

ABAG PLAN CORPORATION

FINANCIAL STATEMENTS
WITH INDEPENDENT
AUDITOR'S REPORT

JUNE 30, 2001

ABAG PLAN CORPORATION

JUNE 30, 2001

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GILBERT ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ABAG PLAN Corporation
Oakland, California

We have audited the accompanying financial statements of the ABAG PLAN Corporation (PLAN), as of and for the year ended June 30, 2001 and 2000, as listed in the foregoing table of contents. These financial statements are the responsibility of the PLAN's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements present fairly, in all material respects, the financial position of the PLAN as of June 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gilbert Accountancy Corporation

GILBERT ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

September 7, 2001

ABAG PLAN CORPORATION

BALANCESHEET

JUNE 30, 2001 AND 2000

ASSETS		
	2001	2000
ASSETS		
Cash and Cash Equivalents	\$ 15,416,158	\$ 4,337,345
Investments, at Fair Value	17,175,295	25,285,464
Accounts Receivable	741,350	923,484
Equipment, Net	<u>340,087</u>	<u>300,446</u>
Total Assets	<u>33,672,890</u>	<u>30,846,739</u>
LIABILITIES AND RETAINED EARNINGS		
LIABILITIES		
Reserves for Claims and Claim Adjustment Expenses	\$ 14,402,309	\$ 13,582,591
Reserves for Unallocated Loss Adjustment Expenses	720,115	679,130
Member Dividends Payable	525,505	1,433,500
Payable to Association of Bay Area Governments	98,171	159,387
Other Payables	<u>3,410</u>	<u>123,052</u>
Total Liabilities	<u>15,749,510</u>	<u>15,977,660</u>
RETAINED EARNINGS	<u>17,923,380</u>	<u>14,869,079</u>
Total Liabilities and Retained Earnings	\$ <u>33,672,890</u>	\$ <u>30,846,739</u>

The accompanying notes are an integral part of this statement.

ABAG PLAN CORPORATION

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS

FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
OPERATING REVENUES		
Premiums from members		
Administrative	\$ 1,400,000	\$ 1,400,000
General Liability Insurance	3,515,502	3,295,447
Property Insurance	438,679	529,434
Investment Income	<u>3,423,806</u>	<u>1,320,857</u>
Total Operating Revenues	<u>8,777,987</u>	<u>6,545,738</u>
EXPENSES		
Provision for Claims and Claim Adjustment Expenses	3,383,516	1,509,315
Provision for Unallocated Loss Adjustment Expenses	40,985	(25,860)
Property Insurance Coverage	393,947	298,487
Depreciation	55,350	62,960
Management and Administrative	1,165,098	1,503,711
Member Dividends Declared	525,505	1,433,500
Contract Services	101,416	69,383
Other Expenses	<u>57,869</u>	<u>0</u>
Total Expenses	<u>5,723,686</u>	<u>4,851,496</u>
Net Income (Loss)	\$ <u>3,054,301</u>	\$ <u>1,694,242</u>
Beginning Retained Earnings, as Previously Reported	\$ 14,869,079	\$ 13,879,827
Adjustment for Provision for Unallocated Loss Adjustment Expenses		<u>(704,990)</u>
Balance at Beginning of Year, (as Restated in 2000)	14,869,079	13,174,837
Net Income	<u>3,054,301</u>	<u>1,694,242</u>
Ending Retained Earnings (as Restated in 2000)	\$ - 17,923,380	\$ <u>14,869,079</u>

The accompanying notes are an integral part of this statement.

ABAG PLAN CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ 3,054,301	\$ 1,694,242
Adjustments to Reconcile Net Income (Loss) Income to Net Cash Provided by (Used in) Operating Activities		
Depreciation	55,350	62,960
Net Decrease (Increase) in fair value of investments	(1,389,831)	594,380
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	182,134	(253,957)
Increase (Decrease) in:		
Reserves for Claims and Claim Adjustment Expenses	819,718	(517,218)
Reserves for Unallocated Loss Adjustment Expenses	40,985	(25,860)
Member Dividends Payable	(907,995)	(389,999)
Payable to Association of Bay Area Governments	(61,216)	10,839
Other Payables	<u>(119,641)</u>	<u>(53,362)</u>
Net Cash Provided by Operating Activities	<u>1,673,805</u>	<u>1,122,025</u>
Investing Activities:		
Purchases of Investments	(6,000,000)	(5,833,500)
Proceeds from Sale of Investments	15,500,000	4,926,344
Purchase of Equipment	<u>(94,992)</u>	<u>(322,014)</u>
Net Cash Used in Investing Activities	<u>9,405,008</u>	<u>(1,229,170)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,078,813	(107,145)
Cash and Cash Equivalents - Beginning of Year	<u>4,337,345</u>	<u>4,444,490</u>
Cash and Cash Equivalents - End of Year	\$ <u>15,416,158</u>	\$ <u>4,337,345</u>

The accompanying notes are an integral part of this statement.

