ABAG
COMP SHARED RISK POOL

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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ABAG COMP SHARED RISK POOL
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
ABAG Comp Shared Risk Pool
Oakland, California

We have audited the basic financial statements of each major fund of the ABAG Comp Shared Risk Pool (SHARP) for the year ended June 30, 2008, which collectively comprise the SHARP's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the SHARP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the SHARP at June 30, 2008, and the respective results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis and the Required Supplemental Information are supplementary information required by the Government Accounting Standards Board, but are not part of the basic financial statements. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

Maze + Associates

September 26, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The ABAG Comp Shared Risk Pool (SHAARP) has issued the financial reports for fiscal year ending June 30, 2008 based on the provisions of the Government Accounting Standards Board Statement 34, "Basic Financial Statement and Management's Discussion & Analysis—for State and Local Governments," (GASB 34). One of the most significant requirements of GASB 34 is for government entities to prepare financial reports using the full accrual basis of accounting. Since SHARP has always been using this method of accounting, changes in its financial reports are primarily in the format of presentation.

GASB 34 requires SHARP to provide an overview of financial activities in the fiscal year and it should be read in conjunction with the accompanying financial statements.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Basic Financial Statements required under GASB 34 include:

(1) Statement of Net Assets—provides information about the financial position of SHARP, including assets, liabilities and net assets. The difference between this statement and the traditional Balance Sheet is that net assets (fund equity) are shown as the difference between total assets and total liabilities.

(2) Statement of Activities—presents revenues, expenses and changes in net assets for the fiscal year. It differs with the traditional Statement of Revenues and Expenses in that revenues and expenses directly attributable to operating programs are presented separately from investment income and financing costs.

(3) Statement of Cash Flows—provides itemized categories of cash flows. This statement differs from the traditional Statement of Cash Flows in that it presents itemized categories of cash in flows and out flows instead of computing the net cash flows from operation by backing out non-cash revenues and expenses from net operating income. In addition, cash flows related to investments and financing activities are presented separately.

FISCAL YEAR 2008 FINANCIAL HIGHLIGHTS

SHARP's financial highlights for the fiscal year include the following:

- Total assets at June 30, 2008 were $3.1 million. At June 30, 2007, total assets were $2.7 million.
- Total revenues, including program and general revenues, were $726 thousand in FY 2008, while total expenses were $221 thousand.
- Total net assets increased to $2.7 million at June 30, 2008 from $2.2 million at June 30, 2007.
- Trust Fund program operating revenues were $491 thousand in FY 2008, while Administration operating revenues were $103 thousand.
- Trust Fund program operating expenses were $149 thousand, while Administration operating expenses were $72 thousand.
- General revenues, comprising investment income, totaled $132 thousand for FY 2008.
- Trust Fund net assets were $2.6 million at June 30, 2008, while Administration net assets were $103 thousand at that date.

CLAIMS SETTLEMENT AND RESERVES FOR CLAIMS

Incurred claims continued to be very favorable in FY 2008. Claims paid totaled $38 thousand during the year, comparing to $17 thousand for FY 2007. The FY 2008 claims payments represent 31.4% of budget. With continued favorable losses, our actuary lowered claim reserves from roughly $468 thousand on June 30, 2007 to $401 thousand as of June 30, 2008.

INVESTMENT ACTIVITIES

As of June 30, 2008, total book value (include Local Agency Investment Fund) of the portfolio was $2.4 million, comprising investments in LAIF (31%), and federal agency (69%). Total market value of the investments was $2.5 million as of that date. The investment portfolio earned $129 thousand in interest, representing an average yield of 4.2% for FY 2008. In FY 2009, we will continue to manage SHARP's investments in accordance with approved investment policy and strategies.

MAJOR PROGRAM INITIATIVES AND ECONOMIC OUTLOOK

As a result of the workers' comp reforms in California, and the economic downturn over FY 2008, insurance premiums in the workers' comp market have continued to be relatively soft. Although buying an insurance policy is not the same as participation in a pool, the current workers' comp market might have reduced somewhat the competitive edge of SHARP. In contrast with an insurance policy, SHARP offers its members reliable coverage, stable premiums and ownership interest.

One piece of workers' comp reform legislation—Utilization Review (UR) has continued to help SHARP in controlling claim costs over during FY 2008. As discussed above, claims were lower than expected in FY 2008, enabling a reduction in claim reserves at year-end.

