Office of the Washington State Auditor
Pat McCarthy

October 26, 2023

Board of Directors
Housing Authorities Risk Retention Pool
Vancouver, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the Housing Authorities Risk Retention Pool for the fiscal year ended December 31, 2022. The Group contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

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

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

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Report of Independent Auditors
and Financial Statements with
Supplementary Information

Housing Authorities Risk Retention Pool

December 31, 2022 and 2021

Table of Contents

MOSSADAMS

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Housing Authorities Risk Retention Pool and its blended component units as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further descried in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, 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 (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statement of net position and combining statement of revenues, expenses, and changes in net position (collectively, the supplementary information) are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2023 on our consideration of Housing Authorities Risk Retention Pool and its blended component units' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Housing Authorities Risk Retention Pool and its blended component units' 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 Housing Authorities Risk Retention Pool and its blended component units' internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
March 23, 2023

Management’s Discussion and Analysis

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, 2022. This discussion and analysis includes HARRP as well as HARRP's blended component unit, 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 – 2022 finished as an almost breakeven year in terms of claims and contributions collected for HARRP. Claims once again exceeded expectations in AHRP. As such, HARRP and its blended component unit had a net decrease of $908,953 in 2022 compared to increase of $1,034,808 booked in 2021. The claim expense for AHRP was greater than anticipated, leaving AHRP with a net decrease of $1,040,682 compared to a net increase of $133,601 in 2021. AHRP's gain for 2021 and it's loss for 2022 were diminished slightly by the increase in the net position of AHRP's subsidiary, ORWACA. ORWACA performed well again in 2022 due to the increased sales of builders' risk policies for new development and rehabilitation projects. HARRP saw a net decrease of $856 compared to a net increase of $618,445 in 2021.

AHRP and ORWACA posted an aggregate net decrease of $908,097 in 2022 compared to an increase of $416,363 in 2021.

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 blended component unit, 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 two licensed insurance agents, ORWACA specializes in acquiring specialty coverage.

Financial statement overview – HARRP and its blended component units 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 blended component units 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 present information on the pool's assets and deferred outflows of resources and liabilities and deferred inflows of resources, and net position. Increase or decrease in the net position 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 2021 to year-end 2022. All revenues and expenses are reported on an accrual basis.

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

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

Analysis of the Statements of Net Position

	2022	2021	2020
ASSETS			
Current and other assets	$ 46,445,577	$ 43,658,539	$ 38,762,669
Capital assets	1,233,844	1,467,694	1,510,585
Deferred outflows of resources	366,945	206,931	256,595
Total assets and deferred outflows of resources	48,046,366	45,333,164	40,529,849
LIABILITIES			
Current liabilities	20,695,468	16,407,064	13,042,766
Noncurrent liabilities	2,528,588	2,716,647	2,999,596
Deferred inflows of resources	320,896	799,086	111,928
Total liabilities and deferred inflows of resources	23,544,952	19,922,797	16,154,290
NET POSITION			
Net investment in capital assets	1,233,844	1,467,694	1,510,585
Unrestricted	23,267,570	23,942,673	22,864,974
Total net position	$ 24,501,414	$ 25,410,367	$ 24,375,559

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

Assets and Deferred Outflows of Resources – Total assets and deferred outflows of resources increased by $2,713,302 in 2022 from the previous year. This followed an increase in assets and deferred outflows of resources of $4,803,315 in 2021.

At December 31, 2022, HARRP and its blended component unit, AHRP, invested approximately $22,885,121 and $6,298,815, respectively, in certificates of deposit, corporate bonds, 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.

Capital Assets – At December 31, 2022, HARRP had $1,233,844 in net investment in capital assets, net of accumulated depreciation.

Liabilities and Deferred Inflows of Resources – On December 31, 2022 and 2021, total liabilities and deferred inflows of resources increased $3,622,155 and increased $3,768,507 respectively, over the previous period. HARRP and its blended component units' 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.

Analysis of the Statements of Revenues, Expenses, and Changes in Net Position

	2022	2021	2020
REVENUES			
Member contributions	$ 23,766,465	$ 16,749,709	$ 13,965,881
Investment income (loss)	(349,053)	(154,934)	869,130
Other income	266,279	404,003	287,700
Total revenues	23,683,691	16,998,778	15,122,711
EXPENSES			
Claims expense	11,487,052	5,594,149	9,988,219
Administration/other expense	13,034,201	10,369,821	5,268,833
Total expenses	24,521,253	15,963,970	15,257,052
OTHER INCOME (EXPENSES)			
Loss on sale	(71,391)	-	-
CHANGE IN NET POSITION	(908,953)	1,034,808	(134,341)
Net position, beginning	25,410,367	24,375,559	24,509,900
Net position, ending	$ 24,501,414	$ 25,410,367	$ 24,375,559

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

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 in 2022 due to changes in exposure units covered. 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.

