

**AUTHORITY FOR CALIFORNIA CITIES
EXCESS LIABILITY**

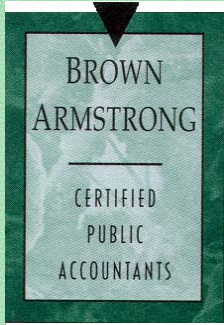
**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2004 AND 2003

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
YEARS ENDED JUNE 30, 2004 AND 2003**

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INDEPENDENT AUDITOR'S REPORT

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, 2004 and 2003, and the related statements 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, 2004 and 2003, 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 October 8, 2004, 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.

As discussed in Note 2 to the basic financial statements, ACCEL adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of and for the year ended June 30, 2004.

The Management's Discussion and Analysis on pages 3 through 7 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 & KEETER
ACCOUNTANCY CORPORATION

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

Bakersfield, California
October 8, 2004

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

The following report reflects the financial condition of the Authority for California Cities Excess Liability for the fiscal year ending June 30, 2004. 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 program which is subject to an annual independent financial audit and biennial actuarial study.

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. The Underwriting Committee is chaired by the Vice-President, the Finance Committee is chaired by the Treasurer and the Claims Committee elects their Chair. Ad hoc committees may be appointed by the President.

At inception, ACCEL self funded \$9,000,000 excess of a \$1,000,000 member self-insured retention. From 1998 to 2003, ACCEL was commercially insured.

For the 2003-2004 fiscal year, the deposit rate was \$0.60 per one-hundred dollars of payroll. ACCEL self-funded \$1,000,000 excess of a \$1,000,000 member self insured retention, and purchased a \$20,000,000 commercial excess insurance policy, providing a total limit of \$22,000,000 per occurrence. Members also had the option of paying their Administrative costs out of the \$0.60 rate. The cities of Bakersfield, Modesto, Ontario, Santa Barbara and Santa Cruz elected this option.

ACCEL's day-to-day operations are administered by Driver Alliant Insurance Services (Driver) contracted by ACCEL to provide accounting, risk consulting, insurance brokerage and program administration services. Driver's responsibility also includes the administration of policies 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 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, 2004 and 2003. The Statement of Revenues, Expenses and Changes in Net Assets reports the operations of the organization for the years ended June 30, 2004 and 2003. The Statement of Cash Flows is presented on the direct method to reflect the operations of ACCEL for the years ending June 30, 2004 and 2003 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. 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, 2003.

Analysis of Overall Financial Position and Results of Operations

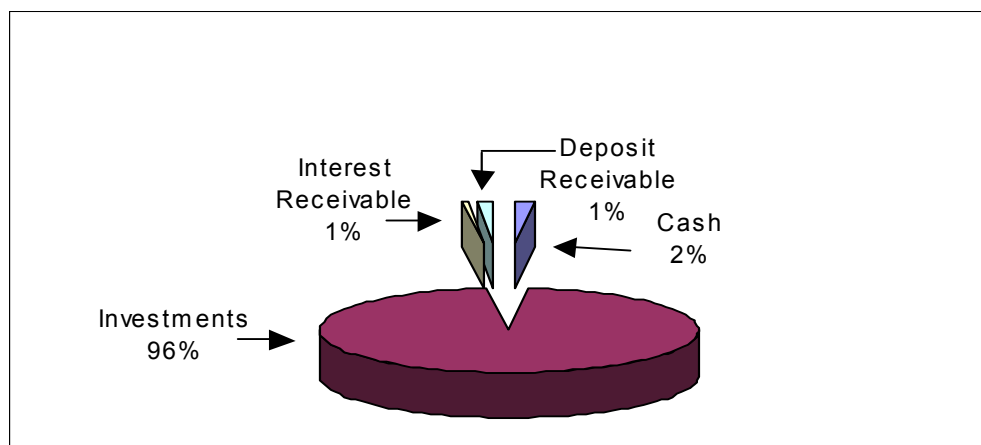
Assets of ACCEL decreased 34.79% from June 30, 2003 to June 30, 2004. This was due to a decrease in the Authority’s investments, and a corresponding decrease in its liabilities. Although there was an increase of \$263,263 in the Authority’s cash, there was a decrease of \$635,240 in claim liabilities. These adjustments resulted in a decrease at June 30, 2004 from \$25,446,267 to \$18,879,098.

