

ABAG PLAN CORPORATION

FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORT

AND

SUPPLEMENTAL INFORMATION

JUNE 30, 1999 AND 1998

**HOOD &
STRONG** LLP
CERTIFIED PUBLIC ACCOUNTANTS

CHU and WATERS, LLP
CERTIFIED PUBLIC ACCOUNTANTS

ABAG PLAN Corporation

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Independent Auditors' Report

BOARD OF DIRECTORS
ABAG PLAN CORPORATION
Oakland, California

We have audited the accompanying financial statements of **ABAG PLAN CORPORATION (PLAN)** as of and for the years ended June 30, 1999 and 1998 as listed in the foregoing table of contents. These financial statements are the responsibility of PLAN's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of PLAN as of June 30, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The required supplementary information concerning the year 2000 issue and the Claims Development Information as listed in the foregoing table of contents is not a required part of the financial statements but is 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 do not express our opinion on it. The required supplementary information concerning the year 2000 issue is not intended to provide assurance about PLAN's year 2000 compliance, but rather to describe the action taken by PLAN to address the year 2000 issue. We do not provide assurance that PLAN is or will become year 2000 compliant, that PLAN's year 2000 remediation efforts will be successful in whole or in part, or that parties with which PLAN does business are or will become year 2000 compliant.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information comprised of the supporting financial statements as listed in the foregoing table of contents is presented for purposes of additional analysis of the 1999 financial statements. This supplementary information is the responsibility of PLAN's management. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Hood & Strong LLP
October 15, 1999

Chu and Waters, LLP

ABAG PLAN Corporation**Balance Sheet**

<i>June 30,</i>	1999	1998
Assets		
Cash and Cash Equivalents	\$ 4,444,490	\$ 6,152,404
Investments, at Fair Value	24,972,688	22,349,086
Accounts Receivable	669,527	476,643
Equipment, Net	41,392	144,088
	\$ 30,128,097	\$ 29,122,221
Liabilities and Retained Earnings		
Liabilities:		
Reserves for claims and claim adjustment expenses	\$ 14,099,809	\$ 13,662,823
Member dividends payable	1,823,499	1,338,013
Payable to Association of Bay Area Governments	148,548	126,550
Other payables	176,414	
Total liabilities	16,248,270	15,127,386
Retained Earnings	13,879,827	13,994,835
	\$ 30,128,097	\$ 29,122,221

The accompanying notes are an integral part of this statement. 2

ABAG PLAN Corporation

Statement of Revenues, Expenses and Retained Earnings

<i>Years Ended June 30,</i>	1999	1998
Revenues:		
Premiums from members:		
Administrative	\$ 1,299,989	\$ 1,177,580
General liability insurance	3,680,452	4,090,944
Property insurance	529,434	528,324
Investment income	1,155,384	2,014,526
Total revenues	6,665,259	7,811,374
Expenses:		
Provision for claims and claim adjustment expenses	3,195,273	1,875,079
Property insurance coverage	259,041	293,243
Depreciation	102,696	101,264
Management and administrative	1,314,581	1,254,067
Contract services	85,177	42,807
Total expenses	4,956,768	3,566,460
Net income	1,708,491	4,244,914
Retained Earnings - Beginning of year	13,994,835	11,087,934
Member Dividends Declared	(1,823,499)	(1,338,013)
Retained Earnings - End of year	\$ 13,879,827	\$ 13,994,835

ABAG PLAN Corporation**Statement of Cash Flows**

<i>Years Ended June 30,</i>	1999	1998
Operating Activities:		
Net income	\$ 1,708,491	\$ 4,244,914
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	102,696	101,264
Net decrease (increase) in fair value of investments	591,507	(418,803)
Changes in assets and liabilities:		
Accounts receivable	(192,884)	49,746
Reserves for claims and claim adjustment expenses	436,986	(247,821)
Payable to Association of Bay Area Governments	21,998	26,092
Other payables	176,414	
Net cash provided by operations	2,845,208	3,755,392
Noncapital Financing Activity:		
Dividends paid to members	(1,338,013)	(3,406,372)
Investing Activities:		
Purchases of investments	(16,008,594)	(11,487,187)
Proceeds from sale of investments	12,793,485	11,455,750
Purchase of equipment		(25,776)
Net cash used in investing activities	(3,215,109)	(57,213)
Net (Decrease) Increase in Cash and Cash Equivalents	(1,707,914)	291,807
Cash and Cash Equivalents, Beginning of year	6,152,404	5,860,597
Cash and Cash Equivalents, End of year	\$ 4,444,490	\$ 6,152,404

