRP has experienced unique events involving claims, administration and distinctive funding proposals that have challenged and ultimately lead to intrinsic risk control and coverage modifications. Many of the obstacles faced by our members today were scarcely contemplated by HARRP ten years ago. Because of the changing environment in which our members operate, HARRP must adapt quickly to continue to serve public housing authorities.

HARRP considers all inquiries into membership. We market our programs by word of mouth, not budgeting or incurring significant expenses to recruit new housing authorities into the pool. HARRP's attitude is quality over quantity; every day we place extensive emphasis on underwriting new members and new properties. Through underwriting and risk control, HARRP assures its existing membership base that the program is solvent by accepting risks conducive to the norm of the pool; well managed authorities and properties reflective of the pride of the administration.

HARRP STAFF

At HARRP, we all wear many hats. 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 106 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, ORWACA Agency, commercial quotes
- **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 MATTERN**
  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
- **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

HOUSING AUTHORITIES HARRP RISK RETENTION POOL

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 Housing Authorities of Oregon, 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, projects or urgent concerns between regularly scheduled Board of Directors' Meetings.

HARRP'S DIRECTORS ARE AS FOLLOWS:

WASHINGTON

Chris Pegg
(Term Expires 2021)

Renée Rooker
(Term Expires 2019)

Duane Leonard
(Term Expires 2020)

OREGON

Marka Turner
(Term Expires 2021)

Joel Madsen
(Term Expires 2019

Jacob Fox
(Term Expires 2020)

CALIFORNIA/NEVADA

Barbara Kauss
(Term Expires 2021)

Bob Havlicek
(Term Expires 2019)

Ken Kugler
(Term Expires 2020)

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, 2018 and 2017, 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, 2018 and 2017, 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 on pages 13 through 15, and the Reconciliation of Claims Liabilities by Type of Coverage, the Ten-Year Loss Development Information and Pension Plan Information on pages 30 through 37 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. The other supplementary information on pages 38 and 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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 6, 2019

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, 2018. 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

As a result of continuing increases in claim expenses, HARRP experienced a net decrease in 2018 of $1,459,810, compared to a net decrease of $2,189,477 in 2017. Claim expenses in the fourth quarter nullified an anticipated increase in both HARRP and AHRP's financial position for 2018. The claim expense for AHRP was slightly deferred by an increase in net position of ORWACA.

AHRP and ORWACA posted an aggregate net decrease of $479,146 in 2018 compared to an increase of $750,778 in 2017. The combined net decrease for all three entities for 2018 is $1,938,956 as compared to the decrease of $1,438,699 in 2017.

■ 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 2017 to year-end 2018. 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.

■ ASSETS

Total assets increased by $1,269,797 in 2018 from the previous year. This followed an increase in assets of $973,962 in 2017.

At December 31, 2018 and 2017, HARRP and its subsidiary, AHRP, invested approximately $22.1 million and $25.3 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

	2018	2017	2016
Assets			
Current and Other Assets	$ 36,886,109	$ 35,585,935	$ 34,571,008
Capital Assets	1,393,690	1,424,067	1,465,032
Total Assets	38,279,799	37,010,002	36,036,040
Liabilities			
Current Liabilities	12,874,838	10,416,019	9,291,973
Noncurrent Liabilities	3,476,087	2,726,153	1,437,538
Total Liabilities	16,350,925	13,142,172	10,729,511
Net Position			
Net Investment in Capital Assets	1,393,690	1,424,067	1,465,032
Unrestricted	20,535,184	22,443,763	23,841,497
Total Net Position	$ 21,928,874	$ 23,867,830	$ 25,306,529

Discussion & Analysis Cont...

continued from page 13

■ LIABILITIES

At December 31, 2018 and 2017, total liabilities increased $3,208,753 and $2,412,661 respectively, over the previous period. HARRP and its 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, 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 again in 2018 due to changes in exposure units covered. AHRP's revenues (exclusive of investment income and commissions) also decreased due to changes in exposure units covered as well as rate changes. 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 increasing GL, E&O, EPL and property rates in 2018. The AHRP Board of Directors approved converting from a state specific rating system to a true pooled experience rating formula. This conversion resulted in the development of rating tiers. Overall, GL rates were flat and property rates decreased nominally as the conversion was launched.