Comparative Analysis of Fiscal Year 2002/2003 and Fiscal Year 2003/2004

Financial Summary

ASSETS	2003-2004	2002-2003	Change	%
Cash	\$ 320,400	\$ 57,137	\$ 263,263	461%
Investments	\$ 18,205,612	\$ 24,858,970	\$ (6,653,358)	-27%
Deposit Receivable	\$ 109,339	\$ 310,495	\$ (201,156)	-65%
Interest Receivable	\$ 243,747	\$ 219,665	\$ (24,082)	11%
TOTAL ASSETS	\$ 18,879,098	\$ 25,446,267	\$ (6,567,169)	-34.79%
LIABILITIES AND MEMBERS' EQUITY				
Liabilities				
Accounts payable	\$ 17,368	\$ 11,020	\$ 6,348	57.60%
Members payable	\$ 126,014	\$ 18,121	\$ (107,893)	595.40%
Unpaid claims liability	\$ 2,359,272	\$ 1,724,032	\$ (635,240)	36.85%
Retrospectively rated refunds liability	\$ 16,260,573	\$ 23,627,240	\$ 7,366,667	-31.18%
Total Liabilities	\$ 18,763,227	\$ 25,380,413	\$ 6,617,186	-26.07%
Members' Equity	\$ 115,871	\$ 65,854	\$ (50,017)	75.95%
TOTAL LIABILITIES AND MEMBERS EQUITY	\$ 18,879,098	\$ 25,446,267	\$ 6,567,169	-25.81%

Total Assets by Type at June 30, 2004

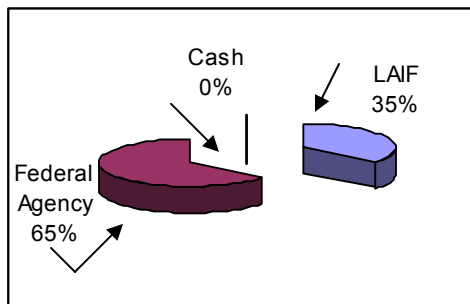


Investment Income

Investment revenues are used to offset program costs wherever possible and reduce the required member contributions. The overall investments of the pool decreased in fiscal year 2003-2004. 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 investment market has suffered declines over the past few years. For example, in the 2003-2004 fiscal year, the interest rate payable for funds invested in LAIF dropped from 2.942% in the first quarter to 2.487% in the last quarter. 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. When investments fall short of projections, additional funding may be required to meet actuarial estimates.

Portfolio Summary at June 30, 2004



Revenues and Expenses

Pool operating revenues consist almost entirely of contributions received from members. These revenues remained stable from 2003 to 2004. Total revenues of \$4,919,857 exceeded total expenses of 4,869,840 in 2004 resulting in net income of \$50,017.

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 yet 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. During fiscal year 2003-2004, claims increased \$3,100,543 due to unexpected claims activity occurring in prior program years.

Excess Liability Insurance Expense

ACCEL operates in an environment that is partially dependent on the insurance market. Historically, the insurance market has operated in 3-7 year cycles in which rates will swing from the very high to the very low and back again. Since 1987, however, the Insurance marketplace has been competitive and has not seen a hard cycle until the year 2002. Although a change to a hard market was being predicted in 2001 it was the events of September 11, 2001 that pushed the market to change. The renewals for the 2003-2004 were difficult due to decreased capacity, increased exposure to terrorism, poor investment results and a general wariness on the part of insurers, resulting in rate increases and significant limitations to coverage, such as margin clauses and sub-limits for particular exposures. This market is expected to continue in this difficult phase for next couple of years and will be dependent upon the availability for increased earnings on investments. The 2003-2004 excess liability premiums increased 41.56% from the prior year.