With claim costs under control, SHARP's equity position has been improving over the past several years. At its last meeting, the Board of Directors approved an increase in first dollar coverage from $150,000 to $250,000 for pool members effective July 1, 2008. In addition, an on-site loss prevention training program with a budget of $10,000 per member was approved for FY 2009. Management believes that SHARP is in the position to offer further coverage enhancements and loss prevention programs. We will present recommendations on new initiatives at the next Board of Directors meeting. Looking forward, SHARP will continue to be a viable option for local government entities to obtain workers' comp coverage that is reliable and economical over the long run. We will continue to look for opportunities to offer SHARP to Bay Area government jurisdictions.

CONTACTING SHARP'S FINANCIAL MANAGEMENT

The Basic Financial Statements are intended to provide SHARP members, citizens, creditors and other interested parties a general financial overview of the SHARP's operation. Questions about these statements should be directed to ABAG Comp Shared Risk Pool, 101 Eighth Street, Oakland, CA 94607.

ABAG COMP SHARED RISK POOL
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Administration Fund	Trust Fund	Total
ASSETS			
Cash and Cash Equivalents (Note 2)	$117,522	$1,233,438	$1,350,960
Investments, at Fair Value (Note 2)		1,704,578	1,704,578
Deposits with Claims Administrator		20,000	20,000
Receivables:			
Accounts		15,501	15,501
Interest		29,938	29,938
Total Assets	117,522	3,003,455	3,120,977
LIABILITIES			
Current liabilities:			
Accounts Payable	14,760	40,005	54,765
Noncurrent liabilities:			
Reserve for Claims and Claim Settlement Expenses (Note 3)		360,000	360,000
Reserves for Unallocated Loss Adjustment Expenses (Note 3)		41,000	41,000
Total Noncurrent Liabilities		401,000	401,000
Total Liabilities	14,760	441,005	455,765
NET ASSETS			
Unrestricted	102,762	2,562,450	2,665,212
Total Net Assets	$102,762	$2,562,450	$2,665,212

See accompanying notes to basic financial statements

ABAG COMP SHARED RISK POOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Administration Fund	Trust Fund	Total
PROGRAM OPERATING REVENUES			
Premiums from members:			
Administration	$102,245		$102,245
Risk		$490,545	490,545
Other Income	1,200		1,200
Total Program Operating Revenues	103,445	490,545	593,990
PROGRAM OPERATING EXPENSES			
Provision for Claims and Claim Settlement Expenses (Note 3)		37,653	37,653
Provision for Unallocated Loss Adjustment Expenses		(67,000)	(67,000)
Excess Insurance Coverage		178,347	178,347
Management and Administration	55,411		55,411
Reserves for Unallocated Loss Adjustment Expenses	16,800		16,800
Total Program Operating Expenses	72,211	149,000	221,211
Net Program Operating Income	31,234	341,545	372,779
GENERAL REVENUE			
Investment Income		132,128	132,128
CHANGE IN NET ASSETS	31,234	473,673	504,907
BEGINNING NET ASSETS	71,528	2,088,777	2,160,305
ENDING NET ASSETS	$102,762	$2,562,450	$2,665,212

See accompanying notes to basic financial statements

ABAG COMP SHARED RISK POOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Administration Fund	Trust Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members	$102,245	$510,621	$612,866
Payments for insurance and contract services	(18,192)	(178,347)	(196,539)
Payments to ABAG	(55,411)		(55,411)
Claims, and claims related expense paid		(58,346)	(58,346)
Other receipts	1,200		1,200
Net cash provided by operating activities	29,842	273,928	303,770
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Investments		496,109	496,109
Investment income		139,790	139,790
Cash Flows from Investing Activities		635,899	635,899
Net increase (decrease) in cash and cash equivalents	29,842	909,827	939,669
Cash and Cash Equivalents at Beginning of Year	87,680	323,611	411,291
Cash and Cash Equivalents at End of Year	$117,522	$1,233,438	$1,350,960
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income	$31,234	$341,545	$372,779
Adjustments to reconcile operating income to cash flows from operating activities:			
Change in assets and liabilities:			
Accounts receivable		20,076	20,076
Accounts payable	(1,392)	(20,693)	(22,085)
Reserves for losses		(67,000)	(67,000)
Net cash provided by operating activities	$29,842	$273,928	$303,770

See accompanying notes to financial statements

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ABAG COMP SHARED RISK POOL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1- DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description

The ABAG Comp Shared Risk Pool (SHARP) is a joint powers authority created by the Association of Bay Area Governments (ABAG) for certain San Francisco Bay Area public entities to provide a pooled approach for workers' compensation coverage, as allowed under the California Government Code. SHARP operates a joint program under which members share risks, develop risk management programs, jointly purchase excess insurance and share administrative costs. SHARP sets and collects premiums, pays claims and administrative expenses and invests excess cash. SHARP is governed by a Board of Directors comprising officials appointed by each member entity.

