

**AUTHORITY FOR CALIFORNIA CITIES
EXCESS LIABILITY**

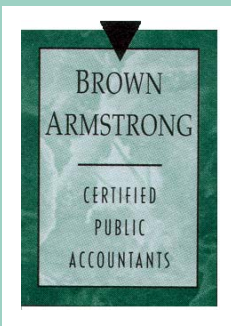
**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2006 AND 2005

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
YEARS ENDED JUNE 30, 2006 AND 2005**

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To the Board of Directors
Authority for California Cities
Excess Liability (ACCEL)
Bakersfield, California

We have audited the accompanying statement of net assets of the Authority for California Cities Excess Liability (ACCEL) as of June 30, 2006 and 2005, and the related statement of revenues, expenses, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of ACCEL's management, our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the State Controller's Minimum Audit Requirements for California Special Districts and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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, the financial statements referred to above present fairly, in all material respects, the financial position of ACCEL as of June 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

In accordance with Government Auditing Standards, we have also issued our report dated September 8, 2006, on our consideration of ACCEL's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic 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 express no opinion on it.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "S.A. Paulden", is written over the printed name of the firm.

Bakersfield, California
September 8, 2006



**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

The following report reflects the financial condition of the Authority for California Cities Excess Liability for the fiscal year ending June 30, 2006. It is provided in order to enhance the information in the financial audit, and should be reviewed in concert with that report.

An Overview

The Authority for California Cities Excess Liability (ACCEL) was founded in 1986 to provide medium-sized California cities self-funding for catastrophic losses. There are currently 12 members. ACCEL operates a liability risk pooling program which is subject to an annual independent financial audit and biennial actuarial study. ACCEL also allows optional participation in an excess workers' compensation program that involves no risk pooling. For this excess workers' compensation program, ACCEL only serves as conduit for group access.

ACCEL is governed by a twelve member Board of Directors. Each member agency appoints a representative to the Board of Directors. The Executive Committee appoints members to its three standing committees (Underwriting, Finance and Claims). The Underwriting Committee is chaired by the Vice-President, the Finance Committee is chaired by the Treasurer and the appointed members of the Claims Committee elects their Chair. Ad hoc Committees may be appointed by the President.

For the 2005-2006 fiscal year, ACCEL charged its members \$0.60 cents per one-hundred dollars of payroll for the self-funded \$4,000,000 excess of a \$1,000,000 member self insured retention. Members also purchased commercial excess insurance limits of \$30,000,000 excess of \$4,000,000. The Cities of Santa Monica, Mountain View and Anaheim purchased additional optional limits of \$10,000,000 excess of \$34,000,000. Members were also charged Administrative costs totaling \$360,000.

ACCEL's day-to-day operations are administered by Alliant Insurance Services, Inc. (Alliant) contracted by ACCEL to provide accounting, risk consulting, insurance brokerage and program administration services. Alliant's responsibility also includes the administration of policies and procedures as set forth by the ACCEL Joint Powers Authority (JPA) Agreement, Bylaws, and by the Board of Directors.

Description of Basic Financial Statements

Individual program fund accounting is maintained for ACCEL's Liability Program and is provided as supplemental information to the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. The Statement of Net Assets provides information about the combined financial position of ACCEL as of June 30, 2006 and 2005. The Statement of Revenues, Expenses and Changes in Net Assets reports the operations of the organization for the years ended June 30, 2006 and 2005. The Statement of Cash Flows is presented on the direct method to reflect the operations of ACCEL for the years ending June 30, 2006 and 2005 based strictly on the inflow and outflow of cash.

The notes to the financial statements provide information on ACCEL's accounting policies such as discounting of claims reserves, development of estimates of incurred but not reported liabilities and the provision for unallocated loss adjustment expenses. Effective June 1, 2006, ACCEL moved their investment portfolio from the City of Monterey to Chandler Asset Management for investment management services. Other than the change in Investment Managers, there were no significant accounting changes during the fiscal year.



Brown Armstrong, Certified Public Accountants, has performed an independent audit examination of our financial statements in accordance with generally accepted auditing standards. The firm's opinion is included in the Financial Section of this report. This report also includes information from ACCEL's previous audit at June 30, 2005.

Analysis of Overall Financial Position and Results of Operations

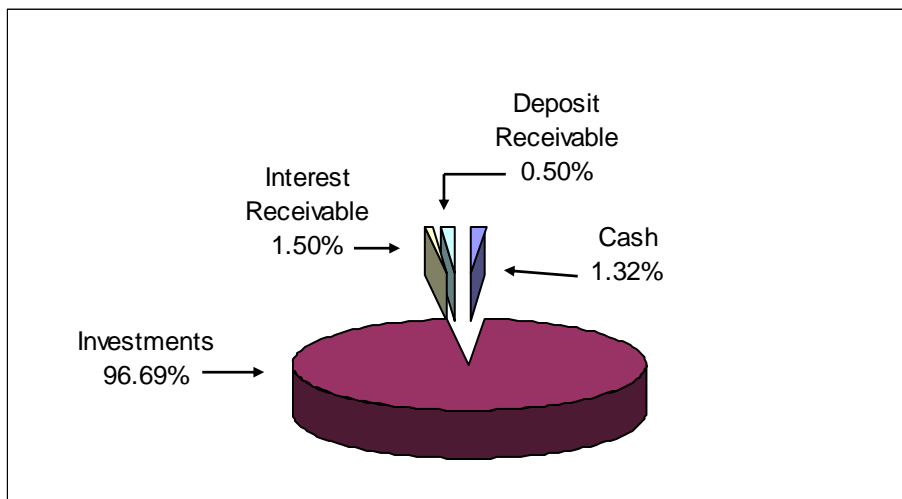
Assets of ACCEL increased 9.39% from June 30, 2005 to June 30, 2006. This was due to an increase in the Authority's investments and interest receivable.

Comparative Analysis of Fiscal Year 2004/2005 and Fiscal Year 2005/2006

Financial Summary

ASSETS	2005-2006	2004-2005	Change	%
Cash	\$ 309,198	\$ 329,715	\$ (20,517)	-6.22%
Investments	\$ 22,642,520	\$ 20,504,204	\$ 2,138,316	10.43%
Deposit Receivable	\$ 117,011	\$ 95,893	\$ 21,118	22.02%
Interest Receivable	\$ 350,302	\$ 290,652	\$ (59,650)	20.52%
TOTAL ASSETS	\$ 23,419,031	\$ 21,220,464	\$ 2,198,567	9.39%
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 41,963	\$ 25,641	\$ 16,322	63.66%
Members payable	\$ 399,658	\$ 54,697	\$ (344,961)	630.68%
Unpaid claims liability	\$ 9,506,000	\$ 3,109,000	\$ (6,397,000)	205.76%
Retrospectively rated refunds liability	\$ 13,374,872	\$ 17,964,495	\$ 4,589,623	-25.55%
Total Liabilities	\$ 23,322,493	\$ 21,153,833	\$ (2,168,660)	10.25%
Net Assets	\$ 96,538	\$ 66,631	\$ (29,907)	44.88%
TOTAL LIABILITIES AND NET ASSETS	\$ 23,419,031	\$ 21,220,464	\$ (2,198,567)	10.36%

Total Assets by Type at June 30, 2006



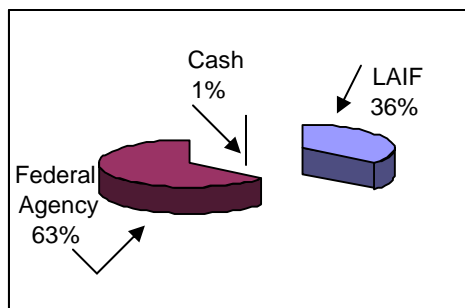


Investment Income

ACCEL has retained an investment advisor, Chandler Asset Management, to assist in managing long term investment. All investments are made with reference to ACCEL's Investment Policy as adopted by the Board of Directors. Investment revenues are used to offset program costs wherever possible and reduce the required member contributions. The overall investments of the pool increased from \$20,504,204 to \$22,642,520 (a 10% increase) in fiscal year 2005-2006.

ACCEL invests those funds not immediately necessary for the payment of claims in order to optimize the rate of return. Funds are invested in a manner that will protect principal, allow for cash flow needs and optimize returns, and are in conformity with all federal, state and local statutes governing such investment of public funds. Those assets needed for current operations are maintained in the Local Agency Investment Fund (LAIF) in Sacramento, which is administered by the State Treasurer's Office. The ability of these funds to earn investment income has a direct effect on program rates, as this income is used to discount future liabilities. If investments fall short of projections, additional funding may be required to meet actuarial estimates.