Expenses – HARRP and AHRP administration costs are comprised of administration and claim handling costs. In 2022, HARRP's and its blended component unit's administration and claim expenses increased by $8,557,283, compared to an increase of $706,918 in 2021. This is due primarily to the increased number of losses, additional costs of adjusting those claims, rising reinsurance rates and administrative expenses increasing due to succession strategies.

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 35 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 harden, which means the capacity in the insurance markets is decreasing. Insurance companies typically increase rates when capacity is low.

In 2011, HARRP obtained board and member approval to launch AHRP. The growth of AHRP has been steady through its 11 year history.

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, 4660 NE 77th Avenue, Suite 310, Vancouver, WA 98662.

Financial Statements

Housing Authorities Risk Retention Pool
Statements of Net Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 16,321,853	$ 17,238,636
Interest receivable	200,454	99,614
Investments	9,343,672	6,271,921
Restricted investments	1,345,073	-
Restricted cash equivalents	-	3,214,233
Accounts receivable	280,223	84,133
Prepaid expenses	99,202	189,449
Total current assets	27,590,477	27,097,986
NET PENSION ASSET	126,198	683,238
DEFERRED INCOME TAX ASSET	233,711	233,711
NON-CURRENT INVESTMENTS	15,194,385	14,199,235
NON-CURRENT RESTRICTED INVESTMENTS	3,300,806	1,444,369
CAPITAL ASSETS, net	1,233,844	1,467,694
DEFERRED OUTFLOWS OF RESOURCES	366,945	206,931
Total assets and deferred outflows of resources	$ 48,046,366	$ 45,333,164

See accompanying notes.

Housing Authorities Risk Retention Pool
Statements of Net Position
December 31, 2022 and 2021

	2022	2021
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,185,943	$ 505,706
Unearned contributions	11,317,593	9,358,509
Income tax payable	1,500	1,800
Current portion of losses and loss adjustment expense reserves	8,190,432	6,541,049
Total current liabilities	20,695,468	16,407,064
NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES	2,528,588	2,716,647
DEFERRED INFLOWS OF RESOURCES	320,896	799,086
Total liabilities and deferred inflows of resources	23,544,952	19,922,797
NET POSITION		
Net investment in capital assets	1,233,844	1,467,694
Unrestricted	23,267,570	23,942,673
Total net position	24,501,414	25,410,367
Total liabilities, deferred inflows of resources and net position	$ 48,046,366	$ 45,333,164

See accompanying notes.

Housing Authorities Risk Retention Pool
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Contributions earned	$ 23,766,465	$ 16,749,709
Commissions	266,279	404,003
Total operating revenues	24,032,744	17,153,712
OPERATING EXPENSES		
Change in losses and loss adjustment expenses incurred	11,487,052	5,594,149
Excess and reinsurance expense	10,848,543	8,506,608
Professional fees	221,124	231,846
Salaries and benefits	1,404,552	1,037,253
General and administrative expense	438,967	503,691
Depreciation expense	49,013	42,891
Total operating expenses	24,449,251	15,916,438
OPERATING INCOME (LOSS)	(416,507)	1,237,274
NON-OPERATING INCOME (LOSS)		
Loss on Disposal	(71,391)	-
Investment loss	(349,053)	(154,934)
INCREASE (DECREASE) IN NET POSITION BEFORE INCOME TAX EXPENSE	(836,951)	1,082,340
INCOME TAX EXPENSE	(72,002)	(47,532)
INCREASE (DECREASE) IN NET POSITION	(908,953)	1,034,808
NET POSITION, beginning of year	25,410,367	24,375,559
NET POSITION, end of year	$ 24,501,414	$ 25,410,367

See accompanying notes.

Housing Authorities Risk Retention Pool
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	$ 25,529,459	$ 19,293,805
Commissions received	266,279	404,003
Interest received	362,844	578,843
Taxes paid	(72,302)	(47,532)
Losses and loss adjustment expenses paid	(10,025,728)	(4,738,803)
Salaries and benefits paid	(1,485,716)	(1,274,621)
Other amounts received	228,071	752,858
Professional fees paid	(221,124)	(231,846)
Excess insurance expenses paid	(10,848,543)	(8,506,608)
Net cash provided by operating activities	3,733,240	6,230,099
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(36,858,532)	(5,721,515)
Proceeds from sales and maturities of investments	28,777,384	8,925,179
Proceeds from sales of fixed assets	216,892	-
Net cash used by investing activities	(7,864,256)	3,203,664
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS	(4,131,016)	9,433,763
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS, beginning of year	20,452,869	11,019,106
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS, end of year	$ 16,321,853	$ 20,452,869

See accompanying notes.

