ABAG PLAN CORPORATION

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2000

ABAG PLAN CORPORATION

JUNE 30, 2000

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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 general-purpose financial statements of the ABAG PLAN Corporation (PLAN), as of and for the year ended June 30, 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. The financial statements of PLAN as of June 30, 1999 were audited by other auditors whose report dated October 15, 1999 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. 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, 2000, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Gilbert Accountancy Corporation

GILBERT ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

September 25, 2000

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ABAG PLAN CORPORATION

BALANCE SHEET

JUNE 30, 2000 AND 1999

ASSETS

	2000	1999
ASSETS		
Cash and Cash Equivalents	$ 4,337,345	$ 4,444,490
Investments, at Fair Value	25,285,464	24,972,688
Accounts Receivable	923,484	669,527
Equipment, Net	300,446	41,392
Total Assets	30,846,739	30,128,097

LIABILITIES AND RETAINED EARNINGS

LIABILITIES		
Reserves for Claims and Claim Adjustment Expenses	$ 13,582,591	$ 14,099,809
Reserves for Unallocated Loss Adjustment Expenses	679,130	704,990
Member Dividends Payable	1,433,500	1,823,499
Payable to Association of Bay Area Governments	159,387	148,548
Other Payables	123,052	176,414
Total Liabilities	15,977,660	16,953,260
RETAINED EARNINGS	14,869,079	13,174,837
Total Liabilities and Retained Earnings	$ 30,846,739	$ 30,128,097

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, 2000 AND 1999

	2000	1999
OPERATING REVENUES		
Premiums from members		
Administrative	$ 1,400,000	$ 1,299,989
General Liability Insurance	3,295,447	3,680,452
Property Insurance	529,434	529,434
Investment Income	1,320,857	1,155,384
Total Operating Revenues	6,545,738	6,665,259
EXPENSES		
Provision for Claims and Claim Adjustment Expenses	1,509,315	3,195,273
Provsion for Unallocated Loss Adjustment Expenses	(25,860)	21,849
Property Insurance Coverage	298,487	259,041
Depreciation	62,960	102,696
Management and Administrative	1,503,711	1,314,581
Contract Services	69,383	85,177
Total Expenses	3,417,996	4,978,617
Net Income (Loss)	$ 3,127,742	$ 1,686,642
Beginning Retained Earnings, as Previously Reported	$ 13,879,827	$ 13,994,835
Adjustment for Provision for Unallocated Loss Adjustment Expenses	(704,990)	(683,141)
Balance at Beginning of Year, as Restated	13,174,837	13,311,694
Net Income (as Restated in 1999)	3,127,742	1,686,642
Member Dividends Declared	(1,433,500)	(1,823,499)
Ending Retained Earnings (as Restated in 1999)	$ 14,869,079	$ 13,174,837

The accompanying notes are an integral part of this statement.

ABAG PLAN CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2000 AND 1999

	2000	1999
Cash Flows from Operating Activities:		
Net Income (Loss)	$ 1,694,242	$ (136,857)
Adjustments to Reconcile Net Income (Loss) Income to Net Cash Provided by (Used in) Operating Activities		
Depreciation	62,960	102,696
Net Decrease (Increase) in fair value of investments	594,380	591,507
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	(253,957)	(192,884)
Increase (Decrease) in:		
Reserves for Claims and Claim Adjustment Expenses	(517,218)	436,986
Reserves for Unallocated Loss Adjustment Expenses	(25,860)	21,849
Member Dividends Payable	(389,999)	485,486
Payable to Association of Bay Area Governments	10,839	21,998
Other Payables	(53,362)	176,414
Net Cash Provided by Operating Activities	1,122,025	1,507,195
Investing Activities:		
Purchases of Investments	(5,833,500)	(16,008,594)
Proceeds from Sale of Investments	4,926,344	12,793,485
Purchase of Equipment	(322,014)	
Net Cash Used in Investing Activities	(1,229,170)	(3,215,109)
Net Increase (Decrease) in Cash and Cash Equivalents	(107,145)	(1,707,914)
Cash and Cash Equivalents - Beginning of Year	4,444,490	6,152,404
Cash and Cash Equivalents - End of Year	$ 4,337,345	$ 4,444,490

The accompanying notes are an integral part of this statement.