ABAG PLAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Association of Bay Area Governments PLAN Corporation (PLAN -Pooled Liability Assurance Network) is a non-profit organization formed in June 1986 pursuant to California Nonprofit Public Benefit Corporation Law, California Corporation Code Section commencing with Section 5000. PLAN was organized to govern a program established by the Association of Bay Area Governments (the Association) to provide certain levels of liability insurance coverage, claims management, risk management services and legal defense to its participating members (San Francisco Bay Area cities). PLAN is governed by a Board of Directors which is comprised of officials appointed by each participating member. The activities of PLAN, which are administered by the Association (see Note 6), include setting and collecting premiums, administering and paying claims and related expenses and investing PLAN's assets. There were 29 members as of June 30, 2001 and 30 members as of June 30, 2000. PLAN is not a component unit of the Association.

As of July 1, 1992, PLAN's property insurance program became a self-insured pool, to provide certain levels of property insurance coverage, claims management, risk management services and legal defense to its participating members.

Prior to July 1992, members were allowed to participate in PLAN's property insurance program whereby PLAN functioned as the conduit between participants and an outside insurance carrier. Premiums were collected by PLAN and forwarded to the carrier, and claim reimbursements were sent by the carrier to the participants via PLAN.

Management and administrative activities of PLAN are accounted for in the Administration Fund, and risk-related activities are accounted for in the General Liability and Property Liability Funds.

B. PREMIUMS FROM MEMBERS

Each member is assessed an administrative risk premium in accordance with periodic actuarial studies. The administrative premium represents an allocation of total member premiums intended to cover PLAN's administrative costs. The risk premium is intended to cover PLAN's claims and claim settlement expenses. Premiums are recognized as revenues when earned based on the coverage period of the related insurance.

C. LOSSES AND CLAIMS

PLAN initially pays all claims out of a central pool of cash which is funded by risk premiums. PLAN subsequently submits invoices to the members for reimbursement of the deductible portion. Pursuant to an agreement between PLAN and member cities, PLAN may assess a supplemental premium charge if there are not sufficient funds for the claims reserves plan deductibles and adjustment expenses in a prior coverage period.

ABAG PLAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

PLAN establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) 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 processes used in computing claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claim 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 claims liabilities are charged or credited to expense in the periods in which they are made.

PLAN has excess property insurance coverage from a private insurance company for losses which exceed PLAN's self-insured retention level of \$100,000 per occurrence.

D. INVESTMENTS

Investments in debt securities and in external investment pools (such as the State of California Local Agency Investment Fund) are reported at fair value in the balance sheet. The net increase or decrease in the fair value of investments is included in investment income in the statement of revenue, expenses and retained earnings.

E. EQUIPMENT

Equipment is stated at cost. Depreciation is calculated using the straight-line method over estimated useful lives of three to seven years.

F. INCOME TAXES

PLAN is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(4) and related California statutes.

G. STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, PLAN considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

ABAG PLAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

PLAN maintains separate cash and investment accounts for PLAN activities.

A. DEPOSITS

At June 30, 2001 the difference between PLAN's cash balance of \$37,916 and the bank balance of \$200,985 was due to outstanding checks. Bank balances of up to \$100,000 are fully covered by federal depositary insurance. The bank balance was also collateralized 110% as required by Section 53652 of the California Government Code with securities held by the pledging financial institutions in PLAN's name.

B. CASH EQUIVALENTS AND INVESTMENTS

The Executive Board adopted an investments policy which allows PLAN to invest in certificates of deposit, bankers' acceptances, commercial paper, United States government and agency securities and the State of California Local Agency Investment Fund (LAIF).

