2019 ANNUAL REPORT

HOUSING AUTHORITIES

HARRP

RISK RETENTION POOL

“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

Total Insured Values:	$6,521,690,050
Number of Claims Opened:	128
Number of Units:	33,593
Number of Certificates of Insurance Issued:	1,254

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.





Message

MESSAGE FROM THE PRESIDENT & EXECUTIVE DIRECTOR

2019 will ultimately close as a hugely successful year for its members. Claim activity concluded much lower than actuarily anticipated. With the lower claim costs, the reserves and surplus position of the pool increased, which will provide rate relief in hard times and stabilizes rate swings in the future. Congratulations to all of the members of HARRP. Your continued commitment to controlling losses through pro-active risk control and risk transfer continue to build a stronger program of reciprocal insurance!

One of the largest challenges in 2019 was the onset of the insurance industry entering into a hard market, meaning the availability of insurance becomes difficult to purchase, retain and afford. The factors impacting a hardening market are numerous, but the results are the same; higher rates and shrinking availability of insurance. This is a worldwide condition and consumers, both commercial and personal lines, will be impacted. Geography plays an important role in hard markets. Catastrophic claim modeling by insurers have been severely impacted by the dramatic increase in wildfire exposures. Some states have had to pass legislation requiring insurers to write policies that they otherwise would have non-renewed or not written at all. This put pressure on HARRP's costs of acquiring excess insurance for 2020.

One of the best strategies to counter the impact of hard market conditions is to belong to a risk sharing consortium/pool such as HARRP. The impact of rate increases can be absorbed by multiple agencies, instead of costs attributable to a sole policy. The hardening markets is what catapulted risk sharing pools to the forefront in the 1980's. Pools have strengthened since then and are positioned to withstand hardening markets much better than independent, standalone policies. HARRP, being a multi-state risk sharing pool, adds additional benefits to its members by spreading the risks among a much greater geographical area.

2019 also ushered in the beginning of many new endeavors, all designed to bring our technology capabilities and services to a higher level. HARRP will be replacing its antiquated risk management information system (RMIS) during 2020. This enhancement will align HARRP and its subsidiaries with increased efficiencies, reduce requirements of the pool participants and allow users access to data straight from the RMIS. Additionally, HARRP is working on methods to reduce the confusion of the services offered from the pools through re-branding. There is an increased emphasis on site visits, designed to inform pool participants of the services available and to learn from our members on methods of improving communications and service.

In all, 2019 was a great year for HARRP! There is a tremendous amount of excitement and energy within the staff on the changes being pursued and having such a great year on claims experience is icing on the cake!

Thank you for your continued support of HARRP!

Renée Rooker

Renée Rooker
HARRP President

William Gregory
Executive Director

Operations

HARRP provides many types of coverage for its member housing authorities: general liability, fidelity/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 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 develop from external pressures.

General Liability

HARRP provides general liability coverage, which protects members from premises liability exposures and third-party claims that may result in tort liability. 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 a $2M aggregate. An additional $5M excess liability limit is 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 $2M aggregate. Each member is responsible for 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 $100,000 per occurrence for an additional cost.

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. Due to multi-state regulations, auto coverage options are tailored to comply with each state's specific requirement.

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 business interruption 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. Also included in the property coverage is equipment breakdown coverage, which extends the coverage to critical electrical and mechanical systems. The property 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 liability 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

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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 make appropriate allocation of costs to members who diligently practice effective risk management and control of claims, but also to impress upon 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 reserves that are sufficient to pay its costs in order to stay in compliance, which requires HARRP to 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, providing 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 sensitive to members financial challenges when rate setting and the effect of rates in relation to reserves and acceleration of surplus. At the conclusion of 2019, HARRP had surplus funds in excess of $25.6M and HARRP is funded at just over a 99% confidence level. The surplus funds provide HARRP the ability to absorb changing insurance market conditions, loss trends and other factors that may impact rate stability for the members.

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 activities or exposures that could adversely affect the pool.

Risk 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 the members of HARRP have enjoyed the cost and stability of the pool.

HARRP provides a wide range of risk 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 deploys cutting edge, interactive training through web-based sites. 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 aids in verifying that members' property inventory and contents values are consistent with current reconstruction

continues...

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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.

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 $20M 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, has a strong track record of coordinating claim settlements and defense with the member housing authority involved in the claim.

BENEFITS OF HARRP MEMBERSHIP

HARRP began operations in 1987, nearly thirty-three years ago! In light of the ever-changing environment of public and affordable housing, HARRP has remained steadfast in its commitment to its membership. HARRP has provided risk management, claims service and pool administration second to none. In doing so, HARRP can confidently boast 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 to the complicated affordable housing pool environment.

Participation in HARRP provides a number of benefits to its members; exceptional service, HUD approved, low rates, proactive risk control, free training, stable rates, aggressive claims management, coverage specific to the unique risks of public housing and equity in a quality pool managed by Executive Directors of public housing authorities.

HARRP's coverage is tailored to meet the specific risks of its public housing pool membership. This is our expertise, our forte, and this is all HARRP does. With evolving financing options available to our members, HARRP launched Affordable Housing Risk Pool (AHRP) in 2011 to provide the same level of service and coverage for non-governmental affordable housing risks as it does for governmental affordable housing risks. The formation of AHRP demonstrates HARRP's commitment and flexibility in meeting the needs of its members.

With over thirty-three years of pool administration for public housing authorities, HARRP has experienced unique and challenging circumstances that have ultimately led to improved risk control and coverage. Much of HARRP's current operations could not have been imagined at its inception. The key to a successful pool is adaptation to the environment faced by its members. HARRP has certainly succeeded in this regard.

HARRP considers all inquiries from public housing authorities into membership and its programs are marketed by word of mouth. At HARRP, we believe in quality over quantity with emphasis on underwriting of new members. Through its extensive underwriting and risk control, HARRP assures its existing membership that the program will continue to be financially secure.