The accompanying notes are an integral part of this statement. 4

ABAG PLAN Corporation

Notes to Financial Statements

Note 1 -

Organization and

Significant

Accounting Policies:

Organization

The ABAG 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 Sections 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, 1999, and 29 members as of June 30, 1998. 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.

Note 1 -

**Organization and
Significant
Accounting Policies
(Continued):**

Premiums from Members

Each member is assessed an administrative and 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.

Since premiums are assessed base an actual claims and claims settlement expenses incurred, PLAN's liability for losses sustained by members is limited to its net equity. As a result, no portion of the risk associated with such losses is transferred to or assumed by PLAN, and no premium deficiencies exist.

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 and adjustment expenses in a prior coverage period.

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.

ABAG PLAN Corporation

Notes to Financial Statements (Continued)

Note 1 -

**Organization and
Significant
Accounting Policies
(Continued):**

Losses and Claims (Continued)

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.

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.

Equipment

Equipment is stated at cost. Depreciation is calculated using the straight-line method over estimated useful lives of 3 to 5 years.

Income Taxes

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

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.

Note 2 -

**Cash, Cash
Equivalents and
Investments:**

PLAN maintains separate cash and investment accounts for PLAN activities.

a. Deposits

At June 30, 1999, the difference between PLAN's cash balance of \$62,464 and the bank balance of \$358,300 was due to outstanding checks. Of the bank balance, \$100,000 was 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.

ABAG PLAN Corporation

Notes to Financial Statements (Continued)

Note 2 - **Cash, Cash
Equivalents and
Investments
(Continued):**

b. Cash Equivalents and Investments

The Executive Board adopted an investment 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 \$4,382,026 at June 30, 1999 and \$5,816,851 at June 30, 1998, 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 \$24,972,688 and \$22,349,086 at June 30, 1999 and 1998, respectively. Investments are held by PLAN's agent in PLAN's name.

Note 3 - **Equipment:**

Following is a summary of equipment as of June 30, 1999 and 1998:

	1999	1998
Equipment	\$ 496,296	\$ 496,296
Less accumulated depreciation	(454,904)	(352,208)
Total	\$ 41,392	\$ 144,088

ABAG PLAN Corporation

Notes to Financial Statements (Continued)

Note 4 - Reserves for Claims and Claim Adjustment Expenses: The following represents changes in the General Liability and Property Liability reserves for reported and incurred but not reported claims, including related claim adjustment costs, during the years ended June 30, 1999 and 1998:

	<u>General Liability</u>		<u>Property Liability</u>	
	1999	1998	1999	1998
Reserves for claims and claim adjustment expenses, beginning of year	\$13,512,823	\$13,760,644	\$ 150,000	\$ 150,000
Incurring claims and claim adjustment expenses:				
Provision for insured events of the current year	5,265,176	3,435,533	155,717	153,635
Decrease in provision for insured events of prior years	(2,080,818)	(1,593,257)	(144,802)	(120,832)
Total provision for claims and claim adjustment expenses	3,184,358	1,842,276	10,915	32,803
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current year	1,865,221	6,082	5,717	3,635
Claims and claim adjustment expenses attributable to insured events of prior years	882,151	2,084,015	5,198	29,168
Total payments	2,747,372	2,090,097	10,915	32,803
Total reserves for claims and claim adjustment expenses, end of the year	\$13,949,809	\$13,512,823	\$ 150,000	\$ 150,000

At June 30, 1999, \$15,879,544 (1998, \$15,829,998) in reserves for claims and claim adjustment expenses are presented at their net present value of \$14,099,809 (1998, \$13,662,823). These claims are discounted at 5% based on expected settlement dates.