■ EXPENSES

HARRP and AHRP administration costs are comprised of administration and claim handling costs. In 2018, HARRP's administration expenses decreased by $306,148, or 11%, compared to an increase of $402,242 or 18% in 2017.

In 2018 AHRP's administration costs decreased by $744,604, or 29% over the previous year. In 2017, AHRP's administration costs decreased by $86,582, or 4% over the previous year. The 2018 decrease is due primarily to the change of federal and state tax obligations due to adverse losses and the application of previous net operating losses.

During 2018 and 2017, total direct costs for HARRP decreased $806,765 or 12% compared to an increase in 2017 of $4,760,695, or 226%, which was the result in the shift in claim activity. AHRP's direct costs increased by $1,578,321 or 109% in 2018, due to adverse losses and the resulting loss adjusting costs in the fourth quarter. In 2017, AHRP's direct costs decreased by $1,940,617 or 57%.

■ 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 31 years since inception, HARRP has not had to rely on debt financing to fund any portion of its operations.

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

	2018	2017	2016
Revenues			
Member Contributions	$ 10,596,077	$ 11,201,631	$ 11,408,319
Investment Income	232,741	370,676	136,601
Other Income	170,099	171,537	180,412
Total Revenue	10,998,917	11,743,844	11,725,332
Expenses			
Claims Expense	9,092,978	8,321,422	5,501,344
Administration/Other Expense	3,844,895	4,861,121	3,634,958
Total Expenses	12,937,873	13,182,543	9,136,302
Change in Net Position	(1,938,956)	(1,438,699)	2,589,030
Net Position, Beginning	23,867,830	25,306,529	22,717,499
Net Position, Ending	$ 21,928,874	$ 23,867,830	$ 25,306,529

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

Discussion & Analysis Cont...

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■ **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 increased significantly in 2018 with the inclusion of a large multi-location client in Northern California.

■ **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.

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 sepa-

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STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,300,033	$ 5,056,835
Interest receivable	157,351	259,960
Investments	3,353,585	2,825,123
Restricted cash equivalents	305,622	-
Restricted investments	450,325	254,794
Accounts receivable, net	555,856	87,872
Prepaid expenses	587,935	615,054
Income tax receivable	262,978	27,664
Deferred income tax asset	-	108,518
Total current assets	13,973,685	9,235,820
DEFERRED INCOME TAX ASSET	309,700	54,911
NON-CURRENT INVESTMENTS	21,309,470	24,682,284
NON-CURRENT RESTRICTED INVESTMENTS	958,911	1,220,810
CAPITAL ASSETS, NET	1,393,690	1,424,067
DEFERRED OUTFLOWS OF RESOURCES	334,343	392,110
	$ 38,279,799	$ 37,010,002

	2018	2017
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 291,021	$ 136,232
Unearned contributions	5,842,913	5,550,493
Income tax payable	501	7,572
Current portion of losses and loss adjustment expense reserves	6,740,403	4,721,722
Total current liabilities	12,874,838	10,416,019
NET PENSION LIABILITY	415,256	603,332
NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES	2,888,745	2,023,595
DEFERRED INFLOWS OF RESOURCES	172,086	99,226
NET POSITION		
Net investment in capital assets	1,393,690	1,424,067
Unrestricted	20,535,184	22,443,763
Total net position	$ 21,928,874	$ 23,867,830