Housing Authorities Risk Retention Pool
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
RECONCILIATION OF INCREASE (DECREASE) IN NET POSITION TO CASH PROVIDED BY OPERATING ACTIVITIES		
Increase (decrease) in net position	$ (908,953)	$ 1,034,808
Adjustments to reconcile increase (decrease) in net position to net cash provided by operating activities		
Depreciation expense	49,013	42,891
Pension liability	-	(974,190)
Deferred inflows	(478,190)	687,158
Deferred outflows	(160,014)	49,664
Pension asset	557,040	-
Loss on disposal of assets	71,391	-
(Gain) Loss on sale of investments	7,313	(3,790)
Change in fair value of investments	805,424	701,220
Changes in assets and liabilities		
Interest receivable	(100,840)	36,347
Accounts receivable, net	(196,090)	189,111
Prepaid expenses	(13,199)	1,094,579
Accounts payable and accrued expenses	680,237	161,970
Unearned contributions	1,959,084	2,354,985
Income tax payable	(300)	-
Losses and loss adjustment expense reserves	1,461,324	855,346
Net cash provided by operating activities	$ 3,733,240	$ 6,230,099

See accompanying notes.

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, 2210 W. Main Street, Suite 107-187, Battleground, WA 98604.

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 81-member public housing authorities at December 31, 2022. HARRP has 81 members who participate in Crime, 81 members who participate in General Liability, 15 members who participate in Excess Liability, 80 members who participate in Errors & Omissions, 1 member who participates in Stand Alone Employment Practices Liability, and 79 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 416 member policies issued and outstanding at December 31, 2022.

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

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

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

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

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

Auto Liability	
Member Deductible	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	10% co-share of claim per occurrence
SIR	$2,000,000 per occurrence

Property	
Member Deductible	$0 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	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
Reinsurance	$1,000,000 per occurrence

Property	
Deductible	$0 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 $60,442 and $47,668 for the years ended December 31, 2022 and 2021, 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, 2022 or 2021.

Restricted cash equivalents are designated for the benefit of The Princeton Excess and Surplus Lines Insurance Company ("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. Receivable balances delinquent more than 90 days were $220,037 and $0 as of December 31, 2022 and 2021, respectively. 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 or loss in the statements of revenues, expenses 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 2022 totaled $7,313. Realized gain on investments sold in 2021 totaled $2,366.

Restricted cash equivalents and restricted investments – The Pool has money market mutual funds totaling $0 and $3,214,233 and certificates of deposit and federal agency and corporate bonds totaling $4,645,879 and $1,444,369 at December 31, 2022 and 2021, respectively, as designated for the benefit of PESLIC in accordance with a Regulation 114 Trust (see Note 6).

Capital assets and depreciation – Capital assets are carried at cost. Capital purchases exceeding $10,000 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	39 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, 2022 and 2021, the Pool did not have any outstanding capital-related 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, 2022 and 2021, 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.

Recently adopted standards
GASB Statement No. 87 – In June 2017, the GASB issued statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement is effective for the Pool in the year ending December 31, 2022 and had no effect on the financial statements for the year ended December 31, 2022.

GASB Statement No. 96 – In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement is effective for the Pool in the year ending December 31, 2023. Management is currently evaluating the impact of the standard on the financial statements but does not expect it to be material.

Note 2 – Investments and Restricted Investments

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

	2022	2021
Investment type		
Federal agencies	$ 11,259,887	$ 18,017,102
Certificates of deposit	1,934,486	2,533,332
Corporate bonds	15,989,563	1,365,091
Total	$ 29,183,936	$ 21,915,525

Interest rate risk – As a means of limiting its exposure to fair value losses arising from changes in interest rates, the Pool's investment policy limits the investment portfolio to maturities of not more than five years from the date of investment.

		Investment Maturities as of December 31, 2022		
Investment Type	Fair Value	<1 year	1–3 years	>3 years
Federal agencies	$ 11,259,887	$ 5,061,611	$ 5,919,051	$ 279,225
Certificates of deposit	1,934,486	767,683	1,166,803	-
Corporate bonds	15,989,563	4,859,451	8,476,221	2,653,891
Total investments at fair value	$ 29,183,936	$ 10,688,745	$ 15,562,075	$ 2,933,116

		Investment Maturities as of December 31, 2021		
Investment Type	Fair Value	<1 year	1–3 years	>3 years
Federal agencies	$ 18,017,102	$ 5,351,962	$ 10,409,348	$ 2,255,792
Certificates of deposit	2,533,332	372,834	1,707,305	453,193
Corporate bonds	1,365,091	547,111	604,001	213,979
Total investments at fair value	$ 21,915,525	$ 6,271,907	$ 12,720,654	$ 2,922,964