ABAG PLAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

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 30 members as of June 30, 2000 and 30 members as of June 30, 1999. 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, 2000

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 equity securities and debt securities, and investments 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, 2000

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

PLAN maintains separate cash and investment accounts for PLAN activities.

A. DEPOSITS

At June 30, 2000 the difference between PLAN's cash balance of $(93,761) and the bank balance of $24,671 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, repurchase agreements, 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 include $4,431,105 at June 30, 2000 and $4,382,026 at June 30, 1999, invested in LAIF. 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 $25,285,464 and $24,972,688 at June 30, 2000 and 1999, 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, 2000 and 1999, accounts receivable was comprised of the following:

	2000	1999
Member Claim Deductibles	$ 397,081	$ 222,688
Cash and Investment Interest	526,403	446,839
Total	$ 923,484	$ 669,527

ABAG PLAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

4. EQUIPMENT

Following is a summary of equipment and capitalized software as of June 30, 2000 and 1999:

	2000	1999
Capitalized Software	$ 322,015	
Equipment	496,296	$ 496,296
Less Accumulated Depreciation and Amortization	(517,865)	(454,904)
Total	$ 300,446	$ 41,392

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, 2000 and 1999:

	2000	1999
Reserves for Claims and Claim Adjustment Expenses, Beginning of Year	$ 14,804,799	$ 13,662,823
Incurred Claims and Claim Adjustment Expenses		
Provision for Insured Events of the Current Year	3,832,649	5,420,893
Decrease in Provision for Insured Events of Prior Years	(2,327,866)	(2,225,620)
Total Provisions for Claims and Claim Adjustment Expenses	1,504,783	3,195,273
Payments		
Claim and Claim Adjustment Expenses Attributable to Insured Events of Current Year	73,519	1,870,938
Claim and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	1,974,342	887,349
Total Payments	2,047,861	2,758,287
Total Reserves for Claims and Claim Adjustment Expenses, End of Year	$ 14,261,721	$ 14,804,799

ABAG PLAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

At June 30, 2000 $15,330,988 (1999, $15,879,544) in reserves for claims and claim adjustment expenses are presented at their net present value of $13,582,591 (1999, $14,099,809). These claims are discounted at 5% based on expected settlement dates.

	2000	1999
Components of Unpaid Claims Liabilities:		
Reserves for Claims and Claim Adjustment Expenses	$ 13,582,591	$ 14,099,809
Reserves for Unallocated Loss Adjustment Expenses	679,130	704,990
Total Reserves for Claim and Claim Adjustment Expenses	$ 14,261,721	$ 14,804,799

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 2000 and 1999 is comprised of the following:

	2000	1999
Interest Income	$ 1,915,237	$ 1,746,891
Net Increase (Decrease) in the Fair Value of Investments	(594,380)	(591,507)
Total Investment Income	$ 1,320,857	$ 1,155,384

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	$ 24,972,688	$ 22,349,086
Add: Purchase of Investments	5,833,500	16,008,594
Less: Proceeds from Sale of Investments	(4,926,344)	(12,793,485)
Subtotal	25,879,844	25,564,195
Fair Value of Investments – End of Year	25,285,464	24,972,688
Net Increase (Decrease) in the Fair Value of Investments	$ (594,380)	$ (591,507)

ABAG PLAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

Based on the difference between fair value and amortized cost, the unrealized loss on investments held at June 30, 2000 and 1999 was $498,661 and $674,853, respectively.

PLAN realized net losses from sale of investments of approximately $95,719 in 2000 and $206,900 in 1999 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 and losses 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 sold 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 $1,522,000 in 2000 and $1,361,000 in 1999 under the agreement.

8. MEMBER DIVIDENDS

During the years ended June 30, 2000 and 1999, PLAN declared dividends to members of $1,433,500 payable on July 1, 2000 and $1,823,499 payable on July 1, 1999 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. PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2000 PLAN management retroactively recorded a provision for unallocated loss adjustment expense. This expense reflected the change in reserves for future claim processing overhead expenses. The accompanying financial statements for 1999 have been restated to reflect this provision. The effect of the restatement was to decrease net income for 1999 by $21,849. Retained earnings at the beginning of 1999 has been adjusted by $683,141 for the effects of the restatement on prior years.