See Notes to Financial Statements

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING REVENUES:		
Contributions earned	$ 10,596,077	$ 11,201,631
Commissions	152,499	167,037
Other income	17,600	4,500
Total operating revenues	10,766,176	11,373,168
OPERATING EXPENSES:		
Change in losses and loss adjustment expenses incurred	9,092,978	8,321,422
Excess and reinsurance expense	2,264,333	2,212,721
Professional fees	182,700	180,992
Salaries and benefits	1,078,775	1,406,871
General and administrative expense	421,525	440,983
Depreciation expense	41,418	40,966
Total operating expenses	13,081,729	12,603,955
OPERATING INCOME (LOSS)	(2,315,553)	(1,230,787)
NON-OPERATING INCOME		
Investment income	232,741	370,676
INCREASE IN NET POSITION BEFORE INCOME TAX BENEFIT (EXPENSE)	(2,082,812)	(860,111)
INCOME TAX BENEFIT (EXPENSE)	143,856	(578,588)
INCREASE (DECREASE) IN NET POSITION	(1,938,956)	(1,438,699)
NET POSITION, BEGINNING OF YEAR	23,867,830	25,306,529
NET POSITION, ENDING OF YEAR	$ 21,928,874	$ 23,867,830

See Notes to Financial Statements

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Contributions received	$ 10,851,999	$ 10,951,137
Commissions received	135,516	129,251
Other income received	17,600	-
Interest received	788,828	735,176
Taxes paid	(244,800)	(17,773)
Losses and loss adjustment expenses paid	(6,623,650)	(6,367,897)
Salaries and benefits paid	(1,110,517)	(1,104,720)
General and administrative expenses paid	(265,324)	(422,724)
Professional fees paid	(182,700)	(180,992)
Excess insurance expenses paid	(1,075,496)	(1,042,117)
Reinsurance expenses paid	(1,188,837)	(1,170,604)
Net cash provided by operating activities	1,102,619	1,508,737
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(2,973,661)	(4,886,167)
Proceeds from sales and maturities of investments	5,430,903	4,800,766
Purchase of fixed assets	(11,041)	-
Net cash provided by (used in) investing activities	2,446,201	(85,401)
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS	3,548,820	1,423,336
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS, BEGINNING OF YEAR	5,056,835	3,633,499
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS, END OF YEAR	$ 8,605,655	$ 5,056,835

	2018	2017
RECONCILIATION OF DECREASE IN NET POSITION TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Decrease in net position	$ (1,938,956)	$ (1,438,699)
Adjustments to reconcile decrease in net position to net cash provided by operating activities:		
Depreciation expense	41,418	40,966
Deferred income taxes	(146,271)	560,815
Pension liability	(57,449)	310,447
Change in fair value of investments	453,478	445,852
Changes in assets and liabilities:		
Interest receivable	102,609	(85,852)
Accounts receivable, net	(53,481)	11,707
Prepaid expenses	27,119	(55,802)
Income tax receivable	(235,314)	9,200
Accounts payable and accrued expenses	154,789	48,993
Unearned contributions	292,420	(299,987)
Income tax payable	(7,071)	7,572
Losses and loss adjustment expense reserves	2,469,328	1,953,525
Net cash provided by operating activities	$ 1,102,619	$ 1,508,737

See Notes to Financial Statements

Note 1 Cont...

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rate 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 Standards 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 83 member public housing authorities at December 31, 2018. HARRP has 71 members who participate in Auto, 82 members who participate in Crime, 79 members who participate in General Liability, 5 members who participate in Excess Liability, 79 members who participate in Errors & Omissions, 2 members who participate in Stand Alone Employment Practices Liability, and 80 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 had 336 member policies issued and outstanding at December 31, 2018.

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:

Auto Liability

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

General Liability

Member Deductible:	None
SIR:	$2,000,000 per occurrence

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
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

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Tenant Discrimination

Deductible:	None
SIR:	$150,000 per occurrence

Advertising – Advertising costs are expensed as incurred. Advertising expense was $23,189 and $33,788 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017. 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 2018 totaled $49,859. Realized losses on investments sold in 2017 totaled $3,357.

Restricted Investments - The Pool has money market mutual funds totaling $305,622 and federal agency and corporate bonds totaling $1,409,236 at December 31, 2018 and federal agency bonds totaling $1,476,604 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, 2018 and 2017, 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, 2018 and 2017, 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

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date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 additions 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 May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States of America ("U.S. GAAP"). The core principle of ASU No. 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU No. 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2018. The Pool has not yet evaluated the impact of adopting this standard.