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, Corporate Bonds 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, certificates of deposit or corporate bonds. At December 31, no individual investment is above 5% as a percentage of the total, but investments grouped in categories that are 5% or more as a percentage of the total investment portfolio were as follows:

	% of Portfolio 2022	% of Portfolio 2021
US Treasury	43.97%	0.00%
Federal Home Loan Banks	22.30%	36.10%
Corporate bonds	10.82%	6.66%
Federal National Mortgage Association	9.25%	30.40%
Certificates of deposit	6.63%	12.36%
Federal Farm Credit Banks	5.71%	14.48%

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, 2022, are as follows:

	Level 1	Level 2	Level 3	Total
Federal agencies	$ -	$ 11,259,887	$ -	$ 11,259,887
Certificates of deposit	-	1,934,486	-	1,934,486
Corporate bonds	-	15,989,563	-	15,989,563
	$ -	$ 29,183,936	$ -	$ 29,183,936

Fair values of assets measured on a recurring basis at December 31, 2021, are as follows:

	Level 1	Level 2	Level 3	Total
Federal agencies	$ -	$ 18,017,102	$ -	$ 18,017,102
Certificates of deposit	-	2,533,332	-	2,533,332
Corporate bonds	-	1,365,091	-	1,365,091
	$ -	$ 21,915,525	$ -	$ 21,915,525

Note 3 – Capital Assets

Capital assets are as follows for 2021 and 2022:

	Balance at December 31, 2021	Additions	Retirements	Balance at December 31, 2022
Land	$ 285,900	$ -	$ -	$ 285,900
Building and improvements	1,483,738	-	-	1,483,738
Furniture and equipment	218,572	-	(207,531)	11,041
Less depreciation	(520,516)	(49,013)	22,694	(546,835)
Net capital assets	$ 1,467,694	$ (49,013)	$ (184,837)	$ 1,233,844

	Balance at December 31, 2020	Additions	Retirements	Balance at December 31, 2021
Land	$ 285,900	$ -	$ -	$ 285,900
Building and improvements	1,483,738	-	-	1,483,738
Furniture and equipment	218,572	-	-	218,572
Less depreciation	(477,625)	(42,891)	-	(520,516)
Net capital assets	$ 1,510,585	$ (42,891)	$ -	$ 1,467,694

Depreciation expense was $49,013 and $42,891 for the years ended December 31, 2022 and 2021, 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:

	2022	2021
Losses and loss adjustment expense reserves, beginning of year	$ 9,257,696	$ 8,402,350
Incurred losses and loss adjustment expenses		
Provision for covered events of the current year	10,906,834	8,898,791
Increase (decrease) in provision for covered events of the prior years *	580,218	(558,343)
Total incurred losses and loss adjustment expenses	11,487,052	8,340,448
Payments		
Losses and loss adjustment expenses attributable to covered events of the current year	4,328,728	3,776,575
Losses and loss adjustment expenses attributable to covered events of the prior years *	5,697,000	3,708,527
Total payments	10,025,728	7,485,102
Loss and loss adjustment expense reserves, end of year	$ 10,719,020	$ 9,257,696
Detail of losses and loss adjustment expense reserves		
Current portion	$ 8,190,432	$ 6,541,049
Long-term portion	2,528,588	2,716,647
	$ 10,719,020	$ 9,257,696

* Claim payments include $766,056 of state subrogation payments received during the year ended December 31, 2022 for 2018 claims.

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. Tax expense consists of the following for the years ended December 31:

	2022	2021
Deferred – Federal	$ -	$ -
Deferred – State	-	-
	-	-
Current – State	(72,002)	(47,532)
	$ (72,002)	$ (47,532)

The effective tax rate differs from the rate applied to the Pool’s increase in net position 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:

	2022	2021
Unearned contributions	$ 203,842	$ 159,639
Unrealized gains and losses	29,470	3,649
Loss reserve discount	43,926	35,008
Federal net operating loss	220,331	96,203
State net operating loss	18,928	18,928
Capital loss disallowed	6,987	7,713
TCJA - loss reserve discounting	(3,668)	-
Deferred income tax asset, net	519,816	321,140
Less: valuation allowance	(286,105)	(87,429)
Net deferred tax asset	$ 233,711	$ 233,711

As of December 31, 2022, AHRP has available federal and state net operating loss carryforwards of approximately $1,049,000 federal, $429,000 from California, and $727,000 from Oregon, respectively, which may provide future tax benefits. The carryforwards begin to expire in 2040.