Portfolio Summary at June 30, 2006



Revenues and Expenses

Pool operating revenues consist almost entirely of contributions received from members. These revenues remained fairly stable from FY 2004/2005 to FY 2005/2006. Total revenues of \$6,714,600 and total expenses of \$6,684,693 resulted in a net income/(loss) of (\$39,907).

Claim Payments and Reserves

ACCEL processes claims and pays for covered losses experienced by its members. All excess claims are administered by Carl Warren & Company (Glendale Office). Between the time a claim is reported and the time it is resolved, reserves are established for the estimated amount that will have to be paid at some future date to settle the loss. The reserves are also established for claims that have occurred, but are not yet known to ACCEL. This is known as IBNR (incurred but not or under reported) reserves and recognizes losses in the current year for claims that will not be reported until future periods. This process allows a matching of current year contributions with estimated total losses that will be incurred as the result of current fiscal year coverages.

Excess Liability Insurance Expense

ACCEL operates in an environment that is partially dependent on the insurance market. Historically, the insurance market has operated in 3 to 7 year cycles in which rates will swing from the very high to the very low and back again. From 1987 to 2002, the Insurance marketplace was relatively competitive for municipal liability. The 2002 renewals began a hard market cycle that resulted in the ACCEL Board electing to retain more risk where the price of insurance exceeded the actuarial cost of self insurance. The renewals for the 2005-2006 were difficult due to decreased capacity, increased exposure to terrorism, poor investment results and a general concern on the part of insurers, resulting in rate increases and limitations to coverage. The 2005-2006 excess liability premiums increased 1.64% from the prior year and ACCEL increased its pool layer retention from \$2,000,000 excess of \$1,000,000 to \$4,000,000 excess of \$1,000,000.



Administrative Expenses

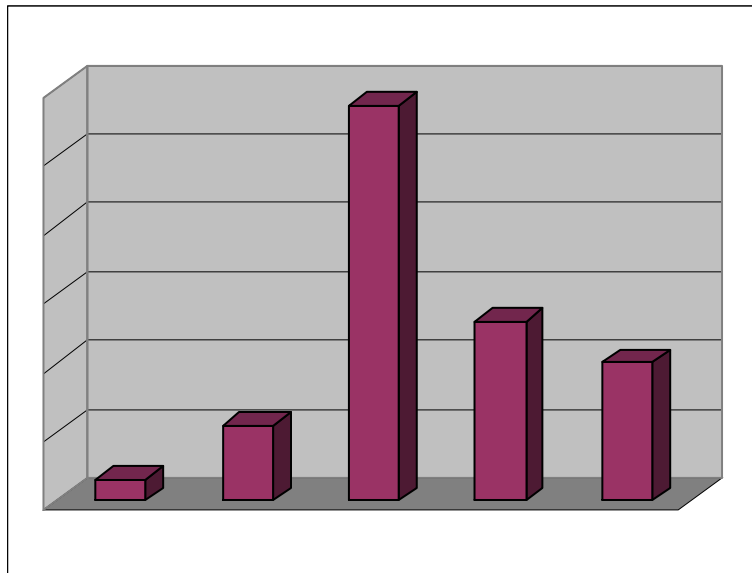
For the 2005-2006 fiscal year, ACCEL budgeted \$360,000 for general administrative expenses. The administrative expenses are shared equally among members. The administrative expenses include program administration, claims administration, meeting expenses, memberships, technology services and audit services.

Retrospective Rating Plan

The share of risk that Members assume is based on both their size and their future losses. Calculations are made retrospectively, and based on covered losses that occurred during the program year and the next three years. The Retrospective Rating Plan (RRP) is the foundation piece of ACCEL's Financial Plan Policy & Procedure. The RRP is used to determine if any assessments are needed or if return funds are available.

At the end of each Program Year plus five subsequent years, ACCEL calculates each Member's share of pooled costs. The cost allocation calculation for each Program Year is recalculated annually until the Program Year is administratively closed. Program Years 1 through 5 (86/87–90/91) are administratively closed. For Fiscal Year ending June 30, 2006, ACCEL members withdrew \$301,789 and no members were assessed. Overall, members withdrew 265% less than the prior year.

Five Year Historical Retrospective Refunds



2006	2005	2004	2003	2002
\$302	\$1,100	\$5,742	\$2,602	\$2,005
<i>(These numbers in Thousands)</i>				



Comparative Analysis of Fiscal Year 2004/2005 and Fiscal Year 2005/2006

Revenues and Expenses

REVENUES	2005-2006	2004-2005	Change	%
Premiums earned	\$ 5,721,090	\$ 5,628,608	\$ 92,482	1.64%
Retro assessment	\$ -	\$ 444,066	\$ (444,066)	100.00%
Investment income	\$ 634,010	\$ 603,778	\$ 30,232	5.01%
Administrative fees	\$ 359,500	\$ 352,415	\$ 7,085	2.01%
TOTAL REVENUES	\$ 6,714,600	\$ 7,028,867	\$ (314,267)	-4.47%
EXPENSES				
Claims*	\$ 1,564,876	\$ 44,413	\$ 1,520,463	3423.46%
Excess liability insurance	\$ 2,669,078	\$ 3,074,971	\$ (405,893)	-13.20%
Unpaid claims liability adjustment	\$ 6,397,000	\$ 749,727	\$ 5,647,273	753.24%
Retro rated refunds paid	\$ 301,789	\$ 1,100,000	\$ (798,211)	-72.56%
Retro rated refunds liability adjustment	\$ (4,589,623)	\$ 1,703,923	\$ (6,293,546)	-369.36%
Administrative refunds paid	\$ (2,363)	\$ 74,023	\$ (76,386)	-103.19%
Management consulting	\$ 160,000	\$ 160,000	\$ -	0.00%
Claims administration	\$ 73,558	\$ 63,022	\$ 10,536	16.72%
Professional support services	\$ 90,705	\$ 84,489	\$ 6,216	7.36%
Other general and admin expenses	\$ 19,673	\$ 23,539	\$ (3,866)	-16.42%
Total Expenses	\$ 6,684,693	\$ 7,078,107	\$ (393,414)	-5.56%
Net Income (Loss)	\$ 29,907	\$ (49,240)	\$ 79,147	-160.74%
Net Assets, Beginning of Year	\$ 66,631	\$ 115,871	\$ (49,240)	-42.50%
Net Assets, End of Year	\$ 96,538	\$ 66,631	\$ 29,907	44.88%

* Claims increased significantly due to two large claims payouts. This made an impact on the actuarially determined Unpaid Claims Liability which resulted in a decrease in the Retrospective Rated Refunds Liability Adjustment.

Analysis of Balances and Transactions

Member contributions increased 1.64% for the year ending June 30, 2006. The overall expenses decreased 6% from \$7,078,107 to \$6,684,693. The investment strategy is executed within the investment policy adopted by the Board of Directors. Member contributions for the Liability Program remain stable for the year ended June 30, 2006. Other general and administrative expenses held reasonably constant from the 2004-2005 fiscal year to the 2005-2006 fiscal year. The increase in interest income of \$30,232 is due to increased interest rates during the year. The overall increase in total assets for the year ended June 30, 2006 was \$2,198,567 to an ending asset position of \$23,419,031.

Possible Conditions Impacting Financial Position

With respect to current facts, conditions, or decisions that may impact the financial position of ACCEL, there are no known issues either internal to the JPA nor the external environment that are expected to materially impact the organization. This being said, the liability insurance environment in California remains in an uncertain state. While system costs have risen dramatically over the past several years, ACCEL has taken action to address rising costs.

ACCEL

Authority for California Cities Excess Liability

c/o Driver Alliant Insurance Services, Inc.

Corporate Insurance License No. 0C36861

600 Montgomery Street, 9th Floor, San Francisco, CA 94111-2711



Capacity in the excess general liability market for governmental agency risks remains tight, and several high profile claims within California are likely to keep underwriting facilities from pricing such risks much differently than they have over the past twelve months. Finally, while ACCEL believes that it has properly addressed the probable catastrophic events facing its membership, there is no guarantee that a catastrophic event could not financially impact the Authority, or individual members if the loss exceeded the protection purchased by that member.