LAIF is a state-wide investment pool under the authority of the Office of the Treasurer of the State of California. Cash and cash equivalents invested in LAIF include \$15,378,242 at June 30, 2001 and \$4,431,105 at June 30, 2000. The carrying value of amounts invested approximates PLAN's interest in the fair value of the underlying investments of the pool.

Investments are comprised of United States government and agency debt securities. The fair value of these investments amounted to \$17,175,295 and \$25,285,464 at June 30, 2001 and 2000, respectively. Investments are held by PLAN's agent in the name of PLAN's agent. PLAN's agent tracks PLAN's ownership of the securities through its own internal tracking procedures.

3. ACCOUNTS RECEIVABLE

At June 30, 2001 and 2000, accounts receivable was comprised of the following:

	<u>2001</u>		<u>2000</u>
Member Claim Deductibles	\$ 278,272	\$	397,081
Cash and Investment Interest	<u>463,078</u>		<u>526,403</u>
Total	\$ 741,350	\$	923,484

ABAG PLAN CORPORATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

4. EQUIPMENT

Following is a summary of equipment and capitalized software as of June 30, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Capitalized Software	\$ 394,005	\$ 322,015
Equipment	25,777	496,296
Less Accumulated Depreciation and Amortization	<u>(79,695)</u>	<u>(517,865)</u>
Total	\$ 340,087	\$ 300,446

5. RESERVES FOR CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The following represents aggregate changes in the reserves for reported and incurred but not reported claims, including related claim adjustment costs during the years ended June 30, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Reserves for Claims and Claim Adjustment Expenses, Beginning of Year	\$ 14,261,721	\$ 14,804,799
Incurred Claims and Claim Adjustment Expenses Provision for Insured Events of the Current Year	4,238,578	3,832,649
Decrease in Provision for Insured Events of Prior Years	<u>(702,381)</u>	<u>(2,327,866)</u>
Total Provisions for Claims and Claim Adjustment Expenses	<u>3,536,197</u>	<u>1,504,783</u>
Payments		
Claim and Claim Adjustment Expenses Attributable to Insured Events of Current Year	62,970	73,519
Claim and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>2,612,524</u>	<u>1,974,342</u>
Total Payments	<u>2,675,494</u>	<u>2,047,861</u>
Total Reserves for Claims and Claim Adjustment Expenses, End of Year	\$ <u>15,122,424</u>	\$ <u>14,261,721</u>

ABAG PLAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

At June 30, 2001, \$15,860,154 (\$15,330,988 for 2000) in reserves for claims and claim adjustment expenses are presented at their net present value of \$14,348,190 (\$13,582,591 for 2000). These claims are discounted at 5% based on expected settlement dates.

	<u>2001</u>	<u>2000</u>
Components of Unpaid Claims Liabilities:		
Reserves for Claims and Claim Adjustment Expenses	\$ 14,402,309	\$ 13,582,591
Reserves for Unallocated Loss Adjustment Expenses	<u>720,115</u>	<u>679,130</u>
Total Reserves for Claim and Claim Adjustment Expenses	\$ 15,122,424	\$ 14,261,721

PLAN utilizes the findings of an independent actuary in establishing its liability for claims and claims adjustment expenses, as described in Note 1. Management believes that the aggregate reserve for unpaid claims and claim adjustment expenses at year end represent the best estimate, based upon the available data, of the amount necessary to cover the ultimate cost of the claims. However, due to the relatively small number of insureds, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the balance sheet date. Accordingly, the ultimate liability could be in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in the current operations.

6. INVESTMENT INCOME

Investment income for 2001 and 2000 is comprised of the following:

	<u>2001</u>	<u>2000</u>
Interest Income	\$ 1,645,304	\$ 1,915,237
Net Increase (Decrease) in the Fair Value of Investments	<u>1,389,831</u>	<u>(594,380)</u>
Total Investment Income	\$ 3,035,135	\$ 1,320,857

The net increase or decrease in the fair value of investments takes into account all changes in fair value (including purchases and sales) that occurred during the year, and is determined as follows:

Fair Value of Investments - Beginning of Year	\$ 25,285,464	\$ 24,972,688
Add: Purchase of Investments	6,000,000	5,833,500
Less: Proceeds from Sale of Investments	<u>(15,500,000)</u>	<u>(4,926,344)</u>
Subtotal	15,785,464	25,879,844
Fair Value of Investments - End of Year	<u>17,175,295</u>	<u>25,285,464</u>
Net Increase (Decrease) in the Fair Value of Investments	\$ 1,389,831	\$ (594,380)

ABAG PLAN CORPORATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

Based on the difference between fair value and amortized cost, the unrealized gain on investments held at June 30, 2001 and 2000 was \$704,024 and \$498,661, respectively.