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 $0 and $3,214,233 and certificates of deposit, federal agency and corporate bonds totaling $4,645,879 and $1,444,369 at December 31, 2022 and 2021. 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 may make optional contributions to the 457(b) plan. Total contributions by HARRP to the Plans totaled $165,619 in 2022, with contributions of $30,545 to the defined benefit plan and $135,074 to the 457(b) plan. Total contributions by HARRP to the Plans totaled $143,064 in 2021, with contributions of $128,352 to the defined benefit plan and $14,712 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, 2022:

Pension liabilities	$ (170,097)
Pension assets	296,295
Deferred outflows of resources	366,945
Deferred inflows of resources	(320,896)
Pension expense/expenditures	(30,545)

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 annual comprehensive financial report ("ACFR") that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov. Or the DRS ACFR 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 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee
January – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	-
Administrative fee	0.18%	-
Total	10.25%	6.00%
September – December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	-
Administrative fee	0.18%	-
Total	10.39%	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 2022 were as follows:

PERS Plan 2/3

Actual Contribution Rates	Employer	Employee
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	-
Administrative fee	0.18%	-
Employee PERS Plan 3	-	Varies
Total	10.25%	6.36%
September – December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	-
Administrative fee	0.18%	-
Employee PERS Plan 3	-	Varies
Total	10.39%	6.36%

HARRP's actual PERS plan contributions were $41,485 to PERS Plan 1 and $70,223 to PERS Plan 2/3 for the year ended December 31, 2022 and $40,916 to PERS Plan 1 and $68,099 to PERS Plan 2/3 for the year ended December 31, 2021.

Actuarial assumptions – The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study and the 2021 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were based on the Pub.H-2010 tables, 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 the MP-2017 improvement scale. 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.

There were changes in methods and assumptions since the last valuation:

- The Joint-and-Survivor Factors and Early Retirement Factors were updated in the model. These factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors recently provided to DRS for future implementation that reflect current demographic and economic assumptions.
- Economic assumptions were updated based on the 2021 action of the PFC. The investment return assumption was reduced from 7.50 to 7.00 percent, and the salary growth assumption was lowered from 3.50 to 3.25 percent. This action is a result of recommendations from the biennial economic experience study.

Discount rate – The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent.

To determine that rate, an asset sufficiency test included an assumed 7.0 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.0 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0 percent was used to determine the total liability.

Long-term expected rate of return – The long-term expected rate of return on the DRS pension plan investments of 7.0 percent 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 over various time horizons.

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, 2022, 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%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	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 7.00%, 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 (6.00%) or 1-percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
PERS 1	$ 227,247	$ (170,097)	$ (120,218)
PERS 2/3	348,926	296,295	826,384

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

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) and assets as of December 31, 2022 and 2021 as:

Plan	2022	2021
PERS 1	$ (170,097)	$ (72,151)
PERS 2/3	296,295	755,389

At June 30, 2022, HARRP's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.00591%	0.00611%	0.00020%
PERS 2/3	0.00758%	0.00799%	0.00041%

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, 2022, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2021, with update procedures used to roll forward the total pension liability to the measurement date.

Pension expense – For the years ended December 31, 2022 and 2021, HARRP recognized pension income (expense) as follows:

	2022	2021
PERS 1	$ (83,514)	$ 2,238
PERS 2/3	52,969	126,114

Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2022, 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	$ -	$ (28,190)
Contributions subsequent to the measurement date	21,737	-
Total	$ 21,737	$ (28,190)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 73,415	$ (6,707)
Net difference between projected and actual investment earnings on pension plan investments	-	(219,053)
Changes of assumptions	165,143	(43,240)
Changes in proportion and differences between contributions and proportionate share of contributions	70,281	(23,706)
Contributions subsequent to the measurement date	36,369	-
Total	$ 345,208	$ (292,706)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 73,415	$ (6,707)
Net difference between projected and actual investment earnings on pension plan investments	-	(247,243)
Changes of assumptions	165,143	(43,240)
Changes in proportion and differences between contributions and proportionate share of contributions	70,281	(23,706)
Contributions subsequent to the measurement date	58,106	-
Total	$ 366,945	$ (320,896)

At December 31, 2021, 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	$ -	$ (80,063)
Contributions subsequent to the measurement date	17,692	-
Total	$ 17,692	$ (80,063)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 36,688	$ (9,260)
Net difference between projected and actual investment earnings on pension plan investments	-	(631,328)
Changes of assumptions	1,104	(53,645)
Changes in proportion and differences between contributions and proportionate share of contributions	121,117	(24,790)
Contributions subsequent to the measurement date	30,330	-
Total	$ 189,239	$ (719,023)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 36,688	$ (9,260)
Net difference between projected and actual investment earnings on pension plan investments	-	(711,391)
Changes of assumptions	1,104	(53,645)
Changes in proportion and differences between contributions and proportionate share of contributions	121,117	(24,790)
Contributions subsequent to the measurement date	48,022	-
Total	$ 206,931	$ (799,086)

Deferred outflows of resources related to pensions resulting from HARRP's contributions subsequent to the measurement date will be recognized as an increase to the net pension asset/decrease in net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension income (expense) as follows:

Year Ended December 31:	PERS 1	PERS 2/3
2023	$ (11,929)	$ (23,041)
2024	(10,835)	(50,112)
2025	(13,592)	(75,977)
2026	8,166	97,000
2027	-	34,342
Thereafter		33,921

Note 9 – Subsequent Events

We have evaluated subsequent events through March 23, 2023, the date that these financial statements were available to be issued.