Request for Information

This financial report is designed to provide a general overview of ACCEL's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the ACCEL Treasurer, Sherrell Freeman, City of Monterey, 399 Madison, Monterey, California, 93940.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
STATEMENT OF NET ASSETS
JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 309,198	\$ 329,715
Investments	22,642,520	20,504,204
Deposits receivable	117,011	95,893
Interest receivable	350,302	290,652
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 23,419,031</u>	<u>\$ 21,220,464</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 41,963	\$ 25,641
Members payable	399,658	54,697
Unpaid claims liability	9,506,000	3,109,000
Retrospectively rated refunds liability	13,374,872	17,964,495
	<hr/>	<hr/>
Total Liabilities	23,322,493	21,153,833
Net Assets	<hr/>	<hr/>
	96,538	66,631
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,419,031</u>	<u>\$ 21,220,464</u>

The accompanying notes are an integral part of these financial statements.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Revenues		
Premiums earned	\$ 5,721,090	\$ 5,628,608
Retro assessment	-	444,066
Investment income	634,010	603,778
Administrative fees	359,500	352,415
	<u>6,714,600</u>	<u>7,028,867</u>
Expenses		
Claims	1,564,876	44,413
Excess liability insurance	2,669,078	3,074,971
Unpaid claims liability adjustment	6,397,000	749,727
Retrospectively rated refunds paid	301,789	1,100,000
Retrospectively rated refunds liability adjustment	(4,589,623)	1,703,923
Administrative refunds paid	(2,363)	74,023
Management consulting	160,000	160,000
Claims administration	73,558	63,022
Professional support services	90,705	84,489
Other general and administrative expenses	19,673	23,539
	<u>6,684,693</u>	<u>7,078,107</u>
Net Income (Loss)	29,907	(49,240)
Net Assets, Beginning of Year	<u>66,631</u>	<u>115,871</u>
Net Assets, End of Year	<u>\$ 96,538</u>	<u>\$ 66,631</u>

The accompanying notes are an integral part of these financial statements.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 AND 2005**

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 29,907	\$ (49,240)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Unpaid claims liability adjustment	6,397,000	749,727
Retrospectively rated refunds liability adjustment	(4,287,834)	2,359,857
Change in the fair value of investments	152,473	(30,614)
(Increase) decrease in:		
Deposits receivable	(21,118)	13,446
Interest receivable	(59,650)	(46,905)
Increase (decrease) in:		
Accounts payable	16,322	8,273
Members payable	344,961	(71,317)
	<u>2,572,061</u>	<u>2,933,227</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	10,317,000	7,029,000
Purchase of investments	(12,607,789)	(9,296,978)
	<u>(2,290,789)</u>	<u>(2,267,978)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Retro rated (refund) assessment program year two	3,455	6,738
Retro rated (refund) assessment program year three	-	(11,933)
Retro rated (refund) assessment program year four	-	104,800
Retro rated (refund) assessment program year five	-	36
Retro rated (refund) assessment program year six	(1,660)	(87,695)
Retro rated (refund) assessment program year seven	66,405	(3,403)
Retro rated (refund) assessment program year eight	81,178	(12,757)
Retro rated (refund) assessment program year nine	89,603	(240,499)
Retro rated (refund) assessment program year ten	62,758	66,439
Retro rated (refund) assessment program year eleven	50	642,132
Retro rated (refund) assessment program year twelve	-	(116,988)
Retro rated (refund) assessment program year thirteen	-	309,064
	<u>(301,789)</u>	<u>(655,934)</u>
Net Cash Used in Financing Activities	<u>(301,789)</u>	<u>(655,934)</u>
Net Increase (Decrease) in Cash	(20,517)	9,315
Cash at Beginning of Year	<u>329,715</u>	<u>320,400</u>
Cash at End of Year	<u>\$ 309,198</u>	<u>\$ 329,715</u>

The accompanying notes are an integral part of these financial statements.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

NOTE 1 – DESCRIPTION OF THE BUSINESS

The Authority for California Cities Excess Liability (ACCEL / the Authority) is a joint powers authority organized under the provisions of Section 6500 et. seq. of the California Government code for the purpose of establishing a risk management pool for certain California municipalities. ACCEL began operations in 1986 and provides certain limited coverage for catastrophic general liability, automobile liability and public officials errors and omissions losses. Certain types of risks are not covered by these pools, such as dams and airports.

The Authority provides coverage above each member's self-insured retention (SIR), subject to aggregate limit. Historically, nine members have \$500,000 SIRs and two members have \$1,000,000 SIRs.

ACCEL provided an optional coverage of \$500,000 excess of \$500,000 per occurrence through 1989-90. This coverage is no longer available.

Prior to July 1, 1990, the Authority pooled losses incurred by its members up to \$10,000,000. Effective July 1, 1990, ACCEL created a reinsurance pool within the \$9,000,000 excess of \$1,000,000 layer by purchasing \$5,000,000 excess of \$5,000,000 coverage. On July 1, 1997, ACCEL further reduced its exposure and purchased coverage of \$17,000,000 excess of \$3,000,000 coverage. Due to favorable market conditions, ACCEL purchased coverage of \$19,000,000 excess of \$1,000,000 effective July 1, 1998. Six members with SIR of \$500,000 purchased additional coverage of \$500,000 excess of \$500,000. As of July 1, 2000, nine members purchased insurance of \$19,500,000 excess of \$1,000,000. ACCEL is fully insured through June 30, 2003.

As of July 1, 2003, the Authority purchased a reinsurance covering \$20,000,000 excess of \$2,000,000 and pooled losses in the layer \$1,000,000 excess of \$1,000,000. All members have SIR of \$1,000,000.

ACCEL is funded by its member participants and, at the discretion of its Board of Directors, may assess its members for additional premiums (in an unlimited amount) in the event ACCEL assets at any time are insufficient to discharge its liabilities. Currently there are twelve cities participating.

ACCEL has a retrospective rating plan whereby all premiums collected, together with related investment income earned, in excess of pooled losses and loss expenses for each program year will be returned to members beginning five years after the end of the program year. Losses and loss expenses are allocated to each member based on a weighted actual loss formula.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The Authority is accounted for as a Business Type Activity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion & Analysis – for State and Local Governments* and its financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The Authority adopted GASB Statement No. 34 as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, as of and for the year ended June 30, 2004, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into three net asset categories; namely, those invested in capital assets, net of related debt, restricted net assets and unrestricted net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Presentation (Continued)

The Authority adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures* for the year ended June 30, 2004, and applied the standard on a retroactive basis. GASB 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

In March of 2003, Government Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB No. 3*, effective for fiscal year ending June 30, 2005. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. This statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates.

Investments

Investments are reported in the accompanying statement of net assets at fair value. Changes in fair value that occur during a fiscal year are recognized as *investment earnings* reported for that fiscal year. *Investment earnings* includes interest income, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

Retrospectively Rated Refunds Liability

The retrospectively rated refund liability represents the amount of equity the members have in the excess contributions in the risk pool. The liability is computed as the amount of premiums plus investment income earned in excess of the estimated losses and loss expenses by program year by member. Members are eligible to receive distributions of this equity (retro-refunds) five years after the end of the program year. Because these amounts are refundable to the members and are not deemed equity of the risk pool, the member's equity is reported as a liability on the balance sheet.

Unpaid Claims Liabilities

The Authority 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. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Recognition of Premiums

Premiums are recognized as earned on a pro-rata basis over the term of the contract (program year), which is generally a one year period ending each June 30. All premiums are subject to the retrospective rating plan described in Note 1.

Administrative and Application Fees

ACCEL members are assessed annually, in equal amounts, for amounts estimated to be sufficient to pay all administrative expenses of ACCEL. Such assessments are subject to adjustment based on actual expense for the year.

Application fees are one-time fees paid by prospective members of ACCEL upon application for membership. Such fees are recognized as revenue at the time of application.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Insurance

ACCEL members may participate in the purchase of other insurance, such as excess worker's compensation and excess liability over \$12 million per occurrence where risk is not transferred to the pool. Effective September 1, 2003, ACCEL has purchased excess insurance for all losses in excess of \$2,000,000 per occurrence. ACCEL does not administer claims for these programs, therefore, no revenue or expense is reflected in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Cash	\$ 309,198
Investments	22,642,520
	<hr/>
	\$ 22,951,718
	<hr/>

Cash and investments as of June 30, 2006 consist of the following:

Deposits with Financial Institutions	\$ 309,198
Investments	22,642,520
	<hr/>
Total Cash and Investments	\$ 22,951,718
	<hr/>

Investments Authorized by the California Government Code and ACCEL's Investment Policy

ACCEL is authorized by State statutes to invest in securities of the U.S. Treasury and Agencies, rated commercial paper, medium-term notes rated AA or better with maturities of 5 years or less, certificates of deposit, bankers' acceptances, repurchase agreements, Mutual Funds, and the State of California's Local Agency Investment Fund (LAIF). Additionally, security purchases and holdings shall be maintained within statutory limits imposed by the California Government Code. Currently, the maximum limits are:

- 40% Bankers' Acceptances, not to exceed 180 days in maturity and no more than 30% in any one entity.
- 25% Commercial Paper, not to exceed 270 days in maturity
- 30% Negotiable Certificates of Deposit
- 30% Medium-Term Corporate Notes

Disclosures Relating to Interest Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that ACCEL manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. ACCEL monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. ACCEL has no specific limitations with respect to this metric.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Risk (Continued)

Investment Type		Weighted Average Maturity (in years)
Federal Agency Securities and Obligations	\$ 14,520,587	1.790
State Investment Pool	8,121,933	0.003
Total	\$ 22,642,520	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Authority's investments include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

Highly Sensitive Investments	Fair Value at Year End
Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	\$ 11,563,595

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. 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, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and ACCEL's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

ACCEL 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. The fair value of ACCEL's investment in this pool is reported in the accompanying financial statements at amounts based upon ACCEL's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 4 – PREMIUMS RECEIVABLE

Original premium assessments are determined based on payroll estimates for each member. Premiums receivable and payable to members are a result of differences between such estimates and actual covered payroll reported at the end of the fiscal year.