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

Housing Works – (aka Central Oregon Regional Housing Authority)
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
Homes for Good (aka the Housing Authority 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 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**

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.

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.

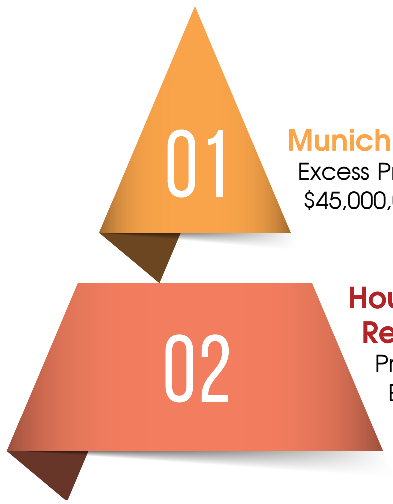
HARRP staff and retained consultants provide formal classroom training at conferences or at the member's location. HARRP also provides numerous web-based training modules and development of webinars for training, educating and assisting in claims and risk control processes is currently underway. Staff 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, contracts, litigation, training requirements and proactive risk control. All these services are offered to our members as part of their membership.

A priority of HARRP is to visit all our membership on a rotational basis. During these visits, we discuss topics such as upcoming projects, property management issues, trainings, risk control, coverage questions and whatever issues our members may bring to the table. We have found that these face to face interactions are invaluable and provide an opportunity for us to listen to our members' insightful feedback and facilitates the sharing of information that is beneficial to the entire pool.

We encourage you to continue to take advantage of HARRP's premium service, risk management tools and various trainings.

HOUSING AUTHORITIES RISK RETENTION POOL COVERAGE STRUCTURE, 2014-2019



Munich Reinsurance (A+XV)
Excess Property
$45,000,000 excess of $2,000,000

Housing Authorities Risk Retention Pool (HARRP)
Property, General Liability, Errors & Omissions, Employment Practices Liability, Auto, Section 8
$2,000,000 per occurrence

HARRP Staff

Each of HARRP's full time staff members is responsible for a wide range of duties and the team is deeply committed to supporting the mission of our members in providing an affordable home to people with low incomes across our service area. 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 daily by housing authorities.

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 110 years! Stability not only applies to HARRP's rates and coverage, but also to the dedicated staff who serves its members.

FROM LEFT TO RIGHT

- **Robin Cox,** ***Policy & 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

- **Torey Plummer,** ***Policy Administrator***
HARRP and AHRP invoicing and data management, annual coverage renewal issues, requests for insurance certificates, adds and deletes

- **Rick Gehlhaar,** ***Director of Claims***
New and existing claims, claim status and resolution issues, litigation issues, loss control issues

- **William (Bill) Gregory,** ***Executive Director***
*Overall management, loss control issues, com*pliments, complaints, suggestions, coverage issues, board relations, human resources

- **Adiah Mattern,** ***Risk Control and Underwriting Specialist***
Loss control issues, contractual risk transfer issues, risk/loss analysis, training needs, insurance contract evaluation

- **Rachel O'Neil,** ***Administrative Assistant***
HARRP policy management and renewals, office management and staff support services

- **Rebecca Plummer,** ***Policy and Agency Administrator***
AHRP policy processing, billings, database management and AHRP quoting

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

Pam Tietz
(Term Expires 2021)

Renée Rooker
(Term Expires 2022)

Duane Leonard
(Term Expires 2020)

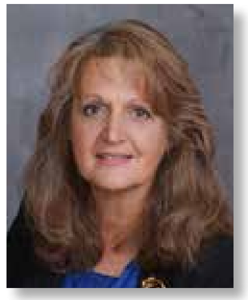
OREGON

Marka Turner
(Term Expires 2021)

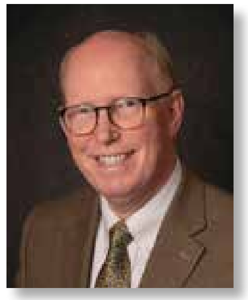
Joel Madsen
(Term Expires 2022)

Jacob Fox
(Term Expires 2020)

CALIFORNIA/NEVADA



Barbara Kauss
(Term Expires 2021)



Bob Havlicek
(Term Expires 2022)

Ken Kugler
(Term Expires 2020)

Report of Independent Auditors

MOSSADAMS

The Board of Directors
Housing Authorities Risk Retention Pool and its blended component units

Report on the Financial Statements
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, 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 respective financial position of Housing Authorities Risk Retention Pool and its blended component units as of December 31, 2019, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Prior Period Financial Statements
The financial statements for Housing Authorities Risk Retention Pool and its blended component units as of December 31, 2018, were audited by other auditors whose report dated March 28, 2019, expressed an unmodified opinion on those statements.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9, and the reconciliation of claims liabilities by type of coverage, the ten-year loss development information and pension plan information on pages 36 through 43 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 Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pool's basic financial statements. The combining statement of net position and combining statement of revenues, expenses, and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information, on pages 44 to 46, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2020 on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pool's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Pool's internal control over financial reporting and compliance.

Moss Adams LLP
Portland, Oregon
March 27, 2020

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, 2019. 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 very favorable claim expenses, HARRP experienced a net increase in 2019 of $2,438,249, compared to a net decrease of $1,459,810 in 2018. Despite higher claims in AHRP, AHRP was also favorable for 2019 bolstered slightly by an increase in net position of ORWACA.

AHRP and ORWACA posted an aggregate net increase of $142,777 in 2019 compared to a decrease of $479,146 in 2018. The combined net increase for all three entities for 2019 is $2,581,026 as compared to the decrease of $1,938,956 in 2018.

■ 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. Launched in 2011, AHRP provides coverage for tax credit partnership and non-profits providing affordable housing. AHRP acquired ORWACA in 2013 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 four licensed insurance agents, ORWACA specializes in acquiring specialty coverage.