Required Supplementary Information

Housing Authorities Risk Retention Pool
Reconciliation of Claims Liabilities by Type of Coverage (Unaudited)
Years Ended December 31, 2022 and 2021

The schedule below presents the changes in losses and loss adjustment expenses for 2022 and 2021 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	
	2022	2021	2022	2021	2022	2021	2022	2021
Losses and loss adjustment expense reserves, beginning of year	$ 5,783,890	$ 5,023,715	$ 3,282,653	$ 3,227,998	$ 191,153	$ 150,637	$ 9,257,696	$ 8,402,350
Incurred losses and loss adjustment expenses								
Provision for covered events of the current year	8,928,442	6,872,459	1,701,359	1,881,230	277,033	145,102	10,906,834	8,898,791
Increase (decrease) in provision for covered events of the prior years	873,986	249,008	(313,000)	(836,941)	19,232	29,590	580,218	(558,343)
Total incurred losses and loss adjustment expenses	9,802,428	7,121,467	1,388,359	1,044,289	296,265	174,692	11,487,052	8,340,448
Payments								
Losses and loss adjustment expenses attributable to covered events of the current year	4,110,017	3,500,985	44,837	172,578	173,874	103,012	4,328,728	3,776,575
Losses and loss adjustment expenses attributable to covered events of the prior years	4,952,112	2,860,307	713,061	817,056	31,827	31,164	5,697,000	3,708,527
Total payments	9,062,129	6,361,292	757,898	989,634	205,701	134,176	10,025,728	7,485,102
Losses and loss adjustment expense reserves, end of year	$ 6,524,189	$ 5,783,890	$ 3,913,114	$ 3,282,653	$ 281,717	$ 191,153	$ 10,719,020	$ 9,257,696

Housing Authorities Risk Retention Pool
Ten-Year Loss Development Information (Unaudited)
December 31, 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total required contribution and investment revenue	$ 7,798,335	$ 8,891,787	$ 10,534,442	$ 11,544,920	$ 11,572,307	$ 10,828,818	$ 12,876,995	$ 14,835,011	$ 16,594,775	$ 23,417,412
Ceded	(2,183,899)	(2,163,149)	(2,020,868)	(2,150,085)	(2,117,250)	(2,149,530)	(2,462,005)	(3,313,030)	(8,405,108)	(10,736,043)
(1) Net earned required contribution and investment revenues	5,614,436	6,728,638	8,513,574	9,394,835	9,455,057	8,679,288	10,414,990	11,521,981	8,189,667	12,681,369
(2) Unallocated expenses	3,151,736	2,858,580	3,174,990	3,289,255	3,645,850	3,533,058	2,473,595	2,627,791	3,157,008	5,393,280
(3) Estimated incurred claims and expense, end of year	7,376,830	4,952,784	4,459,786	5,123,800	8,781,786	8,922,332	6,359,880	9,928,120	8,898,791	10,906,834
Ceded	(17,566)	-	-	-	-	-	-	-	-	-
Net incurred	7,359,264	4,952,784	4,459,786	5,123,800	8,781,786	8,922,332	6,359,880	9,928,120	8,898,791	10,906,834
(4) Paid (cumulative), end of year *										
End of period	3,759,633	2,412,627	2,274,907	2,138,464	3,267,898	2,238,337	2,456,210	3,768,617	3,776,574	4,328,728
One year later	6,874,409	4,262,602	3,710,043	4,214,949	7,114,889	7,288,074	4,867,368	6,513,904	7,062,371	-
Two years later	7,077,792	4,773,135	3,831,664	4,558,733	8,086,266	8,590,297	5,322,471	8,433,835	-	-
Three years later	7,239,255	5,313,719	3,904,022	4,924,719	8,254,797	6,105,499	5,670,809	-	-	-
Four years later	7,392,651	5,438,366	4,148,449	4,965,685	8,503,749	6,217,620	-	-	-	-
Five years later	7,392,721	5,438,366	4,173,925	4,965,685	8,537,467	-	-	-	-	-
Six years later	7,392,721	5,438,366	4,173,925	4,965,685	-	-	-	-	-	-
Seven years later	7,392,721	5,438,366	4,173,925	-	-	-	-	-	-	-
Eight years later	7,392,721	5,438,366	-	-	-	-	-	-	-	-
Nine years later	7,392,379	-	-	-	-	-	-	-	-	-
										-
(5) Reestimated ceded claims and expenses	-	17,566	-	-	-	-	-	-	-	-
(6) Reestimated incurred claims and expenses, end of year *										
End of period	7,359,264	4,952,784	4,459,786	5,123,800	8,781,786	8,922,332	6,359,880	9,928,122	8,898,791	10,906,834
One year later	7,327,249	5,046,706	4,288,752	4,827,010	8,794,661	8,674,428	6,152,880	9,209,438	9,775,788	-
Two years later	7,351,647	5,219,916	4,053,164	5,006,482	8,539,238	8,725,162	6,071,518	8,871,807	-	-
Three years later	7,502,537	5,400,161	3,955,957	5,050,796	8,726,160	6,216,713	6,061,705	-	-	-
Four years later	7,395,966	5,438,366	4,166,929	5,031,656	8,782,102	6,255,434	-	-	-	-
Five years later	7,392,721	5,438,366	4,175,472	4,965,685	8,688,670	-	-	-	-	-
Six years later	7,392,721	5,438,366	4,173,925	4,965,685	-	-	-	-	-	-
Seven years later	7,392,721	5,438,366	4,173,925	-	-	-	-	-	-	-
Eight years later	7,392,721	5,438,366	-	-	-	-	-	-	-	-
Nine years later	7,392,379	-	-	-	-	-	-	-	-	-
(7) Increase (decrease) in estimated incurred claims expense from end of policy year	$ 33,115	$ 485,582	$ (285,861)	$ (158,115)	$ (93,116)	$ (2,666,898)	$ (298,175)	$ (1,056,313)	$ 876,997	$ -