NOTE 5 – UNPAID CLAIMS LIABILITY

As discussed in Note 2, ACCEL establishes a liability for both reported and unreported insured events, which includes estimates of both future payment of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for ACCEL during the past two years:

	<u>2006</u>	<u>2005</u>
	<u>(In Thousands)</u>	
Unpaid claims liability at beginning of year	\$ 3,109	\$ 2,359
Provision for claims and claim adjustment expenses:		
Provision for insured events of current year	2,646	1,979
Increases (decreases) in provision for insured events of prior years	<u>5,316</u>	<u>(1,185)</u>
Total provision for claims and claim adjustment expenses	<u>7,962</u>	<u>794</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of prior years	<u>(1,565)</u>	<u>(44)</u>
Unpaid claims liability at end of year	<u>\$ 9,506</u>	<u>\$ 3,109</u>

NOTE 6 – RELATED PARTY TRANSACTIONS**Administration**

ACCEL's program administration is managed by Driver Alliant, from whom they purchase their excess liability insurance. Fees paid for this service amounted to \$160,000 for the years ended June 30, 2006 and 2005. Excess liability insurance expenses were \$2,669,078 and \$3,074,971 for the years ended June 30, 2006 and 2005, respectively.

NOTE 7 – SUBSEQUENT EVENTS

Retrospective Rating Program

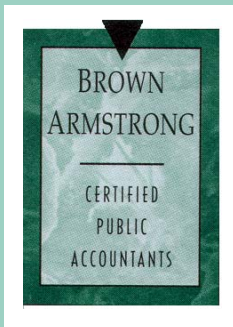
At the June 2005 Board of Directors meeting, a retrospectively rated refund was made available for distribution to the members for the program years 2 through 14 in the amount of \$8,053,340. Members may elect to have returned all or a portion of their refund and the funds will remain in the respective program year in the name of the member city. In July 2005, \$1,100,000 was returned to member cities and \$5,089,553 was retained in the respective program year in the name of the member cities. The table below shows, by member city, the amount authorized by the board, the amount returned to the member cities and the amount retained in the name of the respective member city:

	<u>Available</u>	<u>Returned</u>	<u>Retained</u>
Anaheim	\$ 1,960,352	\$ -	\$ 1,960,352
Bakersfield	432,152	-	432,152
Burbank	64,538	-	64,538
Gardena	1,654	-	1,654
Modesto	813,351	-	813,351
Monterey	545,924	50,000	495,924
Mountain View	1,078,275	-	1,078,275
Ontario	2,293,986	-	2,293,986
Palo Alto	484,966	-	484,966
Santa Barbara	534,950	165,000	369,950
Santa Cruz	550,058	-	550,058
Santa Monica	870,988	-	870,988
Visalia	804,283	-	804,283
	<u>\$ 10,435,477</u>	<u>\$ 215,000</u>	<u>\$ 10,220,477</u>

Excess Liability Insurance

Effective July 1, 2006, ACCEL purchased a 1-year excess liability insurance policy for \$2,836,115 from Driver Alliant. Driver Alliant is also ACCEL's Program Administrator and is considered a related party.

OTHER REPORT



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Lynn R. Krausse, CPA, MST
Rosalva Flores, CPA
Connie M. Perez, CPA
Sharon Jones, CPA, MST
Diana H. Branthoover, CPA
Thomas M. Young, CPA
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Jian Ou-Yang, CPA
Ariadne Prunes, CPA
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To the Board of Directors
Authority for California Cities
Excess Liability (ACCEL)
Bakersfield, California

We have audited the financial statements of ACCEL, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ACCEL's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters that we reported to the management of ACCEL in a separate letter dated September 8, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACCEL's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

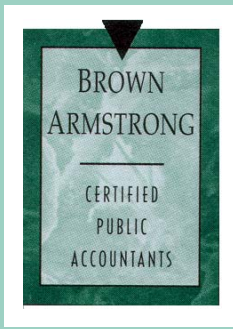
This report is intended solely for the information and use of the board of directors, audit committee, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "S.A. Paulden", written in a cursive style.

Bakersfield, California
September 8, 2006

SUPPLEMENTARY INFORMATION



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Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

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To the Board of Directors
Authority for California Cities
Excess Liability (ACCEL)
Bakersfield, California

The schedule of changes in claims liabilities by risk pool and the schedule of 10-year trend data on pages 21 and 22 are not a required part of the basic financial statements of ACCEL but is supplementary information required by the Governmental Accounting Standards Board. In addition, the schedules of retrospectively rated refund liabilities by member on pages 23 through 41 are presented for purposes of additional analysis and are not a required part of the basic financial statements. We have applied certain limited procedures to the data for the year ended June 30, 2006, 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.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
September 8, 2006

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF CHANGES IN CLAIMS LIABILITIES BY RISK POOL
JUNE 30, 2006 AND 2005**

Reconciliation of claims liabilities by risk layer.

The schedule below presents the changes in claims liabilities for the past two years.

	2006	2005
	(In Thousands)	
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 3,109	\$ 2,359
Incurred claims and claim adjustment expenses:		
Increase (decrease) in provision for insured events of current fiscal year	2,646	1,979
Increase (decrease) in provision for insured events of prior fiscal years	5,316	(1,185)
Total incurred claims and claim adjustment expenses	7,962	794
Payments:		
Claims and claim adjustment expenses attributable to insured events of prior years	(1,565)	(44)
Total unpaid claims and claim adjustment expenses at end of fiscal year	\$ 9,506	\$ 3,109

* Not applicable, in 1990-91 ACCEL ceased offering this risk pool.

At June 30, 2006 and 2005 no annuities were purchased in the claimant's name to settle those claims.

AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF 10 YEAR TREND DATA
JUNE 30, 2006

The table below illustrates how the Authority's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurer) and other expenses assumed by the Authority as of the end of each of the last ten years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue. (2) This line shows each fiscal year's other operating costs of the Authority including overhead and claims expense not allocable to individual claims. (3) This line shows the Authority's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called "policy year"). (4) This section of 10 rows shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year. (6) This section of 8 rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation 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. (7) This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims costs is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature years. The columns of the table show data for successive policy years.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1 Required contribution and investment revenues:										
Earned	\$ 4,942	\$ 4,960	\$ 4,211	\$ 4,251	\$ 4,296	\$ 4,355	\$ 4,453	\$ 4,920	\$ 6,676	\$ 6,355
Ceded	385	749	1,484	1,575	1,726	1,726	1,804	2,443	3,075	2,669
Net earned	4,557	4,211	2,727	2,676	2,570	2,629	2,649	2,477	3,954	3,686
2 Unallocated expenses	-	-	-	276	291	280	322	233	405	352
3 Estimated claims and expenses, end of policy year:										
Incurred	2,181	2,814	-	-	-	-	-	2,359	2,224	2,987
Ceded	1,090	1,970	-	-	-	-	-	-	-	-
Net incurred	1,091	844	-	-	-	-	-	2,359	2,224	2,987
4 Net paid (cumulative) as of:										
End of policy year	-	-	-	-	-	-	-	6	-	-
One year later	63	-	-	-	-	-	-	11	-	-
Two years later	63	-	2	-	-	-	-	1,015	-	-
Three years later	63	-	2	-	-	-	-	-	-	-
Four years later	63	-	2	-	-	-	-	-	-	-
Five years later	63	-	2	-	-	-	-	-	-	-
Six years later	64	1,539	2	-	-	-	-	-	-	-
Seven years later	64	1,547	2	-	-	-	-	-	-	-
Eight years later	64	2,083	-	-	-	-	-	-	-	-
Nine years later	65	-	-	-	-	-	-	-	-	-
5 Re-estimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
6 Re-estimated net incurred claims and expenses:										
End of policy year	2,181	2,814	-	-	-	-	-	2,359	2,224	2,987
One year later	2,055	1,017	-	-	-	-	-	1,019	3,943	-
Two years later	1,002	1,071	2	-	-	-	-	3,123	-	-
Three years later	1,002	500	2	-	-	-	-	-	-	-
Four years later	313	500	2	-	-	-	-	-	-	-
Five years later	313	251	2	1	-	-	-	-	-	-
Six years later	1,409	1,080	2	1	-	-	-	-	-	-
Seven years later	66	1,547	2	-	-	-	-	-	-	-
Eight years later	64	3,084	-	-	-	-	-	-	-	-
Nine years later	64	-	-	-	-	-	-	-	-	-
7 Increase (decrease) in estimated net incurred claims and expenses from end of policy year.	(1,027)	2,240	2	1	-	-	-	764	1,719	-