■ 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 2018 to year-end 2019. 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.

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ANALYSIS OF THE STATEMENTS OF NET POSITION

	2019	2018	2017
ASSETS			
Current and other assets	$ 37,463,730	$ 36,886,109	$ 35,585,935
Capital assets	1,372,011	1,393,690	1,424,067
Total assets	38,835,741	38,279,799	37,010,002
LIABILITIES			
Current liabilities	11,897,283	12,874,838	10,416,019
Noncurrent liabilities	2,428,558	3,476,087	2,726,153
Total liabilities	14,325,841	16,350,925	13,142,172
NET POSITION			
Net investment in capital assets	1,372,011	1,393,690	1,424,067
Unrestricted	23,137,889	20,535,184	22,443,763
Total net position	$ 24,509,900	$ 21,928,874	$ 23,867,830

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

Discussion & Analysis Cont...

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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 $555,942 in 2019 from the previous year. This followed an increase in assets of $1,269,797 in 2018.

At December 31, 2019 and 2018, HARRP and its subsidiary, AHRP, invested approximately $22 million and $22.1 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.

■ LIABILITIES

At December 31, 2019, HARRP experienced a net decrease in total liabilities of $2,025,084 compared to a net increase of $3,208,753, in 2018. 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) increased again in 2019 due to changes in exposure units covered and rate changes. AHRP's revenues (exclusive of investment income and commissions) increased 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, Property and Section 8 while decreasing Auto and EPL rates in 2019. The AHRP Board of Directors approved increasing both GL and Property rates in 2019.

■ EXPENSES

HARRP and AHRP administration costs are comprised of administration and claim handling costs. In 2019, HARRP's administration expenses increased by $180,100, or 11%, compared to a decrease of $344,333, or 11% in 2018. The 2019 increase is due to the use of outside consultants, increased loss control expenses and Washington B&O taxes.

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

	2019	2018	2017
REVENUES			
Member contributions	$ 11,893,952	$ 10,596,077	$ 11,201,631
Investment income	983,043	232,741	370,676
Other income	231,222	170,099	171,537
Total revenue	13,108,217	10,998,917	11,743,844
EXPENSES			
Claims expense	5,998,866	9,092,978	8,321,422
Administration/other expense	4,528,325	3,844,895	4,861,121
Total expenses	10,527,191	12,937,873	13,182,543
CHANGE IN NET POSITION	2,581,026	(1,938,956)	(1,438,699)
Net position, beginning	21,928,874	23,867,830	25,306,529
Net position, ending	$ 24,509,900	$ 21,928,874	$ 23,867,830

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

Discussion & Analysis Cont...

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In 2019, AHRP's administration costs increased by $285,552, or 94% over the previous year. In 2018, AHRP's administration costs decreased by $720,684, or 29% over the previous year. The 2019 increase is due primarily to the change of federal and state tax obligations as well as an increase of shared costs between HARRP and AHRP.

In 2019, total direct costs for HARRP decreased $2,925,014, or 48% compared to a decrease in 2018 of $806,765, or 12%, The 2019 decrease was the result of changes in claim activity and changes in claim reserves. AHRP's direct costs decreased by $169,098 or 5% in 2019, also as a result of changes in claim activity and the changes in claim reserves. In 2018, AHRP's direct costs increased by $1,578,321 or 109%.

■ 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 32 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 increased significantly in 2019 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.

STATEMENTS OF NET POSITION

ASSETS

	December 31, 2019	December 31, 2018
CURRENT ASSETS		
Cash and cash equivalents	$ 8,085,081	$ 8,300,033
Interest receivable	145,276	157,351
Investments	5,851,805	3,353,585
Restricted cash equivalents	471	305,622
Restricted investments	257,206	450,325
Accounts receivable, net	203,865	555,856
Prepaid expenses	675,087	587,935
Income tax receivable	34,313	262,978
Total current assets	15,253,104	13,973,685
DEFERRED INCOME TAX ASSET	233,711	309,700
NON-CURRENT INVESTMENTS	19,030,790	21,309,470
NON-CURRENT RESTRICTED INVESTMENTS	2,652,800	958,911
CAPITAL ASSETS, net	1,372,011	1,393,690
DEFERRED OUTFLOWS OF RESOURCES	293,325	334,343
Total assets and deferred outflows of resources	$ 38,835,741	$ 38,279,799

LIABILITIES AND NET POSITION

	December 31, 2019	December 31, 2018
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 315,652	$ 291,021
Unearned contributions	7,360,330	5,842,913
Income tax payable	1,301	501
Current portion of losses and loss adjustment expense reserves	4,220,000	6,740,403
Total current liabilities	11,897,283	12,874,838
NET PENSION LIABILITY	324,986	415,256
NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES	1,908,638	2,888,745
DEFERRED INFLOWS OF RESOURCES	194,934	172,086
Total liabilities and deferred inflows of resources	14,325,841	16,350,925
NET POSITION		
Net investment in capital assets	1,372,011	1,393,690
Unrestricted	23,137,889	20,535,184
Total net position	24,509,900	21,928,874
Total liabilities, deferred inflow of resources and net position	$ 38,835,741	$ 38,279,799

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2019	Years Ended December 31, 2018
OPERATING REVENUES		
Contributions earned	$ 11,893,952	$ 10,596,077
Commissions	204,022	152,499
Other income	27,200	17,600
Total operating revenues	12,125,174	10,766,176
OPERATING EXPENSES		
Change in losses and loss adjustment expenses incurred	5,998,866	9,092,978
Excess and reinsurance expense	2,555,005	2,264,333
Professional fees	219,031	182,700
Salaries and benefits	1,099,604	1,078,775
General and administrative expense	505,288	421,525
Depreciation expense	44,372	41,418
Total operating expenses	10,422,166	13,081,729
OPERATING INCOME (LOSS)	1,703,008	(2,315,553)
NON-OPERATING INCOME		
Investment income	983,043	232,741
INCREASE IN NET POSITION BEFORE INCOME TAX BENEFIT (EXPENSE)	2,686,051	(2,082,812)
INCOME TAX BENEFIT (EXPENSE)	(105,025)	143,856
INCREASE (DECREASE) IN NET POSITION	2,581,026	(1,938,956)
NET POSITION, beginning of year	21,928,874	23,867,830
NET POSITION, end of year	$ 24,509,900	$ 21,928,874

STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	$ 13,763,360	$ 10,851,999
Commissions received	204,022	135,516
Other income received	27,200	17,600
Interest received	761,850	788,828
Taxes paid	200,429	(244,800)
Losses and loss adjustment expenses paid	(9,499,376)	(6,623,650)
Salaries and benefits paid	(1,126,008)	(1,110,517)
General and administrative expenses paid	(567,809)	(265,324)
Professional fees paid	(219,031)	(182,700)
Excess insurance expenses paid	(2,555,005)	(1,075,496)
Reinsurance expenses paid	-	(1,188,837)
Net cash provided by operating activities	989,632	1,102,619
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(11,146,047)	(2,973,661)
Proceeds from sales and maturities of investments	9,659,005	5,430,903
Purchase of fixed assets	(22,693)	(11,041)
Net cash provided by (used in) investing activities	(1,509,735)	2,446,201
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS	(520,103)	3,548,820
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS, beginning of year	8,605,655	5,056,835
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS, end of year	$ 8,085,552	$ 8,605,655
SUPPLEMENTAL CASH FLOW DISCLOSURES OF INVESTING AND FINANCING ACTIVITIES		
Transfer of restricted investments to investments	$ -	$ 207,295
Reinsurance accounts receivable offset with accounts payable	$ -	$ 414,503

	Years Ended December 31, 2019	2018
RECONCILIATION OF INCREASE (DECREASE) IN NET POSITION TO CASH PROVIDED BY OPERATING ACTIVITIES		
Increase (decrease) in net position	$ 2,581,026	$ (1,938,956)
Adjustments to reconcile increase (decrease) in net position to net cash provided by operating activities		
Depreciation expense	44,372	41,418
Deferred income taxes	75,989	(146,271)
Pension liability	(26,404)	(57,449)
Loss on sale of investments	10,783	49,859
Change in fair value of investments	(244,051)	403,619
Changes in assets and liabilities		
Interest receivable	12,075	102,609
Accounts receivable, net	351,991	(53,481)
Prepaid expenses	(87,152)	27,119
Income tax receivable	228,665	(235,314)
Accounts payable and accrued expenses	24,631	154,789
Unearned contributions	1,517,417	292,420
Income tax payable	800	(7,071)
Losses and loss adjustment expense reserves	(3,500,510)	2,469,328
Net cash provided by operating activities	$ 989,632	$ 1,102,619

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 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 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. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. 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. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Pool has applied all applicable GASB pronouncements in the financial statements.

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, 2019. HARRP has 71 members who participate in Auto, 82 members who participate in Crime, 80 members who participate in General Liability, 9 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 386 member policies issued and outstanding at December 31, 2019.

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

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Note 1 Policies Cont...

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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:	None 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:	$2,500 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, 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:	$2,500 to $10,000 per occurrence (varies)
SIR:	$1,000,000 per occurrence
Reinsurance:	$1,000,000 per occurrence
Excess:	$2,000,001 to $45,000,000

Advertising
Advertising costs are expensed as incurred. Advertising expense was $26,736 and $23,189 for the years ended December 31, 2019 and 2018, 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. 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. No cash was considered restricted as of December 31, 2019 or 2018.

Restricted cash equivalents are designated for the benefit of PESLIC (see Notes 1 and 6).

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, 2019 and 2018. 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 statements 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 2019 totaled $10,783. Realized losses on investments sold in 2018 totaled $49,859.

Restricted Cash Equivalents and Restricted Investments
The Pool has money market mutual funds totaling $471 and federal agency and corporate bonds totaling $2,910,006 at December 31, 2019 and money market mutual funds totaling $305,622 and federal agency and corporate bonds totaling $1,409,236 at December 31, 2018 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. Capital purchases exceeding $5,000 with a determined useful life over one year are capitalized. 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	38 years
Furniture and equipment	3-5 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 (loss) 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, 2019 and 2018, 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, 2019 and 2018, the Pool did not have 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."

Revenue Recognition
Revenues mainly consist of premium contributions from policyholders. Policyholders are typically those organizations in the affordable housing community, primarily tax credit partnerships, affiliated nonprofits and nonprofit affordable housing owners in Oregon, Washington, Nevada and California.

Revenue is matched to the period in which the policyholder has obtained coverage. Revenues are amortized over the coverage period.

Contribution development is performed by actuaries and the Board of Directors based on the particular characteristics of the policyholders. Contribution income consists of payments from policyholders that are expected 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. The contribution revenue is recognized as revenue 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 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 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.

NOTE 2 - INVESTMENTS & RESTRICTED INVESTMENTS

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

	2019	2018
Federal Agencies	$ 22,029,908	$ 22,145,435
Certificate of deposit	4,218,177	2,545,821
Corporate Bonds	$ 1,544,516	$1,381,035
Total	$ 27,792,601	$ 26,072,291

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.

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Investment Type	Fair Value	Investment Maturities as of December 31, 2019		
		<1 year	1–3 years	>3 years
Federal agencies	$ 22,029,908	$ 5,517,695	$ 9,517,448	$ 6,994,765
Certificates of deposit	4,218,177	591,303	1,104,449	2,522,425
Corporate bonds	1,544,516	-	858,164	686,352
Total investments at fair value	$ 27,792,601	$ 6,108,998	$ 11,480,061	$ 10,203,542

Investment Type	Fair Value	Investment Maturities as of December 31, 2018		
		<1 year	1–3 years	>3 years
Federal agencies	$ 22,145,435	$ 3,645,138	$ 12,524,758	$ 5,975,539
Certificates of deposit	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

Note 2 Investments Cont...