On November 20, 2015, FASB issued 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 is effective for fiscal years beginning after December 15, 2017, which requires the Pool to implement this statement in 2018. After implementing the new standard, the Pool's deferred income tax asset has been classified as noncurrent on the balance sheet at December 31, 2018. The Pool has applied the standard on a prospective basis and therefore has not retrospectively adjusted December 31, 2017 deferred tax balances.

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 February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The new standard is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Pool has not yet evaluated the impact of the adoption of the new standard on the consolidated financial statements.

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.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows, Restricted Cash.* The new standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update do not provide a definition of restricted cash or restricted cash equivalents. The requirements are effective for fiscal years beginning after December 15, 2018 with a retrospective transition method required for each period presented. The Pool has elected to early adopt the standard in 2018 with its acquisition of restricted cash equivalents during the year ended December 31, 2018. The Pool's restricted cash equivalents are included with cash and cash equivalents on the statement of cash flows.

NOTE 2 - CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS

Cash consisted of the following at December 31:

	2018	2017
Balance Per Bank	$ 8,631,659	$ 5,583,984
Less: Outstanding Checks	(331,626)	(527,149)
Total Cash and Equivalents	$ 8,300,033	$ 5,056,835
Restricted cash equivalents	305,622	-
Total cash and equivalents & restricted cash equivalents	$ 8,605,655	$ 5,056,835

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.

Restricted cash equivalents are designated for the benefit of PESLIC (see Notes 1 and 7).

NOTE 3 - INVESTMENTS

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

Investment Type	2018	2017
Federal Agencies	$ 22,145,435	$ 25,349,001
Certificates of deposit	2,545,821	1,853,904
Corporate Bonds	1,381,035	1,780,106
Total	$ 26,072,291	$ 28,983,011

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:

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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 Maturities as of December 31, 2018		
Investment Type	Fair Value	<1 yr.	1-3 yrs.	>3 yrs.
Federal agencies	$22,145,435	$ 3,645,138	$12,524,758	$ 5,975,539
Certificates of deposits	2,545,821	158,772	1,292,041	1,095,008
Corporate bonds	1,381,035	-	185,939	1,195,096
Total investments at fair value	$26,072,291	$ 3,803,910	$14,002,738	$ 8,265,643

		Investment Maturities as of December 31, 2017		
Investment Type	Fair Value	<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	$28,983,011	$ 3,079,916	$19,179,642	$ 6,723,453

Note 2 Risk Cont...

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	2018% of Portfolio	2017 % of Portfolio
Federal Home Loan Banks	42.56%	43.78%
Federal Farm Credit Banks	20.71%	19.55%
Federal National Mortgage Assoc.	11.09%	13.59%
Certificates of Deposits	9.76%	6.40%
Corporate Bonds	5.30%	6.14%

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, 2018, are as follows:

	Level 1	Level 2	Level 3	Total
Federal agency securities	$ -	$ 22,145,435	$ -	$22,145,435
Certificate of deposit	-	2,545,821	-	2,545,821
Corporate bonds	-	1,381,035	-	1,381,035
	$ -	$ 26,072,291	$ -	$26,072,291

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
	$ -	$ 28,983,011	$ -	$28,983,011

NOTE 4 - CAPITAL ASSETS

Capital assets are as follows for 2017 and 2018:

	Balance at December 31, 2017	Additions	Retirements	Balance at December 31, 2018
Land	$ 285,900	$ -	$ -	$ 285,900
Building and improvements	1,483,738	-	-	1,483,738
Furniture and equipment	487,572	11,041	(487,572)	11,041
Less depreciation	(833,143)	(41,418)	487,572	(386,989)
Net capital assets	$ 1,424,067	$ (30,377)	$ -	$ 1,393,690

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	487,572	-	-	487,572
Less depreciation	(792,177)	(40,966)	-	(833,143)
Net capital assets	$ 1,465,033	$ (40,966)	$ -	$ 1,424,067

Depreciation expense was $41,418 and $40,966 for the years ended December 31, 2018 and 2017, 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:

	2018	2017
Losses and loss adjustment expense reserves, beginning of year	$ 6,745,317	$ 4,791,792
Incurred losses and loss adjustment expenses:		
Provision for covered events of the current year	8,922,332	8,781,786
Increase (decrease) in provision for covered events of the prior year	170,646	(460,364)
Total incurred losses and loss adjustment expenses	9,092,978	8,321,422
Payments:		
Losses and loss adjustment expenses attributable to covered events of the current year	2,238,337	3,267,898
Losses and loss adjustment expenses attributable to covered events of the prior year	4,385,313	3,099,999
Total payments	6,623,650	6,367,897
Loss and loss adjustment expense reserves, end of year	$ 9,214,645	$ 6,745,317
Detail of losses and loss adjustment expense reserves		
Current portion	$ 6,740,403	$ 4,721,722
Long-term portion	2,888,745	2,023,595
	9,629,148	6,745,317
Reinsurance payable with corresponding receivable	(414,503)	-
	$ 9,214,645	$ 6,745,317

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, and unearned contributions for financial reporting and tax purposes. Income tax benefit (expense) consists of the following for the year ended December 31:

	2018	2017
Deferred - Federal	$ 114,074	$ (438,258)
Deferred - Enacted rate reduction	-	(76,915)
Deferred - State	32,197	(45,642)
	146,271	(560,815)
Current - State	(2,415)	(17,773)
	$ 143,856	$ (578,588)

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:

	2018	2017
Current:		
Unearned contributions	$ -	$ 77,883
Unrealized losses	-	21,169
Loss reserve discount	-	9,466
Total current	-	108,518
Noncurrent:		
Unearned contributions	91,846	-
Unrealized losses	37,981	-
Loss reserve discount	67,138	-
Federal net operating loss	72,052	13,362
State net operating loss	45,181	25,640
Capital loss disallowed	5,894	15,909
Total noncurrent assets	320,092	54,911
Loss reserve discount	(10,392)	-
Net deferred tax asset	$ 309,700	$ 163,429

As of December 31, 2018, AHRP has available federal and state net operating loss carryforwards of approximately $343,000 federal, $129,000 from California, and $512,000 from Oregon, respectively, which may provide future tax benefits. The carryforwards begin to expire in 2028.

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 AHRP's reinsurance. The collateral is included in restricted cash equivalents and restricted investments consisting of money market mutual funds totaling $305,622 and federal agency and corporate bonds totaling $1,409,236 at December 31, 2018 and federal agency bonds totaling $1,475,604 at December 31, 2017. AHRP is a grantor on the Regulation 114 Trust.

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF COVERAGE

YEARS ENDED DECEMBER 31, 2018 AND 2017 (Unaudited)

The schedule below presents the changes in losses and loss adjustment expenses for 2018 and 2017 for the Pool's three types of coverage, property, general and public officials' liability, and automobile liability:

	Property		General and Public Officials' Liability		Automobile Liability		Totals	
	2018	2017	2018	2017	2018	2017	2018	2017
Losses and loss adjustment expense reserves beginning of year	$ 4,344,702	$ 2,399,085	$ 2,331,787	$ 2,348,232	$ 68,828	$ 44,475	$ 6,745,317	$ 4,791,792
Incurred losses and loss adjustment expenses:								
Provision for covered events of the current year	7,496,940	7,015,535	1,268,098	1,635,326	157,294	130,925	8,922,332	8,781,786
Increase (decrease) in provision for covered events of the prior year	(256,202)	(170,806)	384,979	(291,955)	41,869	2,397	170,646	(460,364)
Total incurred losses and loss adjustment expenses	7,240,738	6,844,729	1,653,077	1,343,371	199,163	133,322	9,092,978	8,321,422
Payments:								
Losses and loss adjustment expenses attributable to covered events of the current year	2,099,150	3,057,287	38,057	121,296	101,130	89,315	2,238,337	3,267,898
Losses and loss adjustment expenses attributable to covered events of the prior years	2,835,492	1,841,825	1,492,952	1,238,520	56,869	19,654	4,385,313	3,099,999
Total payments	4,934,642	4,899,112	1,531,009	1,359,816	157,999	108,969	6,623,650	6,367,897
Losses and loss adjustment expense reserves end of year	$ 6,650,798	$ 4,344,702	$ 2,453,855	$ 2,331,787	$ 109,992	$ 68,828	$ 9,214,645	$ 6,745,317