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 1 – APRIL 1, 1986 TO JUNE 30, 1987

	(A) Deposits Collected \$500,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Modesto	\$ 146,974	\$ 77,551	\$ -	\$ 224,525	\$ 224,525	\$ -	\$ -	\$ -	\$ -
Ontario	99,438	47,160	(106,862)	39,736	39,736	-	-	-	-
Santa Barbara	135,273	75,423	-	210,696	210,696	-	-	-	-
Visalia	56,062	30,495	-	86,557	86,557	-	-	-	-
	<u>\$ 437,747</u>	<u>\$ 230,629</u>	<u>\$ (106,862)</u>	<u>\$ 561,514</u>	<u>\$ 561,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 673,500	\$ 323,040	\$ -	\$ 996,540	\$ 996,540	\$ -	\$ -	\$ -	\$ -
Bakersfield	368,260	192,866	-	561,126	561,126	-	-	-	-
Gardena	93,331	47,462	-	140,793	140,793	-	-	-	-
Modesto	367,387	193,879	-	561,266	561,266	-	-	-	-
Ontario	248,596	117,901	(267,155)	99,342	99,342	-	-	-	-
Palo Alto	415,122	210,756	-	625,878	625,878	-	-	-	-
Santa Barbara	339,128	188,951	-	528,079	528,079	-	-	-	-
Santa Monica	664,644	375,609	-	1,040,253	1,040,253	-	-	-	-
Visalia	146,766	78,818	-	225,584	225,584	-	-	-	-
	<u>\$ 3,316,734</u>	<u>\$ 1,729,282</u>	<u>\$ (267,155)</u>	<u>\$ 4,778,861</u>	<u>\$ 4,778,861</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Authority for California Cities Excess Liability has determined that the fifteen month period ending June 30, 1987 will be treated as the first program year for purposes of determining retroactive rating adjustments. Accordingly, the schedule above includes all premium assessments collected and earnings for the period April 1, 1986 to June 30, 1987.

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 2 – JULY 1, 1987 TO JUNE 30, 1988

	(A) Deposits Collected \$500,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Modesto	\$ 129,499	\$ 74,211	\$ 400	\$ 204,110	\$ 97,180	\$ 106,930	\$ -	\$ 106,930	\$ -
Ontario	122,192	71,800	517,366	711,358	496,250	215,108	-	215,108	-
Santa Barbara	131,012	73,244	180	204,436	117,944	86,492	-	86,492	-
Visalia	52,885	26,877	24,715	104,477	13,007	91,470	-	91,470	-
	<u>\$ 435,588</u>	<u>\$ 246,132</u>	<u>\$ 542,661</u>	<u>\$1,224,381</u>	<u>\$ 724,381</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ -</u>

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 964,363	\$ 460,701	\$ 639	\$1,425,703	\$ 1,290,414	\$ 135,289	\$ -	\$ 135,289	\$ -
Bakersfield	396,592	207,301	2,066	605,959	503,142	102,817	-	102,817	-
Burbank(1)	513,647	270,205	-	783,852	730,337	53,515	-	53,515	-
Gardena	137,521	75,985	1,049	214,555	151,532	63,023	-	63,023	-
Modesto	323,624	153,987	272	477,883	441,383	36,500	-	36,500	-
Ontario	305,480	141,944	(161,365)	286,059	185,042	101,017	-	101,017	-
Palo Alto	420,915	219,778	356	641,049	614,684	26,365	-	26,365	-
Santa Barbara	327,530	180,202	388	508,120	475,433	32,687	-	32,687	-
Santa Monica	578,656	295,248	2,087	875,991	749,931	126,060	-	126,060	-
Visalia	132,213	68,826	(7,412)	193,627	146,358	47,269	-	47,269	-
	<u>\$4,100,541</u>	<u>\$2,074,177</u>	<u>\$ (161,920)</u>	<u>\$6,012,798</u>	<u>\$ 5,288,256</u>	<u>\$ 724,542</u>	<u>\$ -</u>	<u>\$ 724,542</u>	<u>\$ -</u>

(1) The Authority for California Excess Liability approved Burbank for entry into the program year 2 pool effective for the fourteen month period from May 1, 1987 to June 30, 1988.

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 3 – JULY 1, 1988 TO JUNE 30, 1989

	(A) Deposits Collected \$500,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Modesto	\$ 148,617	\$ 71,352	\$ (30,704)	\$ 189,265	\$ 189,265	\$ -	\$ -	\$ -	\$ -
Ontario	141,993	84,076	(106,785)	119,284	119,284	-	-	-	-
Santa Barbara	149,408	91,606	(14,422)	226,592	226,592	-	-	-	-
Visalia	60,091	33,088	(43,183)	49,996	49,996	-	-	-	-
	<u>\$ 500,109</u>	<u>\$ 280,122</u>	<u>\$ (195,094)</u>	<u>\$ 585,137</u>	<u>\$ 585,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$1,031,600	\$ 471,522	\$ -	\$1,503,122	\$ 1,503,122	\$ -	\$ -	\$ -	\$ -
Bakersfield	420,968	197,290	-	618,258	618,258	-	-	-	-
Burbank	475,136	224,892	-	700,028	700,028	-	-	-	-
Gardena	163,763	74,392	(1)	238,154	238,154	-	-	-	-
Modesto	371,544	165,416	-	536,960	536,960	-	-	-	-
Ontario	354,982	258,717	(2)	613,697	613,697	-	-	-	-
Palo Alto	447,158	206,047	-	653,205	653,205	-	-	-	-
Santa Barbara	373,519	190,813	-	564,332	564,332	-	-	-	-
Santa Monica	607,612	275,371	-	882,983	882,983	-	-	-	-
Visalia	150,228	66,546	30	216,804	216,804	-	-	-	-
	<u>\$4,396,510</u>	<u>\$2,131,006</u>	<u>\$ 27</u>	<u>\$6,527,543</u>	<u>\$ 6,527,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 4 – JULY 1, 1989 TO JUNE 30, 1990

	(A) Deposits Collected \$500,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Modesto	\$ 166,263	\$ 85,314	\$ (54,251)	\$ 197,326	\$ 197,326	\$ -	\$ -	\$ -	\$ -
Ontario	156,835	78,208	(32,867)	202,176	202,176	-	-	-	-
Santa Barbara	155,133	112,500	(96,684)	170,949	170,949	-	-	-	-
Visalia	62,192	30,825	(9,190)	83,827	83,827	-	-	-	-
	<u>\$ 540,423</u>	<u>\$ 306,847</u>	<u>\$ (192,992)</u>	<u>\$ 654,278</u>	<u>\$ 654,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 968,392	\$ 426,521	\$ -	\$1,394,913	\$ 1,394,913	\$ -	\$ -	\$ -	\$ -
Bakersfield	466,398	246,889	-	713,287	713,287	-	-	-	-
Burbank	564,037	227,997	-	792,034	792,034	-	-	-	-
Gardena	170,127	69,142	-	239,269	239,269	-	-	-	-
Modesto	427,740	199,577	-	627,317	627,317	-	-	-	-
Monterey	172,424	109,928	-	282,352	282,352	-	-	-	-
Ontario	405,259	291,966	(221,680)	475,545	475,545	-	-	-	-
Palo Alto	481,713	195,799	-	677,512	677,512	-	-	-	-
Santa Barbara	387,832	193,407	-	581,239	581,239	-	-	-	-
Santa Monica	666,476	381,751	-	1,048,227	1,048,227	-	-	-	-
Visalia	157,774	68,606	-	226,380	226,380	-	-	-	-
	<u>\$ 4,868,172</u>	<u>\$2,411,583</u>	<u>\$ (221,680)</u>	<u>\$7,058,075</u>	<u>\$ 7,058,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 5 – JULY 1, 1990 TO JUNE 30, 1991

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$1,088,295	\$ 397,004	\$ (9)	\$1,485,290	\$1,485,290	\$ -	\$ -	\$ -	\$ -
Bakersfield	497,967	185,213	-	683,180	683,180	-	-	-	-
Burbank	595,898	225,987	-	821,885	821,885	-	-	-	-
Gardena	182,935	70,554	(23)	253,466	253,466	-	-	-	-
Modesto	491,583	264,860	-	756,443	756,443	-	-	-	-
Monterey	182,788	107,988	(3)	290,773	290,773	-	-	-	-
Ontario	464,064	203,220	(4,408)	662,876	662,876	-	-	-	-
Palo Alto	512,308	190,650	-	702,958	702,958	-	-	-	-
Santa Barbara	429,697	213,097	(12)	642,782	642,782	-	-	-	-
Santa Monica	744,971	342,330	-	1,087,301	1,087,301	-	-	-	-
Visalia	180,027	66,702	(17)	246,712	246,712	-	-	-	-
	<u>\$5,370,533</u>	<u>\$2,267,605</u>	<u>\$ (4,472)</u>	<u>\$7,633,666</u>	<u>\$7,633,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 6 – JULY 1, 1991 TO JUNE 30, 1992