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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 on the next column:

	2019% of Portfolio	2018 % of Portfolio
Federal Home Loan Banks	40.66%	42.56%
Federal Farm Credit Banks	19.70%	20.71%
Federal National Mortgage Assoc.	18.90%	11.09%
Certificates of deposits	15.18%	9.76%
Corporate bonds	5.56%	5.00%

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, 2019, are as follows below:

	Level 1	Level 2	Level 3	Total
Federal agency securities	$ -	$ 22,029,908	$ -	$ 22,029,908
Certificates of deposit	-	4,218,177	-	4,218,177
Corporate bonds	-	1,544,516	-	1,544,516
	$ -	$ 27,792,601	$ -	$ 27,792,601

Note 2 Fair Value Cont...

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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
Certificates of deposit	-	2,545,821	-	2,545,821
Corporate bonds	-	1,381,035	-	1,381,035
	$ -	$ 26,072,291	$ -	$ 26,072,291

NOTE 3 - CAPITAL ASSETS

Capital assets are as follows for 2018 and 2019:

	Balance at December 31, 2018	Additions	Retirements	Balance at December 31, 2019
Land	$ 285,900	$ -	$ -	$ 285,900
Building and improvements	1,483,738	-	-	1,483,738
Furniture and equipment	11,041	22,693	-	33,734
Less depreciation	(386,989)	(44,372)	-	(431,361)
Net capital assets	$ 1,393,690	$ (21,679)	$ -	$ 1,372,011

	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

Depreciation expense was $44,372 and $41,418 for the years ended December 31, 2019 and 2018, respectively.

NOTE 4 - 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:

	2019	2018
Losses and loss adjustment expense reserves, beginning of year	$ 9,214,645	$ 6,745,317
Incurred losses and loss adjustment expenses		
Provision for covered events of the current year	6,359,880	8,922,332
Increase (decrease) in provision for covered events of the prior year	(361,014)	170,646
Total incurred losses and loss adjustment expenses	5,998,866	9,092,978
Payments		
Losses and loss adjustment expenses attributable to covered events of the current year	2,456,210	2,238,337
Losses and loss adjustment expenses attributable to covered events of the prior year	6,628,663	4,385,313
Total payments	9,084,873	6,623,650
Loss and loss adjustment expense reserves, end of year	$ 6,128,638	$ 9,214,645
Detail of losses and loss adjustment expense reserves		
Current portion	$ 4,220,000	$ 6,740,403
Long-term portion	1,908,638	2,888,745
	6,128,638	9,629,148
Reinsurance payable with corresponding receivable	-	(414,503)
	$ 6,128,638	$ 9,214,645

NOTE 5 - 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.

	2019	2018
Deferred – Federal	$ (45,305)	$ 114,074
Deferred – State	(30,685)	32,197
	(75,990)	146,271
Current – State	(29,035)	(2,415)
	$ (105,025)	$ 143,856

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Note 5 Taxes Cont...

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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.

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

	2019	2018
Unearned contributions	$ 128,759	$ 91,846
Unrealized losses	3,186	37,981
Loss reserve discount	21,113	67,138
Federal net operating loss	53,500	72,052
State net operating loss	18,928	45,181
Capital loss disallowed	8,225	5,894
Deferred income tax asset, net	$ 233,711	$ 320,092

As of December 31, 2019, AHRP has available federal and state net operating loss carryforwards of approximately $255,000 federal, $85,000 from California, and $523,000 from Oregon, respectively, which may provide future tax benefits. The carryforwards begin to expire in 2028.

NOTE 6 - 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 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 $471 and federal agency and corporate bonds totaling $2,910,006 at December 31, 2019 and money market mutual funds totaling $305,622 and federal agency and corporate bonds totaling $1,409,236 totaling $1,475,604 at December 31, 2018. AHRP is a grantor on the Regulation 114 Trust.

NOTE 7 - RETIREMENT PLANS

HARRP participates in a defined benefit retirement plan managed by the Washington Department of Retirement Services ("WA DRS") and a 457(b) deferred compensation retirement plan ("457(b) plan") managed by the WA DRS and administered by a third party administrator under contract with the WA DRS ("the Plans"). All regularly employed full-time employees are eligible to participate in the Plans and there are no service requirements. Part-time and temporary employees will be included in accordance with the terms and conditions of the Plans. 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 the mandatory employer portion to the defined benefit plan as set annually by the WA DRS. If the mandatory employer rate falls below 15%, HARRP will contribute the difference as a percentage of base salary to the 457(b) plan. If the mandatory employer portion for the defined benefit plan exceeds 15%, HARRP will not contribute to the 457(b) plan. Participants become fully vested after five years of service in the defined benefit plan. Participants are always 100% vested in the 457(b) plan. Employees make mandatory contributions to the defined benefit plan as required by the WA DRS, and

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may make optional contributions to the 457(b) plan. Total contributions by HARRP to the Plans totaled $129,237 in 2019, with contributions of $110,663 to the defined benefit plan and $18,574 to the 457(b) plan. Total contributions by HARRP to the Plans totaled $130,588 in 2018, with contributions of $110,101 to the defined benefit plan and $20,487 to the 457(b) plan.