SHARP has contracted separately with ABAG, to act as its trustee, providing promotional, administrative, accounting and clerical support. SHARP paid ABAG $47,742 for these services and $24,469 for contract services in the fiscal year ended June 30, 2008.

The members of SHARP must be members of ABAG or local government entities in the Bay Area, but not all ABAG members are members of SHARP. For that reason, SHARP is not a component unit of ABAG.

B. Basis of Presentation

SHARP's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Standards require that the financial statements described below be presented.

The Statement of Net Assets and the Statement of Activities display overall financial activities of SHARP. Eliminations have been made to minimize the double counting of internal activities. These statements display the *business-type activities* of SHARP that are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of SHARP's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

NOTE 1- DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenses equal to at least ten percent of their fund-type total and five percent of the grand total.

SHARP reported all its enterprise funds as major funds in the accompanying financial statements:

Administration Fund – this fund accounts for revenues and expenses for management and administration activities of SHARP.

Trust Fund – this fund accounts for revenues and expenses for workers' compensation for its participating members.

D. Basis of Accounting

SHARP accounts for all transactions in two enterprise funds, which are separate sets of self-balancing accounts that comprise assets, liabilities, net assets, revenues and expenses. All transactions are accounted for on the accrual basis, which means that expenses are recorded when the liability is incurred and revenues are recorded when earned, rather than when cash changes hands.

Since SHARP operates proprietary activities, applicable statements and interpretations of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 may apply unless they conflict with or contradict GASB pronouncements. SHARP has elected not to apply FASB pronouncements issued after November 30, 1989.

Premiums from Members - Each member is assessed a premium which is intended to cover its share of SHARP's claims, operating costs and claim settlement expenses. Premiums are based on an actuarially determined estimate of the probable losses and expenses attributable to a policy year. Additional cash contributions may be assessed on the basis of adverse loss experience. Refunds to members may be made if funds are determined to be in excess of the desired confidence level. All premiums are recognized as revenues when earned, based on the period covered by the premium.

Losses and Claims - SHARP establishes claim liabilities based on estimates of the ultimate cost of claims (including future claim settlement expenses) that have been reported but not settled, and claims that have been incurred but not reported (IBNR). Because actual claim costs can be affected by such complex factors as inflation, changes in legal costs and damage awards, claim liabilities are recommitted periodically using a variety of actuarial and statistical techniques to produce current estimates. The calculation of estimated future claim costs is based on actual historical data that reflect past inflation and other factors that are considered to be appropriate modifiers of past experience. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

SHARP uses excess insurance coverage to reduce its members' exposure to losses in excess of the pool's $250,000 limit. Excess insurance coverage permits recovery of a portion of losses from providers, although it does not discharge the primary liability of SHARP as direct insurer of the risks above this level. SHARP does not report excess insurance coverage risks as liabilities unless it is probable that those risks will not be covered by excess insurance.

NOTE 1- DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Sharing – SHARP is setup as a risk sharing pool. However, thus far in the history of SHARP, no member's losses have exceeded its total premiums. SHARP provides its members first dollar coverage up to $250,000. Losses between $250,000 and $5 million are covered by SHARP's excess insurance with Local Agency Workers Compensation Excess JPA (LAWCX). LAWCX has reinsurance for losses between $2 million and $250 million.

Each year, SHARP performs an actuarial study to evaluate its financial risk position, defined as contributions less expenses, losses paid, and claim reserves. Contributions from members are assessed based on this evaluation.