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 845,011	\$ 270,780	\$ -	\$1,115,791	\$ 461,331	\$ 654,246	\$ -	\$ 654,246	\$ 214
Bakersfield	392,364	132,448	-	524,812	335,581	189,072	-	189,072	159
Burbank	467,142	130,958	-	598,100	422,785	175,315	-	175,315	-
Gardena	150,240	52,976	(1,025)	202,191	170,745	34,764	-	34,764	(3,318)
Modesto	386,004	153,506	529	540,039	416,493	123,546	-	123,546	-
Monterey	145,258	69,175	-	214,433	149,657	64,774	-	64,774	2
Ontario	375,765	160,485	27,339	563,589	9,213	353,133	-	353,133	201,243
Palo Alto	409,606	127,868	1,312	538,786	405,235	133,551	-	133,551	-
Santa Barbara	358,552	141,173	-	499,725	424,000	75,528	-	75,528	197
Santa Monica	620,491	248,618	-	869,109	271,321	597,725	-	597,725	63
Visalia	155,190	59,012	7,783	221,985	65,290	99,538	-	99,538	57,157
	<u>\$4,305,623</u>	<u>\$1,546,999</u>	<u>\$ 35,938</u>	<u>\$5,888,560</u>	<u>\$ 3,131,651</u>	<u>\$ 2,501,192</u>	<u>\$ -</u>	<u>\$2,501,192</u>	<u>\$ 255,717</u>

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 7 – JULY 1, 1992 TO JUNE 30, 1993

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 872,835	\$ 283,772	\$ 147,374	\$1,303,981	\$ (1,330,653)	\$ 2,634,634	\$ -	\$ 2,634,634	\$ -
Bakersfield	393,468	156,937	94,569	644,974	(267,259)	912,233	-	912,233	-
Burbank	468,514	166,996	-	635,510	(25,034)	660,544	-	660,544	-
Modesto	403,812	80,909	47,344	532,065	(608,122)	1,140,188	-	1,140,188	(1)
Monterey	154,252	54,641	2,395	211,288	11,329	199,959	-	199,959	-
Mountain View(1)	291,684	96,574	-	388,258	(439,010)	806,634	-	806,634	20,634
Ontario	398,123	171,338	-	569,461	(768,098)	1,286,902	-	1,286,902	50,657
Palo Alto	438,745	148,428	17,060	604,233	69,088	535,145	-	535,145	-
Santa Barbara	367,723	146,948	338	515,009	214,281	300,728	-	300,728	-
Santa Monica	631,676	146,477	6,539	784,692	(988,754)	1,773,446	-	1,773,446	-
Visalia	162,692	86,148	212,866	461,706	49,561	283,180	-	283,180	128,965
	<u>\$4,583,524</u>	<u>\$1,539,168</u>	<u>\$ 528,485</u>	<u>\$6,651,177</u>	<u>\$ (4,082,671)</u>	<u>\$10,533,593</u>	<u>\$ -</u>	<u>\$10,533,593</u>	<u>\$ 200,255</u>

(1) The Authority for California Cities Excess Liability approved Mountain View for entry into the program year 7 pool effective for the fourteen month plus period from April 25, 1992 to June 30, 1993.

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 8 – JULY 1, 1993 TO JUNE 30, 1994

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 589,097	\$ 220,492	\$ 38,373	\$ 847,962	\$ 626,681	\$ 220,180	\$ -	\$ 220,180	\$ 1,101
Bakersfield	267,235	95,636	(81,272)	281,599	222,027	59,368	-	59,368	204
Burbank	329,067	125,984	2,000	457,051	427,265	29,666	-	29,666	120
Modesto	262,942	119,649	20,845	403,436	282,303	120,776	-	120,776	357
Monterey	105,710	67,794	3,335	176,839	157,296	19,252	-	19,252	291
Mountain View	159,350	92,676	-	252,026	112,373	61,066	-	61,066	78,587
Ontario	279,850	180,781	-	460,631	112,533	115,726	-	115,726	232,372
Palo Alto	309,159	116,909	8,594	434,662	386,432	47,761	-	47,761	469
Santa Barbara	256,508	137,231	4,100	397,839	371,306	25,823	-	25,823	710
Santa Monica	425,961	225,806	25,568	677,335	528,328	148,682	-	148,682	325
Visalia	103,616	33,367	(135,128)	1,855	(24,032)	25,747	-	25,747	140
	<u>\$3,088,495</u>	<u>\$1,416,325</u>	<u>\$ (113,585)</u>	<u>\$4,391,235</u>	<u>\$3,202,512</u>	<u>\$ 874,047</u>	<u>\$ -</u>	<u>\$ 874,047</u>	<u>\$ 314,676</u>

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 9 – JULY 1, 1994 TO JUNE 30, 1995

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 620,799	\$ 266,541	\$ 360,073	\$1,247,413	\$ 890,857	\$ 356,555	\$ -	\$ 356,555	\$ 1
Bakersfield	297,034	158,489	88,656	544,179	456,379	87,800	-	87,800	-
Burbank	345,334	146,268	50	491,652	438,954	52,681	-	52,681	17
Modesto	270,852	151,932	245,305	668,089	424,983	243,106	-	243,106	-
Monterey	112,393	71,250	(2,459)	181,184	138,163	31,853	-	31,853	11,168
Mountain View	167,639	94,533	-	262,172	120,218	56,768	-	56,768	85,186
Ontario	282,551	199,138	-	481,689	-	203,236	-	203,236	278,453
Palo Alto	331,028	139,460	100,008	570,496	471,469	99,027	-	99,027	-
Santa Barbara	269,455	147,581	35,153	452,189	417,068	35,121	-	35,121	-
Santa Monica	467,441	201,637	217,314	886,392	671,206	215,183	-	215,183	3
Visalia	110,607	44,170	(96,915)	57,862	-	57,862	-	57,862	-
	<u>\$3,275,133</u>	<u>\$1,620,999</u>	<u>\$ 947,185</u>	<u>\$5,843,317</u>	<u>\$4,029,297</u>	<u>\$1,439,192</u>	<u>\$ -</u>	<u>\$1,439,192</u>	<u>\$ 374,828</u>

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 10 – JULY 1, 1995 TO JUNE 30, 1996

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(E) Excess Insurance	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 632,535	\$ 211,622	\$ 481	\$ 844,638	\$ 81,636	\$ 614,197	\$ 148,805	\$ -	\$ 148,805	\$ -
Bakersfield	304,490	116,255	266	421,011	38,030	318,965	64,016	-	64,016	-
Burbank	355,287	117,560	-	472,847	49,507	365,806	57,534	-	57,534	-
Modesto	291,830	106,984	151	398,965	35,613	212,829	150,523	-	150,523	-
Monterey	115,970	54,867	-	170,837	14,344	50,000	24,324	-	24,324	82,169
Mountain View	177,713	87,569	-	265,282	26,445	-	33,108	-	33,108	205,729
Ontario	285,931	122,035	-	407,966	43,604	-	127,120	-	127,120	237,242
Palo Alto	313,896	108,616	8,723	431,235	45,948	279,179	106,108	-	106,108	-
Santa Barbara	270,942	101,683	-	372,625	37,572	315,105	19,792	-	19,792	156
Santa Monica	471,073	173,974	(24,661)	620,386	61,534	413,992	144,860	-	144,860	-
Visalia	109,072	50,204	-	159,276	14,000	-	35,951	-	35,951	109,325
	<u>\$3,328,739</u>	<u>\$ 1,251,369</u>	<u>\$ (15,040)</u>	<u>\$4,565,068</u>	<u>\$ 448,233</u>	<u>\$2,570,073</u>	<u>\$ 912,141</u>	<u>\$ -</u>	<u>\$ 912,141</u>	<u>\$ 634,621</u>

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 11 – JULY 1, 1996 TO JUNE 30, 1997