PLAN realized net gains from matured and called investments of approximately \$685,807 in 2001 and \$95,719 in 2000, respectively, based on the difference between the sales proceeds and the fair value of the investments reported at the preceding balance sheet date.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held for more than one fiscal year and matured or called in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

7. TRANSACTIONS WITH THE ASSOCIATION OF BAY AREA GOVERNMENTS

PLAN has an agreement with the Association wherein the Association retains the authority to act as trustee, invest and disburse monies, provide accounting, administrative and clerical support, and conduct promotional activities on behalf of PLAN.

PLAN incurred costs of \$1,234,705 in 2001 and \$1,522,000 in 2000 under the agreement.

8. MEMBER DIVIDENDS

During the years ended June 30, 2001 and 2000, PLAN declared dividends to members of \$525,505 payable on July 1, 2001 and \$1,433,500 payable on July 1, 2000 as a result of better-than-expected loss experience. Such dividends have been recorded in the accompanying financial statements when declared and are allocated to members on a pro rata basis based on inception-to-date premiums and loss experience.

9. CONTINGENT LIABILITY

PLAN is a defendant in a lawsuit filed by a contractor for breach of contract. The suit asks for damages for which PLAN is unable to estimate the potential loss at this time. The matter is currently in mediation.

SUPPLEMENTAL INFORMATION

GILBERT ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
ABAG PLAN Corporation
Oakland, California

We have audited the Financial Statements of the ABAG PLAN Corporation (PLAN), as of and for the year ended June 30, 2001, and have issued our report thereon dated September 7, 2001. Our examinations were made in accordance with auditing standards generally accepted in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The Reconciliation of Claims Liabilities by Type of Contract and Claims Development Information on pages 12 through 14 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Gilbert Accountancy Corporation

GILBERT ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

September 7, 2001

ABAG PLAN CORPORATION

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF COVERAGE

JUNE 30, 2001

	Liability Pool		Property Pool	
	2001	2000	2001	2000
Reserves for Claims and Claim Adjustment Expenses, Beginning of Year	\$ 14,104,221	\$ 14,647,299	\$ 157,500	\$ 157,500
Incurred Claims and Claim Adjustment Expenses Provision for Insured Events of the Current Year	4,175,346	3,682,649	63,232	150,000
Decrease in Provision for Insured Events of Prior Years	<u>(572,540)</u>	<u>(2,233,609)</u>	<u>(129,841)</u>	<u>(94,257)</u>
Total Provisions for Claims and Claim Adjustment Expenses	<u>3,602,806</u>	<u>1,449,040</u>	<u>(66,609)</u>	<u>53,743</u>
Payments				
Claim and Claim Adjustment Expenses Attributable to Insured Events of Current Year	53,569	66,101	9,401	7,418
Claim and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>2,587,861</u>	<u>1,926,017</u>	<u>24,663</u>	<u>48,325</u>
Total Payments	<u>2,641,430</u>	<u>1,992,118</u>	<u>34,064</u>	<u>55,743</u>
Total Reserves for Claims and Claim Adjustment Expenses, End of Year	\$ <u>15,065,597</u>	\$ <u>14,104,221</u>	\$ <u>56,827</u>	\$ <u>157,500</u>
Components of Unpaid Claims Liabilities:				
Reserve for Claims and Claims Adjustment Expense	\$ 14,348,188	\$ 13,432,591	\$ 54,121	\$ 150,000
Reserves for Unallocated Loss Adjustment Expenses	<u>717,409</u>	<u>671,630</u>	<u>2,706</u>	<u>7,500</u>
Total Reserves for Claim and Claim Adjustment Expenses	\$ <u>15,065,597</u>	\$ <u>14,104,221</u>	\$ <u>56,827</u>	\$ <u>157,500</u>

ABAG PLAN CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
 GENERAL LIABILITY POOL