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, 2000, and have issued our report thereon dated September 25, 2000. Our examinations were made in accordance with generally accepted auditing standards 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 13 through 15 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 25, 2000

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ABAG PLAN CORPORATION

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT

JUNE 30, 2000

	General Liability		Property Liability	
	2000	1999	2000	1999
Reserves for Claims and Claim Adjustment Expenses, Beginning of Year	$ 14,647,299	$ 14,188,464	$ 157,500	$ 157,500
Incurred Claims and Claim Adjustment Expenses				
Provision for Insured Events of the Current Year	3,682,649	5,435,174	150,000	155,717
Decrease in Provision for Insured Events of Prior Years	(2,233,609)	(2,228,967)	(94,257)	(144,802)
Total Provisions for Claims and Claim Adjustment Expenses	(1,449,040)	3,206,207	53,743	10,915
Payments				
Claim and Claim Adjustment Expenses Attributable to Insured Events of Current Year	66,101	1,865,221	7,418	5,717
Claim and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	1,926,017	882,151	48,325	5,198
Total Payments	1,992,118	2,747,372	55,743	10,915
Total Reserves for Claims and Claim Adjustment Expenses, End of Year	$ 14,104,221	$ 14,647,299	$ 157,500	$ 157,500
Components of Unpaid Claims Liabilities:				
Reserve for Claims and Claims Adjustment Expense	$ 13,432,591	$ 13,949,809	$ 150,000	$ 150,000
Reserves for Unallocated Loss Adjustment Expenses	671,630	697,490	7,500	7,500
Total Reserves for Claim and Claim Adjustment Expenses	$ 14,104,221	$ 14,647,299	$ 157,500	$ 157,500

ABAG PLAN CORPORATION

REQUIRED SUPPLEMENTARY INFORMATION
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
GENERAL LIABILITY POOL

YEARS ENDED JUNE 30

In thousands of Dollars	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
1 Earned Premiums	$ 4,184	$ 4,438	$ 4,515	$ 4,665	$ 4,465	$ 5,222	$ 5,151	$ 5,269	$ 4,980	$ 4,695
2 Investment Income Allocation										
FY 99-00	85	111	162	145	103	240	219	173	191	143
FY 98-99	96	126	192	152	100	252	218	213	89	
FY 97-98	114	144	217	160	114	273	245	231		
FY 96-97	139	151	217	157	178	237	219			
FY 95-96	157	161	241	169	187	241				
FY 94-95	166	189	254	231	206					
FY 93-94	188	237	243	221						
FY 92-93	368	360	356							
FY 91-92	335	309								
FY 90-91	312									
3 Net earned premiums and investment revenues	6,148	6,228	6,402	5,903	5,359	6,471	6,057	5,885	5,259	4,838
4 Unallocated expenses	745	973	752	824	1,065	1,085	1,140	1,409	1,503	1,947
5 Funds available for claims	5,403	5,256	5,650	5,079	4,294	5,386	4,917	4,476	3,756	2,891
6 Paid (cumulative) as of										
End of policy year	0	21	52	178	83	24	0	6	1,865	66
1 year later	18	25	90	368	434	44	145	230	2,574	
2 years later	258	201	294	509	532	71	524	1,074		
3 years later	1,330	1,214	447	1,545	1,997	277	568			
4 years later	1,440	1,573	611	1,684	2,114	449				
5 years later	1,482	1,574	687	1,678	2,013					
6 years later	1,495	1,576	708	1,684						
7 years later	1,503	1,583	835							
8 years later	1,518	1,576								
9 years later	1,507									
7 Estimated reserves for claims and claim adjustment expenses										
End of policy year	2,857	2,913	3,082	3,924	3,887	3,683	3,663	3,429	3,400	3,444
1 year later	1,876	2,397	3,108	3,204	3,192	3,391	3,495	3,106	2,537	
2 years later	1,704	2,219	2,636	2,696	2,515	2,962	2,671	2,319		
3 years later	748	1,168	1,590	1,678	878	1,989	1,925			
4 years later	907	893	773	1,462	678	1,166				
5 years later	810	640	350	1,164	612					
6 years later	454	414	212	985						
7 years later	260	272	85							
8 years later	177	186								
9 years later	132									
8 Reestimated incurred claims and claims adjustment expenses										
End of policy year	2,857	2,934	3,134	4,102	3,970	3,707	3,663	3,435	5,265	3,510
1 year later	1,894	2,422	3,198	3,572	3,626	3,432	3,640	3,336	5,111	
2 years later	1,962	2,420	2,930	3,205	3,047	3,033	3,195	3,393		
3 years later	2,078	2,382	2,037	3,223	2,875	2,266	2,493			
4 years later	2,356	2,466	1,384	3,146	2,792	1,615				
5 years later	2,292	2,214	1,037	2,842	2,625					
6 years later	1,949	1,990	920	2,669						
7 years later	1,763	1,855	920							
8 years later	1,695	1,762								
9 years later	1,639									
9 (Decrease) in estimated incurred claims and expense from end of policy year	(1,218)	(1,172)	(2,214)	(1,433)	(1,345)	(2,092)	(1,170)	(42)	(154)	0
10 Member dividends										
Paid July, 1994	542	134								
Paid July, 1995	116	122	60							
Paid July, 1996	251	123	215	44						
Paid July, 1997	783	524	495	219	69					
Paid July, 1998	273	246	337	81	84	45				
Paid July, 1999	261	337	516	194	95	158	36			
Paid July, 2000	155	201	390	193	124	135	74	21		
11 Funds available after reestimated claims and member dividends	1,327	1,714	2,717	1,506	1,130	2,782	1,612	1,119	(1,509)	(619)