LAWCX is a separate risk pool governed by a board consisting of representatives from member municipalities. The board controls the operations of LAWCX, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

SHARP's contribution to LAWCX equals the ratio of SHARP's total payroll to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. LAWCX's financial statements may be obtained from Bickmore & Associates, 6371 Auburn Boulevard, Citrus Heights, CA 95621.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments consist of the following as of June 30, 2008:

	Cash and Cash Equivalents	Investments	Total
Cash in Banks	$604,835		$604,835
Local Agency Investment Fund	746,125		746,125
U.S. Agency Obligations		$1,704,578	1,704,578
Total Cash and Investments	$1,350,960	$1,704,578	$3,055,538

NOTE 2 - CASH AND INVESTMENTS (Continued)

A. *Authorized Investments by SHARP*

SHARP's Investment Policy and the California Government Code allow SHARP to invest in the following, provided the credit ratings of the issuers are acceptable to SHARP.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	7 years	N/A	None	None
U.S. Agency Securities (A)	7 years	N/A	None, (A)	None
Bankers Acceptances	180 days	A1/P1	25%	10%
Commercial Paper	270 days	A1/P1/F1	10%	10%
Medium Term Notes	5 years	AA	10%	10%
Negotiable Certificates of Deposit	2 years	AA/A-1	30%	10%
Time Certificates of Deposit	1 years	CRA - Satisfactory	10%	10%
Money Market Mutual Funds	N/A	AAA(B)	10%	None
California Local Agency Investment Fund	N/A	N/A	None	None

(A) Maximum limit on mortgage-backed securities is 20% of the investment portfolio.

(B) Minimum 5 year history and $500 million under management.

B. *Interest Rate Risk*

Interest rate risk is the potential adverse effect resulting from changes in market interest rates on the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates.

NOTE 2 - CASH AND INVESTMENTS (Continued)

The sensitivity of the fair values of SHARP's investments to market interest rate fluctuations can be analyzed by the following distribution of SHARP's cash and investments by maturity:

Cash and Investments	12 Months or less	25 to 60 Months	More than 60 Months	Total
U.S. Agency Obligations:				
Federal Farm Credit Bank			$304,908	$304,908
Federal Home Loan Bank	$401,938	$301,744	695,988	1,399,670
Subtotal Investments	401,938	301,744	1,000,896	1,704,578
Cash and Cash Equivalents:				
Cash in Banks	604,835			604,835
Local Agency Investment Fund	746,125			746,125
Subtotal Cash and Cash Equivalents	1,350,960			1,350,960
Total Cash and Investments	$1,752,898	$301,744	$1,000,896	$3,055,538

As of year end, the weighted average maturity of the investments in the LAIF investment pool is approximately 212 days.

C. *Credit Risk*

Credit risk is the risk of failure of an issuer of an investment in fulfilling its obligation to the holder of the investment. U.S. Agency Obligation had a rating by Moody's as of June 30, 2008 of Aaa.

Concentration of Credit Risk

SHARP's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total entity-wide investments are as follows at June 30, 2008:

Issuer	Investment Type	Amount
Bank	Federal Agency Securities	$304,908
Federal Home Loan	Federal Agency Securities	1,399,670

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, SHARP may not be able to recover its deposits or collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 105% to 150% of the public agency's deposit. All of SHARP's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in SHARP's name.

In addition, the custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, SHARP may not be able to recover the value of its investment or collateral securities that are in the possession of another party. SHARP's Investment Policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by SHARP, be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian.

E. Local Agency Investment Fund

SHARP is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. SHARP reports its investments in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

NOTE 3 - RESERVES FOR CLAIMS AND CLAIMS SETTLEMENT EXPENSES

SHARP utilizes an independent actuary in establishing its liability for claims and claims settlement expenses, as described in Note 1. Reserves for claims and claim settlement expenses changed as follows:

	2008	2007
Reserves for claims and claim settlement expenses, beginning of year	$468,000	$695,000
Provision for claims and claim settlement expenses attributable to insured events of:		
Current year	151,000	183,000
Prior years	(180,347)	(392,794)
Total incurred claims and claim settlement expenses	(29,347)	(209,794)
Less settlement of claims and claim settlement expenses attributable to insured events of current and prior fiscal years:		
Claims paid -- current year	(34,064)	(3,383)
Claims paid -- prior years	(3,589)	(13,823)
Total payments	(37,653)	(17,206)
Reserves for claims and claim settlement expenses, end of year	$401,000	$468,000
Components of reserves for claims and claim settlement expenses:		
Reserves for claims and claim settlement expenses	$360,000	$418,000
Reserves for unallocated loss adjustment expenses	41,000	50,000
Totals	$401,000	$468,000

ABAG COMP SHARED RISK POOL
SUPPLEMENTARY INFORMATION (UNAUDITED)
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
YEARS ENDED JUNE 30