YEARS ENDED JUNE 30

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Earned premiums	\$ 74,388	\$ 4,515	\$ 4,665	\$ 4,465	\$ 5,222	\$ 5,151	\$ 5,269	\$ 4,980	\$ 4,695	\$ 4,916
Investment income allocation:										
FY 00-01	112	159	156	105	263	247	140	245	146	230
FY 99-00	111	161	144	103	239	218	172	190	143	
FY 98-99	126	192	152	100	252	218	213	89		
FY 97-98	144	217	160	115	273	245	231			
FY 96-97	155	222	161	183	243	225				
FY 95-96	160	241	169	186	242					
FY 94-95	189	254	231	207						
FY 93-94	237	243	221							
FY 92-93	360	356								
FY 91-92	309									
Net earned premiums and investment revenues	6,341	6,561	6,059	5,463	6,734	6,304	6,025	5,504	4,984	5,145
Unallocated expenses	973	752	824	1,065	1,085	1,140	1,409	1,503	1,947	1,394
Funds available for claims	5,368	5,809	5,235	4,398	5,649	5,164	4,616	4,001	3,037	3,751
Paid (cumulative) as of										
End of policy year	21	52	178	83	24	0	6	1,865	66	53
1 year later	25	90	368	434	42	145	230	2,574	735	
2 years later	201	294	1,409	532	71	524	1,074	3,280		
3 years later	1,214	447	1,545	1,997	277	568	2,262			
4 years later	1,573	611	1,684	2,114	449	601				
5 years later	1,574	687	1,678	2,013	457					
6 years later	1,576	708	1,684	2,123						
7 years later	1,583	835	1,678							
8 years later	1,576	839								
9 years later	1,583									
Estimated reserves for claims and claims adjustment expenses:										
End of policy year	\$ 2,913	\$ 3,082	\$ 3,924	\$ 3,887	\$ 3,683	\$ 3,663	\$ 3,429	\$ 3,400	\$ 3,444	\$ 3,926
1 year later	2,397	3,108	3,204	3,192	3,391	3,495	3,106	2,537	3,022	
2 years later	2,219	2,636	1,796	2,515	2,962	2,671	2,319	2,042		
3 years later	1,168	1,590	1,678	878	1,989	1,925	2,005			
4 years later	893	773	1,462	678	1,166	1,197				
5 years later	640	350	1,164	612	865					
6 years later	414	212	985	340						
7 years later	272	85	619							
8 years later	186	58								
9 years later	102									
Reestimated incuned claims and claims adjustment expenses:										
End of policy year	2,934	3,134	4,102	3,970	3,707	3,663	3,435	5,265	3,510	3,979
1 year later	2,422	3,198	3,572	3,626	3,433	3,640	3,336	5,111	3,756	
2 years later	2,420	2,930	3,205	3,047	3,033	3,195	3,393	5,322		
3 years later	2,382	2,037	3,223	2,875	2,266	2,493	4,268			
4 years later	2,466	1,384	3,146	2,792	1,615	1,798				
5 years later	2,214	1,037	2,842	2,625	1,323					
6 years later	1,990	920	2,669	2,463						
7 years later	1,855	920	2,297							
8 years later	1,762	897								
9 years later	1,684									
Equity Distributions										
Paid 7/01	162	226	140	101	322	204	-78	-225	-217	-254
Paid 7/00	201	390	193	124	135	74	21			
Paid 7/99	337	516	194	95	158	36				
Paid 7/98	246	337	81	84	45					
Paid 7/97	524	495	219	69						
Paid 7/96	123	215	44							
Paid 7/95	122	60								
Paid 7/94	134									
Total paid	1,849	2,239	871	473	660	314	-57	-225	-217	-254
Funds balance after reestimated claims and dividends	1,664	2,650	1,522	1,133	2,723	1,654	1,337	-1,039	-256	27

ABAG PLAN CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 EIGHT-YEAR CLAIMS DEVELOPMENT INFORMATION
 PROPERTY LIABILITY POOL