TEN YEAR LOSS DEVELOPMENT INFORMATION (Unaudited)
YEAR ENDED DECEMBER 31, 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Required Contribution and										
Investment Revenue	$ 6,001,790	$ 5,809,396	$ 6,326,859	$ 7,235,117	$ 7,798,335	$ 8,891,787	$ 10,534,442	$ 11,544,920	$ 11,572,307	$10,828,818
Ceded	(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)	(2,149,530)
(1) Net Earned Required Contribution										
and Investment Revenues	5,591,011	5,312,622	4,968,534	5,381,708	5,614,436	6,728,638	8,521,574	9,394,835	9,455,057	8,679,288
(2) Unallocated Expenses	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	3,533,058
(3) Estimated Incurred Claims and Expense										
End of Year	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	8,922,332
Ceded	-	-	-	-	(17,566)	-	-	-	-	-
Net Incurred	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	8,922,332
(4) Paid (Cumulative)										
End of Year	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	2,238,337
One Year Later	3,563,943	4,262,340	3,362,975	4,324,991	6,874,409	4,262,602	3,710,043	4,214,949	7,114,889	
Two years Later	3,448,304	4,336,216	4,549,837	5,222,568	7,077,792	4,773,135	3,831,664	4,558,733		
Three Years	3,649,869	4,382,309	4,719,791	5,415,621	7,239,255	5,313,719	3,904,022			
Four Years Later	3,743,103	4,560,581	4,791,404	5,551,531	7,392,651	5,438,366				
Five Years Later	3,881,259	4,554,294	4,820,185	5,679,378	7,392,721					
Six Years Later	3,881,259	4,554,294	4,902,599	5,679,378						
Seven Years Later	3,881,259	4,554,294	4,902,384							
Eight Years Later	3,881,259	4,554,294								
Nine Years Later	3,881,259									
(5) Reestimated Ceded Claims and Expenses	-	-	-	-	17,566	-	-	-	-	-
(6) Reestimated Incurred Claims and Expenses										
End of Year	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	8,922,332
One Year Later	4,334,562	4,499,341	4,151,858	5,468,660	7,327,249	5,046,706	4,288,752	4,827,010	8,794,661	
Two years Later	3,677,630	4,455,472	4,733,470	5,684,561	7,351,647	5,219,916	4,053,164	5,006,482		
Three Years	3,821,391	4,524,913	4,793,051	5,585,451	7,502,537	5,400,161	3,955,957			
Four Years Later	3,960,541	4,599,277	4,893,930	5,686,001	7,395,966	5,438,366				
Five Years Later	3,881,259	4,554,294	4,909,436	5,679,378	7,392,721					
Six Years Later	3,881,259	4,554,294	4,902,599	5,679,378						
Seven Years Later	3,881,259	4,554,294	4,902,384							
Eight Years Later	3,881,259	4,554,294								
Nine Years Later	3,881,259									
(7) Increase (Decrease) in Estimated										
Incurred Claims Expense from										
End of Policy Year	$ (420,250)	$ 1,474,778	$ 1,321,793	$ 292,482	$ 33,457	$ 485,582	$ (503,829)	$ (117,318)	$ 12,875	$ -

TEN YEAR LOSS DEVELOPMENT INFORMATION

YEAR ENDED DECEMBER 31, 2018 (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 reestimated amount of claims assumed by reinsurers as of the end of the current year for each insured year.

6. This annual reestimation results from new information received on known claims, as well as emergence of new claims not previously known.