ABAG PLAN Corporation

Notes to Financial Statements (Continued)

Note 4 - Reserves for Claims and Claim Adjustment Expenses (Continued): 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.

Note 5 - Investment Income: Investment income for 1999 and 1998 is comprised of the following:

	1999	1998
Interest income	\$1,746,891	\$1,595,723
Net increase (decrease) in the fair value of investments	(591,507)	418,803
Total investment income	\$1,155,384	\$2,014,526

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	\$ 22,349,086	\$ 21,898,846
Add : Purchases of investments	16,008,594	11,487,187
Less : Proceeds from sale of investments	(12,793,485)	(11,455,750)
Subtotal	25,564,195	21,930,283
Fair value of investments – End of year	24,972,688	22,349,086
Net increase (decrease) in the fair value of investments	(\$ 591,507)	\$ 418,803

Based on the difference between fair value and amortized cost, the unrealized loss on investments held at June 30, 1999 and 1998 was \$674,853 and \$261,845, respectively.

ABAG PLAN Corporation

Notes to Financial Statements (Continued)

- Note 5 - Investment Income (Continued):** PLAN realized net losses from the sale of investments of approximately \$206,900 in 1999, and \$121,000 in 1998, based on the difference between the sales proceeds and the amortized cost of the investments sold.
- 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.
- Note 6 - 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 \$1,361,000 in 1999 and \$1,158,000 in 1998 under the agreement.
- Note 7 - Member Dividends:** During the years ended June 30, 1999 and 1998, PLAN declared dividends to members of \$1,823,499 payable on July 1, 1999 and \$1,338,013 payable on July 1, 1998 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.

ABAG PLAN Corporation

Required Supplementary Information

Year 2000 Issue

June 30, 1999

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect PLAN's operation as early as fiscal year 1999.

The following information is not intended to provide assurance about PLAN's year 2000 compliance, but rather to describe the actions taken by PLAN to address the year 2000 issue.

PLAN's accounting and financial reporting is provided by the Association of Bay Area Governments (the Association).

The Association has completed implementing a new accounting system- Oracle Financial System (Version 10.7SC). The vendor has certified the system to be year 2000 compliant. Beginning July 1, 1999, all financial transactions and reporting are processed through the new Oracle system.

The Association has determined that the claims handling system used by PLAN is year 2000 compliant.

The Association has also completed year 2000 testing on hardware and other agency-supported software (spreadsheet, word processing, etc.). Needed replacements and upgrades have been made.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until year 2000 and thereafter. Management cannot assure that PLAN is or will be year 2000 ready or that PLAN's remediation efforts will be successful in whole or in part, or that parties with whom PLAN does business will be year 2000 ready.

ABAG PLAN Corporation

Required Supplementary Information Claims Development Information

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) 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
- (8) 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 distributions 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.

ABAG PLAN Corporation

Required Supplementary Information Ten-Year Claims Development Information General Liability Pool