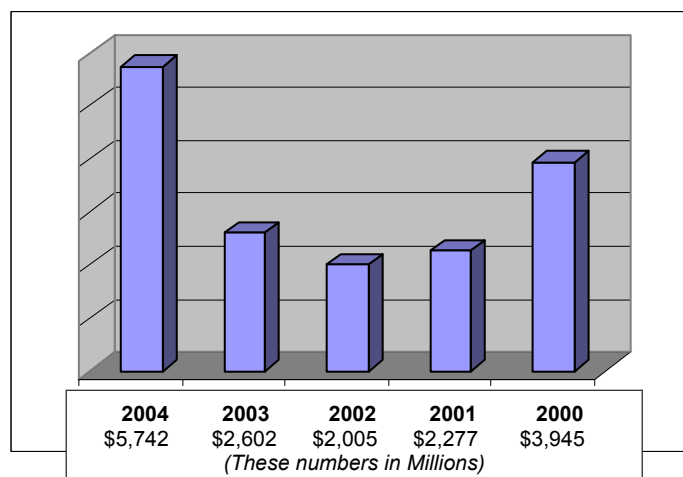
Administrative Expenses

For the 2003-2004 fiscal year, ACCEL budgeted \$335,000 for general administrative expenses, which represents just 5.9% of the overall 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 Member's 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 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 closed out. For the fiscal year ending June 30, 2004, ACCEL members withdrew \$5,741,948, a 120.64% increase from the prior year.

Five Year Historical Retrospective Refunds



Comparative Analysis of Fiscal Year 2002/2003 and Fiscal Year 2003/2004

Revenues and Expenses

	2003-2004	2002-2003	Change	%
REVENUES				
Premiums earned	\$ 4,382,170	\$ 4,452,981	\$ (70,811)	-1.59%
Investment income	\$ 207,187	\$ 726,773	\$ (519,586)	-71.49%
Administrative fees	\$ 330,500	\$ 291,500	\$ 39,000	13.38%
Other revenues	\$ -	\$ 1,500	\$ (1,500)	-100.00%
TOTAL REVENUES	\$ 4,919,857	\$ 5,472,754	\$ (552,897)	-10.10%
EXPENSES				
Claims	\$ 3,128,808	\$ 28,265	\$ 3,100,543	10969.55%
Excess liability insurance	\$ 2,443,182	\$ 1,725,908	\$ 717,274	41.56%
Unpaid claims liability adjustment	\$ (3,128,808)	\$ (28,265)	\$ (3,100,543)	10969.55%
Retro rated refunds paid	\$ 5,741,948	\$ 2,602,441	\$ 3,139,507	120.64%
Retro rated refunds liability adjustment	\$ (3,547,967)	\$ 985,733	\$ (4,533,700)	-459.93%
Management consulting	\$ 153,000	\$ 144,000	\$ 9,000	6.25%
Claims administration	\$ 1,600	\$ 69,000	\$ (67,400)	-97.68%
Professional support services	\$ 59,974	\$ 72,224	\$ (12,250)	-16.96%
Other general and admin expenses	\$ 18,103	\$ 37,136	\$ (19,033)	-51.25%
Total Expenses	\$ 4,869,840	\$ 5,636,442	\$ (766,602)	-13.60%
Net Income (Loss)	\$ 50,017	\$ (163,688)	\$ 213,705	-130.56%
Members' Equity, Beginning of Year	\$ 65,854	\$ 229,542	\$ (163,688)	-71.31%
Members' Equity, End of Year	\$ 115,871	\$ 65,854	\$ 50,017	75.95%

Analysis of Balances and Transactions

Member contributions decreased slightly (1.62%) for the year ending June 30, 2004. The overall expenses decreased 15.74% from \$5,636,442 to \$4,869,840. The investment strategy is executed within the investment policy adopted by the Board of Directors. The decrease in total assets of approximately \$6,567,160 from June 30, 2003 to June 30, 2004 is due to claims payments in older self-funded years.

Member contributions for the Liability Program remain stable for the year ended June 30, 2004. The operating expenses of the Liability Program decreased as a result of the increase in claims expenses and other items. Other general and administrative expenses held reasonably constant from the 2002-2003 fiscal year to the 2003-2004 fiscal year. The decrease in interest income of \$519,586 is due to reduced yield as a result of the trend of decreasing interest rates during the year. The overall decrease in net assets for the year ended June 30, 2004 was \$6,657,189 to an ending net asset position of \$18,879,098.

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. 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.

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, Patrick Flaherty, City of Bakersfield, 1501 Truxtun Avenue, Bakersfield, CA 93301.