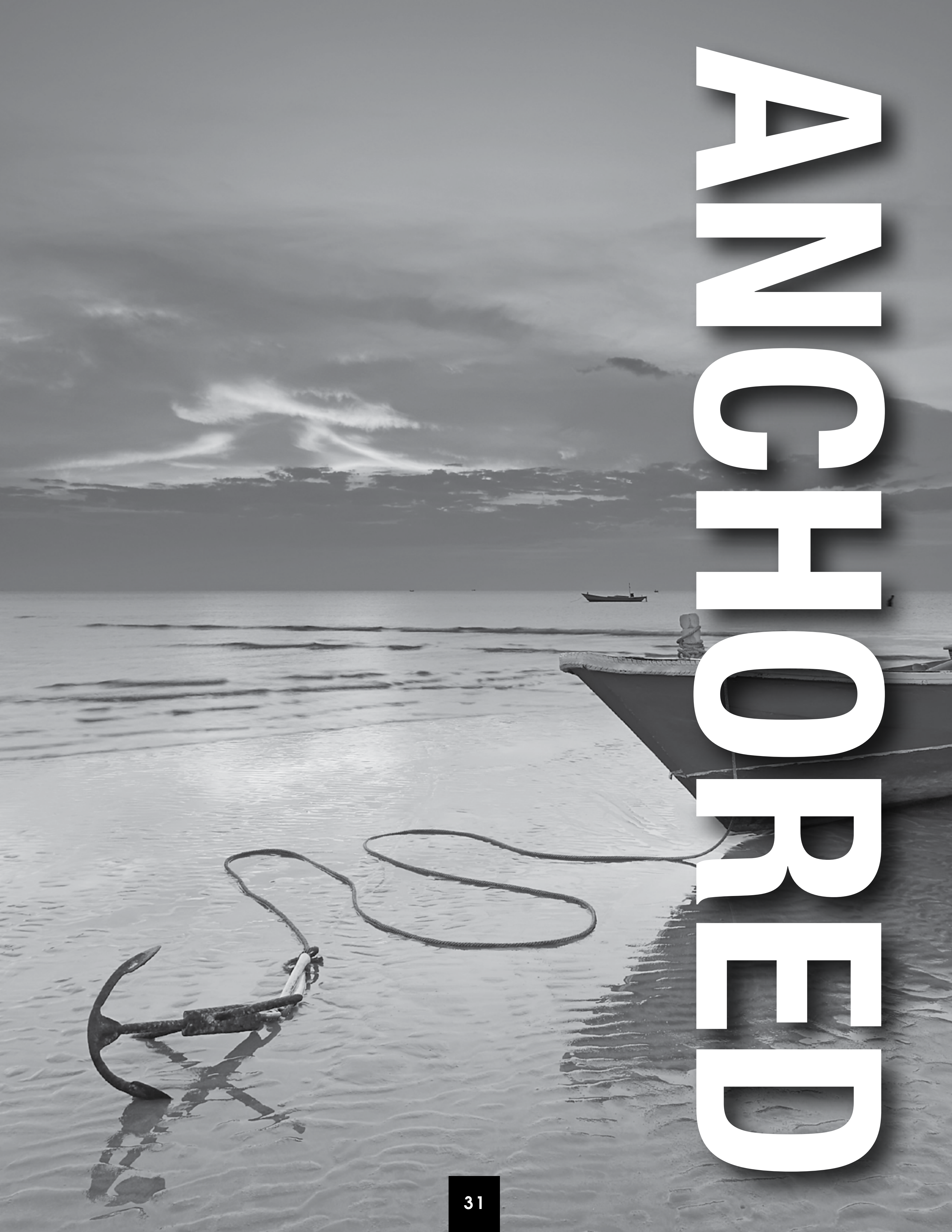
7. This line compares the latest reestimated incurred claim amount to the amount originally established (line 3) and As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