* 2018 claim payments include $766,056 of state subrogation payments received during the year ended December 31, 2022.

CLAIMS DEVELOPMENT INFORMATION

The schedule illustrates the Pool's earned revenues (net of reinsurance) and investment income (loss) 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.

Housing Authorities Risk Retention Pool
Pension Plan Information
Schedule of Proportionate Share of the Net Pension (Asset) Liability
PERS 1
As of June 30

Year Ended June 30,	Employer's Proportion of the Net Pension Liability	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
2022	0.006109%	$ 170,097	$ 1,009,179	16.85%	76.56%
2021	0.005908%	72,151	906,962	7.96%	88.74%
2020	0.005590%	197,357	851,170	23.19%	68.64%
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%

Housing Authorities Risk Retention Pool
Pension Plan Information
Schedule of Proportionate Share of the Net Pension (Asset) Liability
PERS 2/3
As of June 30

Year Ended June 30,	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability (Asset)	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
2022	0.007989%	$ (296,295)	$ 1,009,179	-29.36%	106.73%
2021	0.007583%	(755,389)	906,962	-83.29%	120.29%
2020	0.007318%	93,595	851,170	11.00%	97.22%
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%

Housing Authorities Risk Retention Pool
Pension Plan Information
Schedule of Employer Contributions
PERS 1
As of December 31

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
2022	$ 41,485	$ (41,485)	$ -	$ 1,104,130	3.76%
2021	40,916	(40,916)	-	953,758	4.29%
2020	42,008	(42,008)	-	876,018	4.80%
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%

Housing Authorities Risk Retention Pool
Pension Plan Information
Schedule of Employer Contributions
PERS 2/3
As of December 31

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
2022	$ 70,223	$ (70,223)	$ -	$ 1,104,130	6.36%
2021	68,099	(68,099)	-	953,758	7.14%
2020	69,381	(69,381)	-	876,018	7.92%
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%

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

Housing Authorities Risk Retention Pool
Combining Statement of Net Position
December 31, 2022

	Affordable Housing Risk Pool	ORWACA Agency	Combining Eliminating Entries	Affordable Housing Risk Pool and ORWACA Combined	Housing Authorities Risk Retention Pool	Combining Eliminating Entries	Combined
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
CURRENT ASSETS							
Cash and cash equivalents	$ 6,289,867	$ 994,345	$ -	$ 7,284,212	$ 9,037,641	$ -	$ 16,321,853
Interest receivable	44,204	-	-	44,204	156,250	-	200,454
Investments	2,293,720	-	-	2,293,720	7,049,952	-	9,343,672
Restricted investments	-	-	-	-	1,345,073	-	1,345,073
Accounts receivable	141,591	77,014	-	218,605	220,038	(158,420)	280,223
Prepaid expenses	46,000	2,987	-	48,987	50,215	-	99,202
Total current assets	8,815,382	1,074,346	-	9,889,728	17,859,169	(158,420)	27,590,477
NET PENSION ASSET	-	-	-	-	126,198	-	126,198
DEFERRED INCOME TAX ASSET	233,711	-	-	233,711		-	233,711
NON-CURRENT INVESTMENTS	4,005,095	-	-	4,005,095	11,189,290	-	15,194,385
RESTRICTED INVESTMENTS	-	-	-	-	3,300,806	-	3,300,806
INVESTMENT IN SUBSIDIARY	22,000	-	(22,000)	-	7,500,000	(7,500,000)	-
CAPITAL ASSETS, net	-	-	-	-	1,233,844	-	1,233,844
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	366,945	-	366,945
	$ 13,076,188	$ 1,074,346	$ (22,000)	$ 14,128,534	$ 41,576,252	$ (7,658,420)	$ 48,046,366