ABAG PLAN CORPORATION

REQUIRED SUPPLEMENTARY INFORMATION
EIGHT-YEAR CLAIMS DEVELOPMENT INFORMATION
PROPERTY LIABILITY POOL

YEARS ENDED JUNE 30

In thousands of Dollars	1993	1994	1995	1996	1997	1998	1999	2000
1 Earned Premiums	$ 410	$ 431	$ 453	$ 494	$ 515	$ 528	$ 529	$ 529
2 Investment Income Allocation								
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	6				
FY 94-95	3	4	3					
FY 93-94	4	5						
FY 92-93	11							
3 Net earned premiums and investment revenues	468	483	498	516	546	555	548	537
4 Unallocated expenses	183	195	228	272	287	282	259	342
5 Funds available for claims	285	288	270	244	259	273	289	195
6 Paid (cumulative) as of								
End of policy year	7	27	18	86	7	4	6	7
1 year later	50	32	23	124	36	9	54	
2 years later	50	33	23	124	36	9		
3 years later	50	30	23	124	36			
4 years later	50	30	23	124				
5 years later	50	30	23					
6 years later	50	30						
7 years later	50							
7 Estimated reserves for claims and claim claim adjustment expenses								
End of policy year	40	31	21	150	150	150	150	150
1 year later	0	0	0	0	0	0	0	
2 years later	0	0	0	0	0	0		
3 years later	0	0	0	0	0			
4 years later	0	0	0	0				
5 years later	0	0	0					
6 years later	0	0						
7 years later	0							
8 Reestimated incurred claims and claims adjustment expenses								
End of policy year	47	58	39	236	157	154	156	157
1 year later	50	32	23	124	36	9	54	
2 years later	50	33	23	124	36	9		
3 years later	50	30	23	124	36			
4 years later	50	30	23	124				
5 years later	50	30	23					
6 years later	50	30						
7 years later	50							
9 Increase (decrease) in estimated incurred claims and from end of policy year	3	(28)	(16)	(112)	(121)	(145)	(102)	0
10 Member dividends								
Paid	0	0	0	0	0	0	0	0
11 Funds available after reestimated claims and member dividends	235	258	247	120	223	264	133	38

ADDITIONAL INFORMATION

ABAG PLAN CORPORATION

REQUIRED SUPPLEMENTARY INFORMATION
CLAIMS DEVELOPMENT INFORMATION

JUNE 30, 2000

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.

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, 2000 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 25, 2000

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http://www.gilbertcpa.com

ASSOCIATION OF BAY AREA GOVERNMENTS
PLAN CORPORATION

SUPPORTING BALANCE SHEET

JUNE 30, 2000

ASSETS

	General Liability Fund	Property Liability Fund	Administration Fund	Total
ASSETS				
Cash and Cash Equivalents	$ 2,275,281	$ 1,836,747	$ 225,317	$ 4,337,345
Investments, at Fair Value	25,285,464			25,285,464
Accounts Receivable	923,484			923,484
Equipment, Net	300,446			300,446
Total Assets	$ 28,784,675	$ 1,836,747	$ 225,317	$ 30,846,739