YEARS ENDED JUNE 30

<i>In thousands of Dollars</i>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Earned premiums	\$ 410	\$ 431	\$ 453	\$ 494	\$ 515	\$ 528	\$ 529	\$ 529	\$ 439
Investment income allocation:									
FY 00-01	12	13	12	6	11	13	11	9	2
FY 99-00	10	11	10	5	9	11	10	8	
FY 98-99	7	8	8	4	7	8	9		
FY 97-98	7	8	7	4	7	8			
FY 96-97	7	8	8	4	8				
FY 95-96	8	8	8	5					
FY 94-95	3	4	3						
FY 93-94	4	5							
FY 92-93	11								
Net earned premiums and investment revenues	479	496	510	522	557	569	559	546	441
Unallocated expenses	183	195	228	272	287	282	259	342	380
Funds available for claims	296	301	282	250	270	287	300	204	61
Paid (cumulative) as of:									
End of policy year	7	27	18	86	7	4	6	7	9
1 year later	50	32	23	123	36	9	54	20	
2 years later	50	33	23	124	36	9	65		
3 years later	50	30	23	124	36	10			
4 years later	50	30	23	124	36				
5 years later	50	30	23	124					
6 years later	50	30	23						
7 years later	50	30							
8 years later	50								
Estimated reserves for claims and claims adjustment expenses:									
End of policy year	40	31	21	150	150	150	150	150	51
1 year later	0	0	0	0	0	0	0	1	
2 years later	0	0	0	0	0	0	2		
3 years later	0	0	0	0	0	0			
4 years later	0	0	0	0	0				
5 years later	0	0	0	0					
6 years later	0	0	0						
7 years later	0	0							
8 years later	0								
Restimated incurred claims and claims adjustment expenses									
End of policy year	\$ 47	\$ 58	\$ 39	\$ 236	\$ 157	\$ 154	\$ 156	\$ 157	\$ 61
1 year later	50	32	23	123	36	9	54	21	
2 years later	50	33	23	124	36	9	67		
3 years later	50	30	23	124	36	10			
4 years later	50	30	23	124	36				
5 years later	50	30	23	124					
6 years later	50	30	23						
7 years later	50	30							
8 years later	50								
Funds available after estimated claims and member dividends	246	270	259	126	234	276	233	183	1

ABAG PLAN CORPORATION

REQUIRED SUPPLEMENTARY INFORMATION
CLAIMS DEVELOPMENT INFORMATION

JUNE 30, 2001

The following schedules illustrate how PLAN earned revenues and investment income compared to related costs of loss and other expenses assumed by PLAN as of the end of each of the last ten years. The rows of the table are defined as follows:

1. This line shows each fiscal year's earned premium revenues.
2. This line shows each fiscal year's investment income. For purposes of the schedule, investment income is reported on the basis of amortized cost.
3. This line shows the total of each fiscal year's earned premium and investment income.
4. This line shows each fiscal year's other operating costs of PLAN including overhead and claims expense not allocable to individual claims.
5. This line shows the funds available to pay claims and is derived by subtracting line 4 from line 3.
6. This section shows the cumulative amounts paid as of the end of successive years for each policy year.
7. & 8. These sections show how each policy year's reserves and incurred claims and increased or decreased as of the end of successive years; this annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Reestimated incurred claims are determined by adding reserves and cumulative paid claims.
9. This line compares the latest reestimated incurred claims amount to the amount originally established at the end of the policy year and shows whether this latest estimate of claims cost is greater or less than originally thought. 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. The columns of the schedule show data for successive policy years.
10. This line shows dividends declared and paid to members and the allocation of such distribution among policy years.
11. This line presents the surplus for each policy year based on the most recent estimate of incurred claims and is derived as follows: line 5 minus line 8 (most recent estimate) minus line 10.

ADDITIONAL INFORMATION

GILBERT ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors
ABAG PLAN Corporation
Oakland, California

Our report on our audit of the financial statements of the ABAG PLAN Corporation for the year ended June 30, 2001 appears on page 1. That audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gilbert Accountancy Corporation

GILBERT ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

September 7, 2001

ASSOCIATION OF BAY AREA GOVERNMENTS
PLAN CORPORATION

SUPPORTING BALANCE SHEET

JUNE 30, 2001

ASSETS

	General Liability Fund	Property Liability Fund	Admini- stration Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ 13,109,711	\$ 1,936,014	\$ 370,433	\$ 15,416,158
Investments, at Fair Value	17,175,295			17,175,295
Accounts Receivable	726,157	15,193		741,350
Equipment, Net	340,087			340,087
Total Assets	\$ 31,351,250	\$ 1,951,207	\$ 370,433	\$ 33,672,890

LIABILITIES AND RETAINED EARNINGS

LIABILITIES

Reserves for Claims and Claim Adjustment Expenses	\$ 14,348,188	\$ 54,121		\$ 14,402,309
Reserves for Unallocated Loss Adjustment Expenses	717,409	2,706		720,115
Member Dividends Payable	525,505			525,505
Payable to Association of Bay Area Governments	5,080		\$ 93,091	98,171
Other Payables	2,745	- 665	—	-- 3,410
Total Liabilities	15,598,927	57,492	93,091	15,749,510