NOTE 8 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement 68, Accounting and Financial Reporting for Pensions, for the year ended December 31, 2019:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ 324,986
Deferred outflows of resources	293,325
Deferred inflows of resources	194,934
Pension expense/expenditures	82,710

State Sponsored Pension Plans
Substantially all HARRP full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems ("DRS"), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report ("CAFR") that includes financial statements and required supplementary information for each plan. The DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov. Or, the DRS CAFR may be obtained by writing to:

Department of Retirement Systems Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation ("AFC") times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment ("COLA"), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions
The **PERS Plan 1** member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

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PERS Plan 1

Actual Contribution Rates	Employer	Employee
January – June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	-
Administrative fee	0.18%	-
Total	12.83%	6.00%
July – December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	-
Administrative fee	0.18%	-
Total	12.86%	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions
The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

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PERS Plan 2/3

Actual Contribution Rates	Employer	Employee
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	-
Administrative fee	0.18%	-
Employee PERS Plan 3	-	varies
Total	12.70%	7.38%

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HARRP's actual PERS plan contributions were $42,700 to PERS Plan 1 and $66,412 to PERS Plan 2/3 for the year ended December 31, 2019 and $44,805 to PERS Plan 1 and $65,296 to PERS Plan 2/3 for the year ended December 31, 2018.

Actuarial Assumptions
The total pension liability ("TPL") for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's ("OSA") 2007-2012 Experience Study and the 2017 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Actuarial results reflect the following changes in assumptions and methods since the last valuation.

- Updated valuation interest rate, general salary growth, and inflation assumptions to be consistent with the assumptions adopted by the Pension Funding Council.

- OSA updated modeling to reflect providing benefit payments to the date of initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated Cost-of-Living Adjustment (COLA) programming to reflect legislation signed during the 2018 Legislative Session (C151 L18). This law provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5 percent increase to their monthly retirement benefit, not to exceed a maximum of $62.50 per month.

Discount Rate
The discount rate used to measure the total pension liability for all DRS plans was 7.40%. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members.

Consistent with current law, the asset sufficiency test included an assumed 7.50% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.50%)

Consistent with the long-term expected rate of return, a 7.40% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS Plans 2 and 3, PSERS Plan 2, SERS Plans 2 and 3, and TRS Plans 2 and 3 employers, whose rates include a component for the PERS Plan 1 or TRS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40% was used to determine the total liability.

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Long-term Expected Rate of Return
The long-term expected rate of return on the DRS pension plan investments of 7.40% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class
Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.20% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

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

	1% Decrease 6.40%	Current Rate 7.40%	1% Increase 8.40%
PERS 1	$ 306,947	$ 245,103	$ 191,445
PERS 2/3	612,671	79,883	(357,305)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions
HARRP reported a total pension liability for its proportionate share of the net pension liabilities as of December 31, 2019 and 2018 as:

Plan	2019	2018
PERS 1	$ 245,103	$ 278,100
PERS 2/3	79,883	137,156

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At June 30, 2019, HARRP's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.00623%	0.00637%	0.00015%
PERS 2/3	0.00803%	0.00822%	0.00019%

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

The collective net pension liability was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the years ended December 31, 2019 and 2018, HARRP recognized pension expense as follows:

	2019	2018
PERS 1	$ 18,034	$ 8,471
PERS 2/3	64,676	43,461

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Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the HARRP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (16,375)
Contributions subsequent to the measurement date	19,289	-
Total	$ 19,289	$ (16,375)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 22,887	$ (17,174)
Net difference between projected and actual investment earnings on pension plan investments	-	(116,277)
Changes of assumptions	2,046	(33,516)
Changes in proportion and differences between contributions and proportionate share of contributions	217,008	(11,592)
Contributions subsequent to the measurement date	32,095	-
Total	$ 274,036	$ (178,559)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 22,887	$ (17,174)
Net difference between projected and actual investment earnings on pension plan investments	-	(132,652)
Changes of assumptions	2,046	(33,516)
Changes in proportion and differences between contributions and proportionate share of contributions	217,008	(11,592)
Contributions subsequent to the measurement date	51,384	-
Total	$ 293,325	$ (194,934)

At December 31, 2018, the HARRP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (11,052)
Contributions subsequent to the measurement date	22,297	-
Total	$ 22,297	$ (11,052)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,812	$ (24,014)
Net difference between projected and actual investment earnings on pension plan investments	-	(84,165)
Changes of assumptions	1,604	(39,034)
Changes in proportion and differences between contributions and proportionate share of contributions	260,779	(13,821)
Contributions subsequent to the measurement date	32,851	-
Total	$ 312,046	$ (161,034)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,812	$ (24,014)
Net difference between projected and actual investment earnings on pension plan investments	-	(95,217)
Changes of assumptions	1,604	(39,034)
Changes in proportion and differences between contributions and proportionate share of contributions	260,779	(13,821)
Contributions subsequent to the measurement date	55,148	-
Total	$ 334,343	$ (172,086)

Deferred outflows of resources related to pensions resulting from HARRP's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	PERS 1	PERS 2/3
2020	$ (3,615)	$ 12,197
2021	(8,563)	(11,818)
2022	(3,056)	21,393
2023	(1,141)	33,695
2024	-	6,841
Thereafter	-	1,074

NOTE 9 - SUBSEQUENT EVENTS

We have evaluated subsequent events through March 27, 2020, the date that these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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Reconciliation of Claims Liabilities by Type of Coverage (Unaudited)