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(E) Excess Insurance	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 647,081	\$ 264,069	\$ (49,550)	\$ 861,600	\$ 69,525	\$ 783,816	\$ 8,205	\$ -	\$ 8,205	\$ 54
Bakersfield	323,143	120,590	55	443,788	30,532	408,484	4,730	-	4,730	42
Burbank	343,002	130,262	-	473,264	42,162	425,949	5,150	-	5,150	3
Modesto	291,262	119,299	(142)	410,419	30,329	350,201	6,408	-	6,408	23,481
Monterey	122,748	61,298	-	184,046	12,914	-	1,616	-	1,616	169,516
Mountain View	186,176	92,485	-	278,661	19,994	-	1,411	-	1,411	257,256
Ontario	313,307	156,533	-	469,840	37,127	-	6,892	-	6,892	425,821
Palo Alto	331,582	123,916	43	455,541	37,401	411,788	6,336	-	6,336	16
Santa Barbara	286,768	110,496	-	397,264	31,574	362,702	2,699	-	2,699	289
Santa Cruz(1)	89,949	40,311	-	130,260	9,506	-	5,364	-	5,364	115,390
Santa Monica	497,910	218,283	(214,760)	501,433	51,654	400,000	13,563	-	13,563	36,216
Visalia	113,875	56,964	-	170,839	12,190	-	2,169	-	2,169	156,480
	<u>\$3,546,803</u>	<u>\$1,494,506</u>	<u>\$ (264,354)</u>	<u>\$4,776,955</u>	<u>\$ 384,908</u>	<u>\$3,142,940</u>	<u>\$ 64,543</u>	<u>\$ -</u>	<u>\$ 64,543</u>	<u>\$ 1,184,564</u>

(1) The Authority for California Cities Excess Liability approved Santa Cruz for entry into the program year 11 January 1, 1997.

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 12 – JULY 1, 1997 TO JUNE 30, 1998

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(E) Excess Insurance	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 645,599	\$ 223,980	\$ (346,028)	\$ 523,551	\$ 130,119	\$ -	\$ 172,451	\$ 78,998	\$ 251,449	\$ 141,983
Bakersfield	341,891	102,358	203,586	647,835	58,263	387,241	201,904	84,886	286,790	(84,459)
Burbank	362,837	109,498	9,000	481,335	80,456	245,559	154,995	66,535	221,530	(66,210)
Modesto	325,478	116,793	-	442,271	57,771	-	171,042	80,960	252,002	132,498
Monterey	128,484	46,963	-	175,447	25,472	-	57,424	34,249	91,673	58,302
Mountain View	196,524	73,653	-	270,177	40,674	-	40,465	14,033	54,498	175,005
Ontario	317,860	111,152	-	429,012	68,122	-	253,042	100,489	353,531	7,359
Palo Alto	369,439	111,792	194,185	675,416	71,370	410,832	192,083	103,727	295,810	(102,596)
Santa Barbara	306,900	93,457	78,225	478,582	56,867	343,557	76,276	36,211	112,487	(34,329)
Santa Cruz	178,820	62,732	-	241,552	36,279	-	131,455	62,021	193,476	11,797
Santa Monica	514,524	167,225	152,000	833,749	99,517	200,000	533,280	273,499	806,779	(272,547)
Visalia	115,088	39,388	-	154,476	24,044	-	98,327	45,730	144,057	(13,625)
	<u>\$3,803,444</u>	<u>\$1,258,991</u>	<u>\$ 290,968</u>	<u>\$5,353,403</u>	<u>\$ 748,954</u>	<u>\$ 1,587,189</u>	<u>\$2,082,744</u>	<u>\$ 981,338</u>	<u>\$3,064,082</u>	<u>\$ (46,822)</u>

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 13 – JULY 1, 1998 TO JUNE 30, 1999

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(E) Excess Insurance	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 666,345	\$ 169,323	\$ -	\$ 835,668	\$ 240,854	\$ -	\$ 434	\$ -	\$ 434	\$ 594,380
Bakersfield	357,987	76,289	(221,277)	212,999	118,083	94,683	233	-	233	-
Modesto	326,839	55,601	(176,040)	206,400	155,508	-	213	-	213	50,679
Monterey	134,468	21,040	-	155,508	78,460	50,000	88	-	88	26,960
Mountain View	223,175	38,392	-	261,567	116,201	125,000	145	-	145	20,221
Ontario	321,441	59,452	-	380,893	174,962	-	209	-	209	205,722
Palo Alto	394,012	82,983	(232,633)	244,362	132,108	111,997	257	-	257	-
Santa Barbara	320,210	70,569	3,808	394,587	103,744	176,642	209	-	209	113,992
Santa Cruz	180,363	30,551	-	210,914	105,477	-	118	-	118	105,319
Santa Monica	543,831	131,826	-	675,657	184,209	200,000	354	-	354	291,094
Visalia	118,955	18,103	-	137,058	74,020	-	78	-	78	62,960
	<u>\$3,587,626</u>	<u>\$ 754,129</u>	<u>\$ (626,142)</u>	<u>\$3,715,613</u>	<u>\$1,483,626</u>	<u>\$ 758,322</u>	<u>\$ 2,338</u>	<u>\$ -</u>	<u>\$ 2,338</u>	<u>\$ 1,471,327</u>

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 14 – JULY 1, 1999 TO JUNE 30, 2000

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(E) Excess Insurance	(F) Retro-Refunds Paid to Date	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 735,019	\$ 152,717	\$ -	\$ 887,736	\$ 229,863	\$ -	\$ 45	\$ -	\$ 45	\$ 657,828
Bakersfield	367,080	57,727	(39,483)	385,324	169,795	-	92	-	92	215,437
Modesto	338,985	55,062	-	394,047	150,984	-	53	-	53	243,010
Monterey	143,302	20,035	-	163,337	76,497	-	23	-	23	86,817
Mountain View	222,556	32,778	-	255,334	112,853	125,000	21	-	21	17,460
Ontario	330,483	52,135	-	382,618	170,100	-	86	-	86	212,432
Palo Alto	396,553	66,279	(41,692)	421,140	175,579	-	14	-	14	245,547
Santa Barbara	351,627	52,207	10,925	414,759	138,510	200,000	68	-	68	76,181
Santa Cruz	200,738	30,433	-	231,171	102,589	-	29	-	29	128,553
Santa Monica	561,088	116,938	-	678,026	175,803	-	199	-	199	502,024
Visalia	129,346	17,459	-	146,805	72,438	-	27	-	27	74,340
	<u>\$3,776,777</u>	<u>\$ 653,770</u>	<u>\$ (70,250)</u>	<u>\$4,360,297</u>	<u>\$1,575,011</u>	<u>\$ 325,000</u>	<u>\$ 657</u>	<u>\$ -</u>	<u>\$ 657</u>	<u>\$ 2,459,629</u>

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 15 – JULY 1, 2000 TO JUNE 30, 2001

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(E) Excess Insurance	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 760,049	\$ 111,200	\$ (15,200)	\$ 856,049	\$ 259,995	\$ -	\$ -	\$ -	\$ 596,054
Bakersfield	370,553	42,023	(45,100)	367,476	183,732	-	-	-	183,744
Modesto	358,174	41,747	(8,000)	391,921	164,712	-	-	-	227,209
Monterey	155,115	16,146	(1,500)	169,761	80,202	-	-	-	89,559
Mountain View	237,173	25,821	-	262,994	127,600	-	-	-	135,394
Ontario	347,711	45,585	132,012	525,308	181,562	-	-	-	343,746
Palo Alto	420,745	50,653	(55,600)	415,798	188,661	-	-	-	227,137
Santa Barbara	359,021	44,377	(22,000)	381,398	148,740	-	-	-	232,658
Santa Cruz	209,182	22,495	(5,000)	226,677	116,045	-	-	-	110,632
Santa Monica	631,065	92,084	(162,000)	561,149	198,848	-	-	-	362,301
Visalia	135,242	15,239	46,600	197,081	75,813	-	-	-	121,268
	<u>\$3,984,030</u>	<u>\$ 507,370</u>	<u>\$ (135,788)</u>	<u>\$4,355,612</u>	<u>\$1,725,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,629,702</u>

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 16 – JULY 1, 2001 TO JUNE 30, 2002

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(D) Total Accumulated Funds	(E) Excess Insurance	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 816,566	\$ 62,522	\$ 879,088	\$ 259,995	\$ -	\$ -	\$ -	\$ 619,093
Bakersfield	387,763	16,634	404,397	183,732	-	-	-	220,665
Modesto	388,314	19,771	408,085	164,712	-	-	-	243,373
Monterey	170,400	8,317	178,717	80,202	-	-	-	98,515
Mountain View	260,878	11,631	272,509	127,600	-	-	-	144,909
Ontario	372,868	16,301	389,169	181,562	-	-	-	207,607
Palo Alto	477,725	27,560	505,285	188,661	-	-	-	316,624
Santa Barbara	375,482	24,335	399,817	148,740	-	-	-	251,077
Santa Cruz	227,628	9,068	236,696	116,045	-	-	-	120,651
Santa Monica	673,594	55,141	728,735	198,848	-	-	-	529,887
Visalia	140,652	3,318	143,970	75,813	-	-	-	68,157
	<u>\$4,291,870</u>	<u>\$ 254,598</u>	<u>\$4,546,468</u>	<u>\$1,725,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,820,558</u>