Housing Authorities Risk Retention Pool
Combining Statement of Net Position
December 31, 2022

	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 DEFERRED INFLOWS OF RESOURCES AND NET POSITION							
CURRENT LIABILITIES							
Accounts payable and accrued expenses	$ 298,627	$ 51,355	$ -	$ 349,982	$ 994,381	$ (158,420)	$ 1,185,943
Unearned contributions	4,509,930	-	-	4,509,930	6,807,663	-	11,317,593
Income tax payable	1,500	-	-	1,500	-	-	1,500
Current portion of losses and loss adjustment expense reserves	3,190,930	-	-	3,190,930	4,999,502	-	8,190,432
Total current liabilities	8,000,987	51,355	-	8,052,342	12,801,546	(158,420)	20,695,468
NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES	1,054,184	-	-	1,054,184	1,474,404	-	2,528,588
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	320,896	-	320,896
Total liabilities and deferred inflows of resources	9,055,171	51,355	-	9,106,526	14,596,846	(158,420)	23,544,952
NET POSITION							
Net investment in capital assets	-	-	-	-	1,233,844	-	1,233,844
Unrestricted	4,021,017	1,022,991	(22,000)	5,022,008	25,745,562	(7,500,000)	23,267,570
Total net position	4,021,017	1,022,991	(22,000)	5,022,008	26,979,406	(7,500,000)	24,501,414
Total liabilities and deferred inflows of resources and net position	$ 13,076,188	$ 1,074,346	$ (22,000)	$ 14,128,534	$ 41,576,252	$ (7,658,420)	$ 48,046,366

Housing Authorities Risk Retention Pool
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2022

	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	$ 11,737,386	$ -	$ -	$ 11,737,386	$ 12,029,079	$ -	$ 23,766,465
Commissions	-	266,279	-	266,279	-	-	266,279
Other income	-	-	-	-	752,010	(752,010)	-
Total operating revenues	11,737,386	266,279	-	12,003,665	12,781,089	(752,010)	24,032,744
OPERATING EXPENSES							
Changes in losses and loss adjustment expenses incurred	6,033,895	-	-	6,033,895	5,453,157	-	11,487,052
Excess insurance expense	5,937,885	-	-	5,937,885	4,910,658	-	10,848,543
Professional fees	36,077	-	-	36,077	185,047	-	221,124
Salaries and benefits	-	-	-	-	1,404,552	-	1,404,552
General and administrative expense	682,775	132,894	-	815,669	375,308	(752,010)	438,967
Depreciation expense	-	-	-	-	49,013	-	49,013
Total operating expenses	12,690,632	132,894	-	12,823,526	12,377,735	(752,010)	24,449,251
OPERATING INCOME (LOSS)	(953,246)	133,385	-	(819,861)	403,354	-	(416,507)
NON-OPERATING LOSS							
Loss on Disposal	-	-	-	-	(71,391)	-	(71,391)
Investment loss	(16,234)	-	-	(16,234)	(332,819)	-	(349,053)
Total non-operating loss	(16,234)	-	-	(16,234)	(404,210)	-	(420,444)
(DECREASE) INCREASE IN NET POSITION BEFORE INCOME TAX EXPENSE	(969,480)	133,385	-	(836,095)	(856)	-	(836,951)
INCOME TAX EXPENSE	(71,202)	(800)	-	(72,002)	-	-	(72,002)
INCREASE (DECREASE) IN NET POSITION	(1,040,682)	132,585	-	(908,097)	(856)	-	(908,953)
NET POSITION, beginning of year	5,061,699	890,406	(22,000)	5,930,105	26,980,262	(7,500,000)	25,410,367
NET POSITION, end of year	$ 4,021,017	$ 1,022,991	$ (22,000)	$ 5,022,008	$ 26,979,406	$ (7,500,000)	$ 24,501,414

MOSSADAMS

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, 2022, and the related notes to the financial statements, which collectively comprise Housing Authorities Risk Retention Pool and its blended component units' basic financial statements, and have issued our report thereon dated March 23, 2023.

Report on 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) as a basis for designing 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 were not identified.

Report on 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 financial statements. 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 23, 2023