The schedule below presents the changes in losses and loss adjustment expenses for 2019 and 2018 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	
	2019	2018	2019	2018	2019	2018	2019	2018
Losses and loss adjustment expense reserves, beginning of year	$ 6,650,798	$ 4,344,702	$ 2,453,855	$ 2,331,787	$ 109,992	$ 68,828	$ 9,214,645	$ 6,745,317
Incurred losses and loss adjustment expenses								
Provision for covered events of the current year	4,352,900	7,496,940	1,924,199	1,268,098	82,781	157,294	6,359,880	8,922,332
Increase (decrease) in provision for covered events of the prior year	16,124	(256,202)	(488,076)	384,979	110,938	41,869	(361,014)	170,646
Total incurred losses and loss adjustment expenses	4,369,024	7,240,738	1,436,123	1,653,077	193,719	199,163	5,998,866	9,092,978
Payments								
Losses and loss adjustment expenses attributable to covered events of the current year	2,118,697	2,099,150	276,768	38,057	60,745	101,130	2,456,210	2,238,337
Losses and loss adjustment expenses attributable to covered events of the prior years	5,423,549	2,835,492	1,087,839	1,492,952	117,275	56,869	6,628,663	4,385,313
Total payments	7,542,246	4,934,642	1,364,607	1,531,009	178,020	157,999	9,084,873	6,623,650
Losses and loss adjustment expense reserves, end of year	$ 3,477,576	$ 6,650,798	$ 2,525,371	$ 2,453,855	$ 125,691	$ 109,992	$ 6,128,638	$ 9,214,645

TEN YEAR LOSS DEVELOPMENT INFORMATION (Unaudited)

YEAR ENDED DECEMBER 31, 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total required contribution and investment revenue	$ 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	$ 12,876,995
Ceded	(496,774)	(1,358,325)	(1,853,409)	(2,183,899)	(2,163,149)	(2,020,868)	(2,150,085)	(2,117,250)	(2,149,530)	(2,462,005)
(1) Net earned required contribution and investment revenues	5,312,622	4,968,534	5,381,708	5,614,436	6,728,638	8,513,574	9,394,835	9,455,057	8,679,288	10,414,990
(2) Unallocated expenses	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	2,743,595
(3) Estimated incurred claims and expense, end of year	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	6,359,880
Ceded	-	-	-	(17,566)	-	-	-	-	-	-
Net incurred	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	6,359,880
(4) Paid (cumulative), end of year										
End of period	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	2,456,210
One year later	4,262,340	3,362,975	4,324,991	6,874,409	4,262,602	3,710,043	4,214,949	7,114,889	7,288,074	-
Two years later	4,336,216	4,549,837	5,222,568	7,077,792	4,773,135	3,831,664	4,558,733	8,086,266	-	-
Three years later	4,382,309	4,719,791	5,415,621	7,239,255	5,313,719	3,904,022	4,924,719	-	-	-
Four years later	4,560,581	4,791,404	551,531	7,392,651	5,438,366	4,148,449	-	-	-	-
Five years later	4,554,294	4,820,185	5,679,378	7,392,721	5,438,366	-	-	-	-	-
Six years later	4,554,294	4,902,599	5,679,378	7,392,721	-	-	-	-	-	-
Seven years later	4,554,294	4,902,384	5,679,158	-	-	-	-	-	-	-
Eight years later	4,554,294	4,902,069	-	-	-	-	-	-	-	-
Nine years later	4,554,294	-	-	-	-	-	-	-	-	-
(5) Reestimated ceded claims and expenses	-	-	-	17,566	-	-	-	-	-	-
(6) Reestimated incurred claims and expenses, end of year	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	6,359,880
End of period	4,499,341	4,151,858	5,468,660	7,327,249	5,046,706	4,288,752	4,827,010	8,794,661	8,674,428	-
One year later	4,455,472	4,733,470	5,684,561	7,351,649	5,219,916	4,053,164	5,006,482	8,539,238	-	-
Two years later	4,524,913	4,793,051	5,585,451	7,502,537	5,400,161	3,955,957	5,050,796	-	-	-
Three years later	4,599,277	4,893,930	5,686,001	7,395,966	5,438,366	4,166,929	-	-	-	-
Four years later	4,554,294	4,909,436	5,679,378	7,392,721	5,438,366	-	-	-	-	-
Five years later	4,554,294	4,902,599	5,679,378	7,392,721	-	-	-	-	-	-
Six years later	4,554,294	4,902,384	5,679,158	-	-	-	-	-	-	-
Seven years later	4,554,294	4,902,069	-	-	-	-	-	-	-	-
Eight years later	4,554,294	-	-	-	-	-	-	-	-	-
Nine years later	-	-	-	-	-	-	-	-	-	-
(7) Increase (decrease) in estimated incurred claims expense from end of policy year	$ 1,474,778	$ 1,321,478	$ 292,262	$ 33,457	$ 485,582	$ (292,857)	$ (73,004)	$ (242,548)	$ (247,904)	$ -

TEN YEAR LOSS DEVELOPMENT INFORMATION

YEAR ENDED DECEMBER 31, 2019 (Unaudited)

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 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.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERS 1 • As of June 30 • Last Three Fiscal Years

Year Ended June 30,	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.006374%	$ 245,103	$ 893,762	27.42%	67.12%
2018	0.006227%	278,100	827,501	33.61%	63.22%
2017	0.006548%	310,708	825,685	37.63%	61.24%

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERS 2/3 • As of June 30 • Last Three Fiscal Years

Year Ended June 30,	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.008224%	$ 79,883	$ 893,762	8.94%	97.77%
2018	0.008033%	137,156	827,501	16.57%	95.77%
2017	0.008422%	292,624	825,685	35.44%	90.97%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

PERS 1 • As of December 31 • Last Three Fiscal Years

Year Ended December 31,	Statutorily or Contractually Required Contributions	Contributions in Relation to the Statutorily or Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employer Payroll	Contributions as a Percentage of Covered Employee Payroll
2019	$ 42,700	$ (42,700)	$ -	$ 861,583	4.96%
2018	44,085	(44,085)	-	870,591	5.06%
2017	39,936	(39,936)	-	815,735	4.90%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

PERS 2/3 • As of December 31 • Last Three Fiscal Years

Year Ended December 31,	Statutorily or Contractually Required Contributions	Contributions in Relation to the Statutorily or Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employer Payroll	Contributions as a Percentage of Covered Employee Payroll
2019	$ 66,412	$ (66,412)	$ -	$ 861,583	7.71%
2018	$ 65,296	$ (65,296)	$ -	$ 870,591	7.50%
2017	$ 55,789	$ (55,789)	$ -	$ 815,735	6.84%

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION – PENSION

As of December 31 • Last Three Fiscal Years

Note 1 – Information Provided
HARRP became a member of PERS in July 2016; therefore, no data is available prior to this date.