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 17 – JULY 1, 2002 TO JUNE 30, 2003

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Transferred Funds	(E) Admin Fees	(E) Excess Insurance	(D) Total Accumulated Funds	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 857,379	\$ 19,837	\$ (135,514)	\$ -	\$ (259,995)	\$ 481,707	\$ -	\$ -	\$ -	\$ 481,707
Bakersfield	407,372	(1,069)	-	(26,500)	(183,732)	196,071	-	-	-	196,071
Modesto	415,393	543	(45,437)	-	(164,712)	205,787	-	-	-	205,787
Monterey	175,033	8	(1,768)	-	(80,202)	93,071	-	-	-	93,071
Mountain View	282,114	(2,522)	-	(26,500)	(127,600)	125,492	-	-	-	125,492
Ontario	377,714	8,169	226,128	-	(181,562)	430,449	-	-	-	430,449
Palo Alto	495,255	6,888	-	-	(188,661)	313,482	-	-	-	313,482
Santa Barbara	390,224	8,225	-	-	(148,740)	249,709	-	-	-	249,709
Santa Cruz	226,181	(4,092)	-	(26,500)	(116,045)	79,544	-	-	-	79,544
Santa Monica	694,959	24,366	-	-	(198,848)	520,477	-	-	-	520,477
Visalia	158,551	(957)	44	-	(75,813)	81,825	-	-	-	81,825
	<u>\$4,480,175</u>	<u>\$ 59,396</u>	<u>\$ 43,453</u>	<u>\$ (79,500)</u>	<u>\$ (1,725,910)</u>	<u>\$2,777,614</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,777,614</u>

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 18 – JULY 1, 2003 TO JUNE 30, 2004

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Transferred Funds	(E) Excess Insurance	Admin Fees	(D) Total Accumulated Funds	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 920,139	\$ 30,029	\$ (639)	\$ (502,725)	\$ -	\$ 446,804	\$ 208,927	\$ 420,375	\$ 629,302	\$ (182,498)
Bakersfield	419,465	11,489	(2,066)	(237,054)	(30,000)	161,834	98,469	198,136	296,605	(134,771)
Modesto	406,456	11,350	(272)	(216,890)	(30,000)	170,644	90,148	181,386	271,534	(100,890)
Monterey	171,073	5,581	-	(98,990)	-	77,664	41,113	82,727	123,840	(46,176)
Mountain View	261,682	8,633	-	(146,561)	-	123,754	60,940	122,558	183,498	(59,744)
Ontario	387,646	10,583	(1,721)	(206,727)	(30,000)	159,781	85,916	172,807	258,723	(98,942)
Palo Alto	532,743	17,280	(356)	(245,642)	-	304,025	102,023	205,285	307,308	(3,283)
Santa Barbara	398,935	10,974	-	(222,571)	(30,000)	157,338	92,515	186,084	278,599	(121,261)
Santa Cruz	220,689	4,976	5,000	(141,795)	(30,000)	58,870	58,882	118,473	177,355	(118,485)
Santa Monica	666,276	22,013	(2,087)	(342,519)	-	343,683	142,326	286,378	428,704	(85,021)
Visalia	147,057	4,860	(192)	(81,709)	-	70,016	33,905	68,428	102,333	(32,317)
	<u>\$4,532,161</u>	<u>\$ 137,768</u>	<u>\$ (2,333)</u>	<u>\$ (2,443,183)</u>	<u>\$ (150,000)</u>	<u>\$2,074,413</u>	<u>\$1,015,164</u>	<u>\$2,042,637</u>	<u>\$3,057,801</u>	<u>\$ (983,388)</u>

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 19 – JULY 1, 2004 TO JUNE 30, 2005

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	Transfer Funds	(E) Excess Insurance	(D) Total Accumulated Funds	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$1,171,003	\$ 18,620	\$ -	\$ (758,098)	\$ 431,525	\$ -	\$ 689,348	\$ 689,348	\$ (257,823)
Bakersfield	423,154	9,594	-	(208,665)	224,083	-	310,692	310,692	(86,609)
Burbank(1)	525,622	12,227	(11,050)	(273,763)	253,036	-	407,783	407,783	(154,747)
Modesto	412,948	9,251	-	(190,869)	231,330	-	284,178	284,178	(52,848)
Monterey	191,611	3,927	-	(105,879)	89,659	-	127,339	127,339	(37,680)
Mountain View	282,154	5,898	-	(152,842)	135,210	-	193,062	193,062	(57,852)
Ontario	438,187	8,985	-	(229,490)	217,682	-	284,552	284,552	(66,870)
Palo Alto	546,810	11,858	-	(271,204)	287,464	-	373,054	373,054	(85,590)
Santa Barbara	403,546	9,148	-	(195,162)	217,532	-	290,527	290,527	(72,995)
Santa Cruz	221,168	4,961	-	(110,376)	115,753	-	164,308	164,308	(48,555)
Santa Monica	858,846	15,477	-	(497,901)	376,422	-	488,817	488,817	(112,395)
Visalia	153,559	3,461	-	(80,713)	76,307	-	120,617	120,617	(44,310)
	<u>\$5,628,608</u>	<u>\$ 113,407</u>	<u>\$ (11,050)</u>	<u>\$ (3,074,962)</u>	<u>\$2,656,003</u>	<u>\$ -</u>	<u>\$3,734,277</u>	<u>\$3,734,277</u>	<u>\$ (1,078,274)</u>

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

PROGRAM YEAR 20 – JULY 1, 2005 TO JUNE 30, 2006

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(E) Excess Insurance	(D) Total Accumulated Funds	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$1,350,924	\$ 10,831	\$ (605,688)	\$ 756,067	\$ -	\$ 498,991	\$ 498,991	\$ 257,076
Bakersfield	451,694	4,354	(218,074)	237,974	-	227,513	227,513	10,460
Burbank(1)	524,228	5,617	(225,593)	304,252	-	282,468	282,468	21,783
Modesto	424,287	4,514	(204,238)	224,563	-	222,018	222,018	2,545
Monterey	171,887	1,827	(84,277)	89,437	-	91,775	91,775	(2,337)
Mountain View	275,763	2,776	(132,872)	145,667	-	139,311	139,311	6,356
Ontario	427,515	4,283	(193,256)	238,542	-	214,874	214,874	23,668
Palo Alto	516,585	5,623	(217,797)	304,411	-	282,743	282,743	21,668
Santa Barbara	451,395	4,338	(176,705)	279,028	-	217,072	217,072	61,956
Santa Cruz	226,455	2,316	(103,148)	125,623	-	118,977	118,977	6,645
Santa Monica	736,642	8,640	(430,460)	314,822	-	370,396	370,396	(55,575)
Visalia	163,716	490	(76,981)	87,225	-	81,608	81,608	5,616
	<u>\$5,721,090</u>	<u>\$ 55,609</u>	<u>\$ (2,669,089)</u>	<u>\$ 3,107,610</u>	<u>\$ -</u>	<u>\$2,747,747</u>	<u>\$2,747,747</u>	<u>\$ 359,863</u>

See Accompanying Note to Schedule of Retrospectively Rated Refund Liability by Member.

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
NOTE TO SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2006**

NOTE 1

The following explanations are provided to assist the reader in understanding the various columns in the Schedule of Retrospectively Rated Refund Liability by Member.

Column A - Deposits Collected. Deposits collected based on the member cities audited covered payroll.

Column B - Interest Income. Interest earned to date for each city's retained funds.

Column C - Funds Transferred. When applicable, any transfers made by a member city between pool years.

Column D - Total Accumulated Funds. Subtotal of Columns A, B and C.

Column E - Excess Insurance. Expense is deducted from member deposits.

Column F - Retro-refunds Paid. When applicable, retro-refunds paid out (cash basis) to the member cities.

Column G - Allocated Paid Claims. When applicable, each member cities' allocated portion of paid claims, based on their experience rating when compared to all other member cities.

Column H - Unpaid Claims Liability. Each member cities' portion of the unpaid claims liability. The unpaid claims liability consists of both reserves remaining on open, reported claims, and reserves actuarially determined for incurred but not reported claims outstanding. Each member's amount is allocated based on their experience rating when compared to all other member cities.

Column I - Total Incurred Claims and Expenses. Subtotal of Columns F and G.

Column J - Projected Retrospectively Rated Refund Available. Final total of Column D minus E and H. This column represents the amount, by member city, which is projected to be available for future retrospectively rated refunds. This number will increase or decrease as claims and claims reserves are adjusted and as additional interest is earned. This number will also change as member cities' claim experience rating changes when compared to all other member cities' rating.