LIABILITIES AND RETAINED EARNINGS

LIABILITIES				
Reserves for Claims and Claim Adjustment Expenses	$ 13,432,591	$ 150,000		$ 13,582,591
Reserves for Unallocated Loss Adjustment Expenses	671,630	7,500		679,130
Member Dividends Payable	1,433,500			1,433,500
Payable to Association of Bay Area Governments	47,074		$ 112,313	159,387
Other Payables	123,052			123,052
Total Liabilities	15,707,847	157,500	112,313	15,977,660
RETAINED EARNINGS	13,076,828	1,679,247	113,004	14,869,079
Total Liabilities and Fund Equity	$ 28,784,675	$ 1,836,747	$ 225,317	$ 30,846,739

ASSOCIATION OF BAY AREA GOVERNMENTS
PLAN CORPORATION

SUPPORTING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

FOR THE YEAR ENDED JUNE 30, 2000

	General Liability Fund	Property Liability Fund	Administration Fund	Total
OPERATING REVENUES				
Premiums from members				
Administrative			$ 1,400,000	$ 1,400,000
General Liability Insurance	$ 3,295,447			3,295,447
Property Insurance		$ 529,434		529,434
Investment Income	1,215,857	75,000	30,000	1,320,857
Total Operating Revenues	4,511,304	604,434	1,430,000	6,545,738
EXPENSES				
Provision for Claims and Claim Adjustment Expenses	1,453,572	55,743		1,509,315
Provision for Unallocated Loss Adjustment Expenses	(25,860)			(25,860)
Property Insurance Coverage	12,033	286,454		298,487
Depreciation	62,960			62,960
Management and Administrative	157,829		1,345,882	1,503,711
Contract Services			69,383	69,383
Total Operating Expenses	1,660,534	342,197	1,415,265	3,417,996
Net Income	$ 2,850,770	$ 262,237	$ 14,735	3,127,742
Beginning Retained Earnings, as Previously Reported	$ 12,357,048	$ 1,424,510	$ 98,269	$ 13,879,827
Adjustment for Provision for Unallocate Loss Adjustment Expenses	(697,490)	(7,500)		(704,990)
Balance at Beginning of Year, as Restated	11,659,558	1,417,010	98,269	13,174,837
Net Income	2,850,770	262,237	14,735	3,127,742
Member Dividends Declared	(1,433,500)			(1,433,500)
Ending Retained Earnings	$ 13,076,828	$ 1,679,247	$ 113,004	$ 14,869,079

ASSOCIATION OF BAY AREA GOVERNMENTS
PLAN CORPORATION

SUPPORTING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2000

	General Liability Fund	Property Liability Fund	Administration Fund	Total
Cash Flows from Operating Activities:				
Net Income (Loss)	$ 1,417,270	$ 262,237	$ 14,735	$ 1,694,242
Adjustments to Reconcile Net Income (Loss) Income to Net Cash Provided by (Used in) Operating Activities				
Depreciation	62,960			62,960
Net Decrease (Increase) in fair value of investments	594,380			594,380
Changes in Assets and Liabilities				
(Increase) Decrease in:				
Accounts Receivable	(253,957)			(253,957)
Increase (Decrease) in:				
Reserves for Claims and Claim Adjustment Expenses	(517,218)			(517,218)
Reserves for Unallocated Loss Adjustment Expenses	(25,860)			(25,860)
Member Dividends Payable	(389,999)			(389,999)
Payable to Association of Bay Area Governments	44,906		(34,067)	10,839
Other Payables	(53,362)			(53,362)
Net Cash Provided by (Used in) Operating Activities	879,120	262,237	(19,332)	1,122,025
Investing Activities:				
Purchases of Investments	(5,833,500)			(5,833,500)
Proceeds from Sale of Investments	4,926,344			4,926,344
Purchase of Equipment	(322,014)			(322,014)
Net Cash Used in Investing Activities	(1,229,170)	0	0	(1,229,170)
Net Increase (Decrease) in Cash and Cash Equivalents	(350,050)	262,237	(19,332)	(107,145)
Cash and Cash Equivalents - Beginning of Year	2,625,331	1,574,510	244,649	4,444,490
Cash and Cash Equivalents - End of Year	$ 2,275,281	$ 1,836,747	$ 225,317	$ 4,337,345