Note 2 – Significant Factors
There were no changes of benefit terms, significant changes in the employees covered under the benefit terms, or in the use of different assumptions.

OTHER SUPPLEMENTARY INFORMATION

Pages 39-43

COMBINING STATEMENT OF NET POSITION

YEAR ENDED DECEMBER 31, 2019

ASSETS	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
CURRENT ASSETS							
Cash and cash equivalents	$ 3,301,270	$ 520,317	$ -	$ 3,821,587	$ 4,263,494	$ -	$ 8,085,081
Interest receivable	22,627	-	-	22,627	122,649	-	145,276
Investments	839,825	-	-	839,825	5,011,980	-	5,851,805
Restricted cash equivalents	-	-	-	-	471	-	471
Restricted investments	-	-	-	-	257,206	-	257,206
Accounts receivable, net	189,080	13,078	-	202,158	(40,299)	42,006	203,865
Prepaid expenses	631,303	3,599	-	634,902	40,185	-	675,087
Income tax receivable	34,313	-	-	34,313	-	-	34,313
Total current assets	5,018,418	536,994	-	5,555,412	9,655,686	42,006	15,253,104
DEFERRED INCOME TAX ASSET	233,711	-	-	233,711	-	-	233,711
NON-CURRENT INVESTMENTS	3,967,488	-	-	3,967,488	15,063,302	-	19,030,790
RESTRICTED INVESTMENTS	-	-	-	-	2,652,800	-	2,652,800
INVESTMENT IN SUBSIDIARY	22,000	-	(22,000)	-	5,000,000	(5,000,000)	-
CAPITAL ASSETS, net	-	-	-	-	1,372,011	-	1,372,011
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	293,325	-	293,325
	$ 9,241,617	$ 536,994	$ (22,000)	$ 9,756,611	$ 34,037,124	$ (4,957,994)	$ 38,835,741

COMBINING STATEMENT OF NET POSITION
YEAR ENDED DECEMBER 31, 2019

	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
LIABILITIES AND NET POSITION							
CURRENT LIABILITIES							
Accounts payable and accrued expenses	$ 164	$ 100,006	$ -	$ 100,170	$ 173,476	$ 42,006	$ 315,652
Unearned contributions	3,370,130	-	-	3,370,130	3,990,200	-	7,360,330
Income tax payable	501	800	-	1,301	-	-	1,301
Current portion of losses and loss adjustment expense reserves	1,640,000	-	-	1,640,000	2,580,000	-	4,220,000
Total current liabilities	5,010,795	100,806	-	5,111,601	6,743,676	42,006	11,897,283
NET PENSION LIABILITY	-	-	-	-	324,986	-	324,986
NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES	756,748	-	-	756,748	1,151,890	-	1,908,638
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	194,934	-	194,934
Total liabilities	5,767,543	100,806	-	5,868,349	8,415,486	42,006	14,325,841
NET POSITION							
Net investment in capital assets	-	-	-	-	1,372,011	-	1,372,011
Unrestricted	3,474,074	436,188	(22,000)	3,888,262	24,249,627	(5,000,000)	23,137,889
Total net position	3,474,074	436,188	(22,000)	3,888,262	25,621,638	(5,000,000)	24,509,900
Total liabilities and net position	$ 9,241,617	$ 536,994	$ (22,000)	$ 9,756,611	$ 34,037,124	$ (4,957,994)	$ 38,835,741

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019

	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	$ 4,915,422	$ -	$ -	$ 4,915,422	$ 6,978,530	$ -	$ 11,893,952
Commissions	-	204,022	-	204,022	-	-	204,022
Other income	-	-	-	-	500,964	(473,764)	27,200
Total operating revenues	4,915,422	204,022	-	5,119,444	7,479,494	(473,764)	12,125,174
OPERATING EXPENSES							
Changes in losses and loss adjustment expenses incurred	2,862,559	-	-	2,862,559	3,136,307	-	5,998,866
Excess insurance expense	1,671,825	-	-	1,671,825	883,180	-	2,555,005
Professional fees	30,634	1,971	-	32,605	186,426	-	219,031
Salaries and benefits	-	-	-	-	1,099,604	-	1,099,604
General and administrative expense	453,703	102,605	-	556,308	422,744	(473,764)	505,288
Depreciation expense	-	-	-	-	44,372	-	44,372
Total operating expenses	5,018,721	104,576	-	5,123,297	5,772,633	(473,764)	10,422,166
OPERATING INCOME (LOSS)	(103,299)	99,446	-	(3,853)	1,706,861	-	1,703,008
NON-OPERATING INCOME							
Investment income	251,655	-	-	251,655	731,388	-	983,043
INCREASE IN NET POSITION BEFORE INCOME TAX EXPENSE	148,356	99,446	-	247,802	2,438,249	-	2,686,051
INCOME TAX EXPENSE	(103,374)	(1,651)	-	(105,025)	-	-	(105,025)
INCREASE IN NET POSITION	44,982	97,795	-	142,777	2,438,249	-	2,581,026
NET POSITION, beginning of year	3,429,092	338,393	(22,000)	3,745,485	23,183,389	(5,000,000)	21,928,874
NET POSITION, end of year	$ 3,474,074	$ 436,188	$ (22,000)	$ 3,888,262	$ 25,621,638	$ (5,000,000)	$ 24,509,900

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors
Housing Authorities Risk Retention Pool and its blended component units

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Housing Authorities Risk Retention Pool and its blended component units (the "Pool") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated March 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pool's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pool's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Moss Adams LLP

Portland, Oregon
March 27, 2020

HOUSING AUTHORITIES

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