RETAINED EARNINGS

	<u>15,752,323</u>	<u>1,893,715</u>	<u>277,342</u>	<u>17,923,380</u>
Total Liabilities and Fund Equity	\$ 31,351,250	\$ 1,951,207	\$ 370,433	\$ 33,672,890

ASSOCIATION OF BAY AREA GOVERNMENTS
PLAN CORPORATION

SUPPORTING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS

FOR THE YEAR ENDED JUNE 30,2001

	General Liability Fund	Property Liability Fund	Admini- stration Fund	Total
OPERATING REVENUES				
Premiums from members				
Administrative			\$ 1,400,000	\$ 1,400,000
General Liability Insurance	\$ 3,515,502			3,515,502
Property Insurance		\$ 438,679		438,679
Investment Income	3,303,787	90,000	30,000	3,423,787
Other	19			19
Total Operating Revenues	6,819,308	528,679	1,430,000	8,777,987
EXPENSES				
Provision for Claims and Claim Adjustment Expenses	3,445,331	(61,815)		3,383,516
Provision for Unallocated Loss Adjustment Expenses	45,779	(4,794)		40,985
Property Insurance Coverage	13,979	379,968		393,947
Depreciation	55,350			55,350
Management and Administrative		852	1,164,246	1,165,098
Contract Services			101,416	101,416
Dividends	525,505			525,505
Other Expenses	<u>57,869</u>			<u>57,869</u>
Total Operating Expenses	4,143,813	<u>314,211</u>	<u>1,265,662</u>	<u>5,723,686</u>
Net Income	\$ 2,675,495	\$ 214,468	\$ 164,338	3,054,301
Beginning Retained Earnings, as Previously Reported	\$ 13,076,828	\$ 1,679,247	\$ 113,004	\$ 14,869,079
Net Income	2,675,495	214,468	164,338	<u>3,054,301</u>
Ending Retained Earnings	\$ <u>15,752,323</u>	\$ <u>1,893,715</u>	\$ 277,342	\$ 17,923,380

ASSOCIATION OF BAY AREA GOVERNMENTS
PLAN CORPORATION

SUPPORTING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2001

	General Liability Fund	Property Liability Fund	Admini- stration Fund	Total
Cash Flows from Operating Activities:				
Net Income (Loss)	\$ 2,675,495	\$ 214,468	\$ 164,338	\$ 3,054,301
Adjustments to Reconcile Net Income (Loss) Income to Net Cash Provided by (Used in) Operating Activities				
Depreciation	55,350			55,350
Net Decrease (Increase) in fair value of investments	(1,389,831)			(1,389,831)
Changes in Assets and Liabilities				
(Increase) Decrease in:				
Accounts Receivable	197,327	(15,193)		182,134
Increase (Decrease) in:				
Reserves for Claims and Claim Adjustment Expenses	915,597	(95,879)		819,718
Reserves for Unallocated Loss Adjustment Expenses	45,779	(4,794)		40,985
Member Dividends Payable	(907,995)			(907,995)
Payable to Association of Bay Area Governments	(41,994)		(19,222)	(61,216)
Other Payables	(120,306)	665		(119,641)
Net Cash Provided by (Used in) Operating Activities	<u>1,429,422</u>	<u>99,267</u>	<u>145,116</u>	<u>1,673,805</u>
Investing Activities:				
Purchases of Investments	(6,000,000)			(6,000,000)
Proceeds from Sale of Investments	15,500,000			15,500,000
Purchase of Equipment	<u>(94,992)</u>			<u>(94,992)</u>
Net Cash Used in Investing Activities	<u>9,405,008</u>	<u>0</u>	<u>0</u>	<u>9,405,008</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>10,834,430</u>	<u>99,267</u>	<u>145,116</u>	<u>11,078,813</u>
Cash and Cash Equivalents - Beginning of Year	<u>2,275,281</u>	<u>1,836,747</u>	<u>225,317</u>	<u>4,337,345</u>
Cash and Cash Equivalents - End of Year	\$ <u>13,109,711</u>	\$ <u>1,936,014</u>	\$ <u>370,433</u>	\$ <u>15,416,158</u>