Fiscal Years Ended June 30 (in Thousands of Dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
1 Earned premiums	4,156	4,184	4,438	4,515	\$ 4,665	4,465	5,222	5,151	\$ 5,269	\$ 4,980
2 Investment income allocation:										
FY 98-99	48	96	126	192	152	100	252	218	213	88
FY 97-98	49	114	144	217	160	114	273	245	231	
FY 96-97	83	139	151	217	157	178	237	219		
FY 95-96	109	157	161	241	169	187	241			
FY 94-95	166	166	189	254	231	206				
FY 93-94	222	188	237	243	221					
FY 92-93	373	368	360	356						
FY 91-92	329	335	309							
FY 90-91	308	312								
FY 89-90	287									
3 Net earned premiums and investment revenues	6,130	6,059	6,115	6,235	5,755	5,250	6,225	5,833	5,713	5,068
4 Unallocated expenses	752	745	973	752	824	1,065	1,085	1,140	1,410	1,514
5 Funds available for claims	5,378	5,314	5,142	5,483	4,931	4,185	5,140	4,693	4,303	3,554
6 Paid (cumulative) as of										
End of policy year	0	0	21	52	178	83	24	0	6	1,865
1 year later	0	18	25	90	368	434	44	145	230	
2 years later	328	258	201	294	509	532	71	524		
3 years later	442	1,330	1,214	447	1,545	1,997	277			
4 years later	844	1,449	1,573	611	1,684	2,114				
5 years later	1,445	1,482	1,574	687	1,678					
6 years later	2,079	1,495	1,576	708						
7 years later	2,174	1,503	1,583							
8 years later	2,394	1,518								
9 years later	2,255									
7 Estimated reserves for claims and claims adjustment expenses										
End of policy year	2,854	2,857	2,913	3,082	3,924	3,887	3,683	3,663	3,429	3,400
1 year later	1,839	1,876	2,397	3,108	3,204	3,192	3,391	3,495	3,106	
2 years later	1,503	1,704	2,219	2,636	2,696	2,515	2,962	2,671		
3 years later	1,143	748	1,168	1,590	1,678	878	1,989			
4 years later	526	907	893	773	1,462	678				
5 years later	434	810	640	350	1,164					
6 years later	42	454	414	212						
7 years later	390	260	272							
8 years later	115	177								
9 years later	203									
8 Reestimated incurred claims and claims adjustment expenses										
End of policy year	2,854	2,857	2,934	3,134	4,102	3,970	3,707	3,663	3,435	5,265
1 years later	1,839	1,894	2,422	3,198	3,572	3,626	3,432	3,640	3,336	
2 years later	1,831	1,962	2,420	2,930	3,205	3,047	3,033	3,195		
3 years later	1,585	2,078	2,382	2,037	3,223	2,875	2,266			
4 years later	1,370	2,356	2,466	1,384	3,146	2,792				
5 years later	1,879	2,292	2,214	1,037	2,842					
6 years later	2,121	1,949	1,900	920						
7 years later	2,564	1,763	1,855							
8 years later	2,509	1,695								
9 years later	2,458									
9 (Decrease) in estimated incurred claims and expense from end of policy year	(396)	(1,162)	(1,079)	(2,214)	(1,260)	(1,178)	(1,441)	(468)	(99)	
10 Member dividends										
Paid July, 1993	181									
Paid July, 1994	632	542	134							
Paid July, 1995	314	116	122	60						
Paid July, 1996	380	251	123	215	44					
Paid July, 1997	571	783	524	495	219	69				
Paid July, 1998	123	273	246	337	81	84	45			
Paid July, 1999	112	261	337	516	194	95	158	35		
11 Funds available after reestimated claims and member dividends	607	1,393	1,801	2,940	\$ 1,551	1,145	2,671	1,463	\$ 927	(1,711)

ABAG PLAN Corporation

Required Supplementary Information Seven-Year Claims Development Information Property Liability Pool

<i>Fiscal Years Ended June 30 (In Thousands of Dollars)</i>	1993	1994	1995	1996	1997	1998	1999
1. Earned premiums	\$ 410	\$ 431	\$ 453	\$ 495	\$ 515	\$ 528	\$ 529
2. Investment income allocation:							
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	457	472	487	513	537	544	538
4. Unallocated expenses	183	195	228	272	287	282	248
5. Funds available for claims	274	277	259	241	250	262	290
6. Paid (cumulative) as of:							
End of policy year	7	27	18	86	7	4	6
1 year later	50	32	23	124	36	9	
2 years later	50	33	23	124	36		
3 years later	50	30	23	124			
4 years later	50	30	23				
5 years later	50	30					
6 years later	50						
7. Estimated reserves for claims and claims adjustment expenses:							
End of policy year	40	31	21	150	150	150	150
1 year later	0	0	0	0	0	0	
2 years later	0	0	0	0	0		
3 years later	0	0	0	0			
4 years later	0	0	0				
5 years later	0	0					
6 years later	0						
8. Reestimated incurred claims and claims adjustment expenses:							
End of policy year	47	58	39	236	157	154	156
1 year later	50	32	23	124	36	9	
2 years later	50	33	23	124	36		
3 years later	50	30	23	124			
4 years later	50	30	23				
5 years later	50	30					
6 years later	50						
9. Increase (decrease) in estimated incurred claims and expense from end of policy year	3	(28)	(16)	(112)	(121)	(145)	
10. Member dividends:							
Paid	0	0	0	0	0	0	0
11. Funds available after reestimated claims and member dividends	\$ 224	\$ 247	\$ 236	\$ 117	\$ 214	\$ 253	\$ 134