COMBINING STATEMENT OF NET POSITION
YEAR ENDED DECEMBER 31, 2018

	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
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 3,540,380	$ 409,389	$ -	$ 3,949,769	$ 4,350,264	$ -	$ 8,300,033
Interest receivable	25,070	-	-	25,070	132,281	-	157,351
Investments	358,011	-	-	358,011	2,995,574	-	3,353,585
Restricted cash equivalents	-	-	-	-	305,622	-	305,622
Restricted investments	-	-	-	-	450,325	-	450,325
Accounts receivable, net	62,309	71,992	-	134,301	432,304	(10,749)	555,856
Prepaid expenses	552,001	3,086	-	555,087	32,848	-	587,935
Income tax receivable	262,978	-	-	262,978	-	-	262,978
Total Current Assets	4,800,749	484,467	-	5,285,216	8,699,218	(10,749)	13,973,685
DEFERRED INCOME TAX ASSET	309,700	-	-	309,700	-	-	309,700
NON-CURRENT INVESTMENTS	4,214,771	-	-	4,214,771	17,094,699	-	21,309,470
RESTRICTED INVESTMENTS	-	-	-	-	958,911	-	958,911
INVESTMENT IN SUBSIDIARY	22,000	-	(22,000)	-	5,000,000	(5,000,000)	-
CAPITAL ASSETS, NET	-	-	-	-	1,393,690	-	1,393,690
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	334,343	-	334,343
	9,347,220	484,467	(22,000)	9,809,687	33,480,861	(5,010,749)	38,279,799
LIABILITIES							
CURRENT LIABILITIES:							
Accounts payable and accrued expenses	18,094	146,074	-	164,168	137,602	(10,749)	291,021
Unearned contributions	2,503,670	-	-	2,503,670	3,339,243	-	5,842,913
Income tax payable	501	-	-	501	-	-	501
Current portion of losses and loss adjustment expense reserves	2,377,104	-	-	2,377,104	4,363,299	-	6,740,403
Total Current Liabilities	4,899,369	146,074	-	5,045,443	7,840,144	(10,749)	12,874,838
NET PENSION LIABILITY	-	-	-	-	415,256	-	415,256
NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES	1,018,759	-	-	1,018,759	1,869,986	-	2,888,745
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	172,086	-	172,086
NET POSITION							
Net investment in capital assets	-	-	-	-	1,393,690	-	1,393,690
Unrestricted	3,429,092	338,393	(22,000)	3,745,485	21,789,699	(5,000,000)	20,535,184
Total Net Position	$ 3,429,092	$ 338,393	$ (22,000)	$ 3,745,485	$ 23,183,389	$ (5,000,000)	$ 21,928,874

COMBINING STATEMENT OF NET POSITION
YEAR ENDED DECEMBER 31, 2018

	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
OPERATING REVENUES:							
Contributions earned	$ 4,206,109	$ -	$ -	$ 4,206,109	$ 6,389,968	$ -	$ 10,596,077
Commissions	-	152,499	-	152,499	-	-	152,499
Other income	-	-	-	-	382,100	(364,500)	17,600
Total operating revenues	4,206,109	152,499	-	4,358,608	6,772,068	(364,500)	10,766,176
OPERATING EXPENSES:							
Change in losses and loss adjustment expenses incurred	3,031,659	-	-	3,031,659	6,061,319	-	9,092,978
Excess insurance expense	1,447,542	3,944	-	1,451,486	812,847	-	2,264,333
Professional fees	68,578	1,190	-	69,768	112,932	-	182,700
Salaries and benefits	-	-	-	-	1,078,775	-	1,078,775
General and administrative expense	377,435	67,381	-	444,816	341,209	(364,500)	421,525
Depreciation expense	-	-	-	-	41,418	-	41,418
Total operating expenses	4,925,214	72,515	-	4,997,729	8,448,500	(364,500)	13,081,729
OPERATING INCOME (LOSS)	(719,105)	79,984	-	(639,121)	(1,676,432)	-	(2,315,553)
NON-OPERATING INCOME							
Investment income	16,119	-	-	16,119	216,622	-	232,741
INCREASE (DECREASE) IN NET POSITION BEFORE INCOME TAX BENEFIT	(702,986)	79,984	-	(623,002)	(1,459,810)	-	(2,082,812)
INCOME TAX BENEFIT	143,856	-	-	143,856	-	-	143,856
INCREASE (DECREASE) IN NET POSITION	(559,130)	79,984	-	(479,146)	(1,459,810)	-	(1,938,956)
NET POSITION, BEGINNING OF YEAR	3,988,222	258,409	(22,000)	4,224,631	24,643,199	(5,000,000)	23,867,830
NET POSITION, END OF YEAR	$ 3,429,092	$ 338,393	$ (22,000)	$ 3,745,485	$ 23,183,389	$ (5,000,000)	$ 21,928,874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HOUSING AUTHORITIES

HARRP

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