(dollars in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
(1) Earned premiums	$927	$1,039	$1,746	$513	$579	$720	$658	$699	$587	$593
Excess insurance premiums	26	21	24	49	76	109	154	184	168	178
Net Earned	901	1,018	1,722	464	503	611	504	515	419	415
(2) Investment income allocation:										
FY 07-08										
FY 06-07	7	9	19	4	5	6	3	5	4	4
FY 05-06	6	8	17	4	5	6	2	5	4	
FY 04-05	4	6	12	3	3	4	2	3		
FY 03-04	2	3	6	2	2	2	1			
FY 02-03	1	2	3	1	1	1				
FY 01-02	2	2	4	1	1					
FY 00-01	1	8	18	6						
FY 99-00	7	37	73							
FY 98-99	22	49								
FY 97-98	42									
(3) Net earned premiums and investment revenues	995	1,142	1,874	485	520	630	512	528	427	419
(4) Unallocated expenses	169	142	163	47	60	73	238	89	87	72
(5) Funds available for claims	826	1,000	1,711	438	460	557	274	439	340	347
(6) Paid (cumulative) as of:										
End of program year	101	101	169	5	13	15	22	7	3	34
One year later	427	221	171	25	23	41	40	8	4	
Two years later	663	310	1	42	29	43	47	10		
Three years later	668	126	1	55	31	43	47			
Four years later	141	132	1	70	31	43				
Five years later	147	132	1	72	31					
Six years later	158	147	1	72						
Seven years later	158	150	1							
Eight years later	158	151								
Nine years later	158									
(7) Estimated reserves for claims and claims adjustment expenses										
End of policy year	574	730	829	378	284	255	234	197	183	151
One year later	458	471	432	145	177	177	157	106	76	
Two years later	425	112	56	89	117	111	95	48		
Three years later	189	110	27	71	78		50			
Four years later	68	125	17	49						
Five years later	40	45								
Six years later	35	41								
Seven years later		34								
Eight years later		30								
Nine years later										
(8) Re-estimated incurred claims and claims adjustment expenses:										
End of policy year	675	831	998	383	297	270	256	204	186	185
One year later	885	692	603	170	200	218	197	114	80	
Two years later	1,088	422	57	131	146	154	142	58		
Three years later	857	236	28	126	109	43	97			
Four years later	209	257	18	119	31	43				
Five years later	187	177	1	72	31					
Six years later	193	188	1	72						
Seven years later	158	184	1							
Eight years later	158	181								
Nine years later	158									
(9) Change in estimated net incurred claims from end of policy year	(517)	(647)	(997)	(311)	(266)	(227)	(114)	(90)		(185)
(10) Net Asset Distribution										
Paid 7/01	82	83	154							
Paid 7/99					1					
(11) Total Distributed	82	83	154		1					
(12) Departed Members Paid										
Paid Claims	210	431	884	44						
Claims Reserve	370	190	362	92						
(13) Funds available after claims and distributions	6	115	310	230	428	514	177	381	260	162

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The preceding table illustrates how SHARP's earned revenue (net of excess insurance) and investment income compare to related costs of loss and other expenses assumed by SHARP as of the end of each of the past ten years. The rows of the table are defined as follows:

1) This line shows the total of each fiscal year's gross earned premium revenue, premium revenue ceded to excess insurers and net earned premium revenue.

2) This line shows investment income allocation to policy years from investment income earned during each of the past ten fiscal years.

3) This line shows the total of net earned premiums and investment revenues.

4) This line shows each fiscal year's other operating costs of SHARP not allocable to individual claims.

5) This line shows the net funds available for claims, after payments for excess insurance and unallocated expenses.

6) This section of ten rows shows the cumulative net claims paid at the end of successive years for each policy year.

7) This section of ten rows shows the estimated outstanding reserves as of the end of the current year for each policy year. This annual reestimation results from new information received on reported claims, reevaluation of existing information – on reported claims, as well as estimates for new claims not previously reported.

8) This section of ten rows is the total of (6) and (7) and shows how each policy year's net incurred claims has changed as of the end of successive years.

9) This line compares the latest reestimated net incurred claims amount to the amount for each policy year originally established (first row of line 8) and shows the difference between the current and original amounts. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

10) This line shows the allocation of net asset distributions to policy years paid by the SHARP during each of the 10 most recent fiscal years.

11) This line shows the total of line 10 by policy year.

12) This line shows the adjustments for Paid Claims (Line 6) and Claims Reserves (Line 7) due to departed members as of their departure date.

13) This line shows the funds available after reestimated claims and distributions.