ABAG PLAN Corporation

**Other Supplementary Information
Supporting Balance Sheet**

June 30, 1999

	General Liability Fund	Property Liability Fund	Adminis- tration Fund	Total
Assets				
Cash and Cash Equivalents	\$ 2,625,331	\$ 1,574,510	\$ 244,649	\$ 4,444,490
Investments, at Fair Value	24,972,688			24,972,688
Accounts Receivable	669,527			669,527
Equipment, Net	41,392			41,392
	\$ 28,308,938	\$ 1,574,510	\$ 244,649	\$ 30,128,097

Liabilities and Retained Earnings

Liabilities:

Reserves for claims and claim adjustment expenses	\$ 13,949,809	\$ 150,000		\$ 14,099,809
Member dividends payable	1,823,499			1,823,499
Payable to Association of Bay Area Governments	2,168		\$ 146,380	148,548
Other payables	176,414			176,414
Total Liabilities	15,951,890	150,000	146,380	16,248,270
Retained Earnings	12,357,048	1,424,510	98,269	13,879,827
	\$ 28,308,938	\$ 1,574,510	\$ 244,649	\$ 30,128,097

ABAG PLAN Corporation

Other Supplementary Information

Supporting Statement of Revenues, Expenses and Retained Earnings

Year Ended June 30, 1999

	General Liability Fund	Property Liability Fund	Adminstration Fund	Total
Revenues:				
Premiums from members:				
Administrative			\$ 1,299,989	\$ 1,299,989
General liability insurance	\$ 3,680,452			3,680,452
Property insurance		\$ 529,434		529,434
Investment income	1,085,384	50,000	20,000	1,155,384
Total revenues	4,765,836	579,434	1,319,989	6,665,259
Expenses:				
Provision for claims and claim adjustment expenses	3,184,358	10,915		3,195,273
Property insurance coverage	11,196	247,845		259,041
Depreciation	102,696			102,696
Management and administrative	74,205		1,240,376	1,314,581
Contract services			85,177	85,177
Total expenses	3,372,455	258,760	1,325,553	4,956,768
Net Income (Loss)	1,393,381	320,674	(5,564)	1,708,491
Retained Earnings -				
Beginning of year	12,787,166	1,103,836	103,833	13,994,835
Member Dividends Declared	(1,823,499)			(1,823,499)
Retained Earnings - End of year	\$ 12,357,048	\$ 1,424,510	\$ 98,269	\$ 13,879,827

ABAG PLAN Corporation

Other Supplementary Information Supporting Statement of Cash Flows

Year Ended June 30, 1999

	General Liability Fund	Property Liability Fund	Administration Fund	Total
Operating Activities:				
Net income (Loss)	\$ 1,393,381	\$ 320,674	\$ (5,564)	\$ 1,708,491
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	102,696			102,696
Net decrease in fair value of investments	591,507			591,507
Changes in assets and liabilities:				
Accounts receivable	(192,884)			(192,884)
Reserves for claims and claim adjustment expenses	436,986			436,986
Payable to Association of Bay Area Governments	(2,613)		24,611	21,998
Other payables	176,414			176,414
Net cash provided by operations	2,505,487	320,674	19,047	2,845,208
Noncapital Financing Activity:				
Dividends paid to members	(1,338,013)			(1,338,013)
Investing Activities:				
Purchases of investments	(16,008,594)			(16,008,594)
Proceeds from sale of investments	12,793,485			12,793,485
Net cash used in investing activities	(3,215,109)			(3,215,109)
Net (Decrease) Increase in Cash and Cash Equivalents	(2,047,635)	320,674	19,047	(1,707,914)
Cash and Cash Equivalents, Beginning of year	4,672,966	1,253,836	225,602	6,152,404
Cash and Cash Equivalents, End of year	\$ 2,625,331	\$ 1,574,510	\$ 244,649	\$ 4,444,490