Patrick Flaherty, ACCEL Treasurer

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
STATEMENT OF NET ASSETS
JUNE 30, 2004 AND 2003**

	2004	2003
<u>ASSETS</u>		
Cash	\$ 320,400	\$ 57,137
Investments	18,205,612	24,858,970
Deposits receivable	109,339	310,495
Interest receivable	243,747	219,665
TOTAL ASSETS	\$ 18,879,098	\$ 25,446,267
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 17,368	\$ 11,020
Members payable	126,014	18,121
Unpaid claims liability	2,359,272	1,724,032
Retrospectively rated refunds liability	16,260,573	23,627,240
Total Liabilities	18,763,227	25,380,413
Net Assets	115,871	65,854
TOTAL LIABILITIES AND NET ASSETS	\$ 18,879,098	\$ 25,446,267

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

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Revenues		
Premiums earned	\$ 4,382,170	\$ 4,452,981
Investment income	207,187	726,773
Administrative fees	330,500	291,500
Other revenues	-	1,500
	<u>4,919,857</u>	<u>5,472,754</u>
Expenses		
Claims	3,128,808	28,265
Excess liability insurance	2,443,182	1,725,908
Unpaid claims liability adjustment	(3,128,808)	(28,265)
Retrospectively rated refunds paid	5,741,948	2,602,441
Retrospectively rated refunds liability adjustment	(3,547,967)	985,733
Management consulting	153,000	144,000
Claims administration	1,600	69,000
Professional support services	59,974	72,224
Other general and administrative expenses	18,103	37,136
	<u>4,869,840</u>	<u>5,636,442</u>
Net Income (Loss)	50,017	(163,688)
Net Assets, Beginning of Year	<u>65,854</u>	<u>229,542</u>
Net Assets, End of Year	<u>\$ 115,871</u>	<u>\$ 65,854</u>

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

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003**

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 50,017	\$ (163,688)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Unpaid claims liability adjustment	(3,128,808)	(28,265)
Retrospectively rated refunds liability adjustment	2,393,201	3,588,174
(Increase) decrease in:		
Deposits receivable	(52,716)	(30,079)
Interest receivable	(24,082)	49,387
Prepays	-	1,725,908
Increase (decrease) in:		
Accounts payable	6,348	(4,616)
Members payable	107,893	11,131
	(648,147)	5,147,952
CASH FLOWS USED IN INVESTING ACTIVITIES		
Net (increase) decrease in investments	6,653,358	(2,574,476)
CASH FLOWS FROM FINANCING ACTIVITIES		
Retro rated (refund) assessment program year two	53,897	6,291
Retro rated (refund) assessment program year three	(25,252)	349
Retro rated (refund) assessment program year four	68,425	(204,626)
Retro rated (refund) assessment program year five	24,257	76,938
Retro rated (refund) assessment program year six	462,577	604,450
Retro rated (refund) assessment program year seven	315,755	14,621
Retro rated (refund) assessment program year eight	829,118	(44,200)
Retro rated (refund) assessment program year nine	355,554	465,522
Retro rated (refund) assessment program year ten	673,567	520,263
Retro rated (refund) assessment program year eleven	1,286,647	1,162,833
Retro rated (refund) assessment program year twelve	1,697,403	-
	(5,741,948)	(2,602,441)
Net Cash Used in Financing Activities		
Net Increase (Decrease) in Cash	263,263	(28,965)
Cash at Beginning of Year	57,137	86,102
Cash at End of Year	\$ 320,400	\$ 57,137

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

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

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.

Investments

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

Investments are reported in the accompanying balance sheets 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 consists of the following at June 30,:

	2004		2003	
	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits				
Cash in banks	<u>\$ 330,404</u>	<u>\$ 320,400</u>	<u>\$ 94,779</u>	<u>\$ 57,137</u>

Cash balances held in banks are insured up to \$100,000, excluding sweep accounts which are not insured by the Federal Depository Insurance Corporation. Of the balance, \$16,781 and \$10,886 was insured at June 30, 2004 and 2003, respectively. The excess, excluding sweep accounts, was collateralized at June 30, 2004 and 2003.

Investments

ACCEL's investments are categorized as either (1) insured or registered or for which the securities are held by ACCEL or its agent in ACCEL's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in ACCEL's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in ACCEL's name.

NOTE 3 - CASH AND INVESTMENTS (Continued)Investments (Continued)

Investments were comprised of the following at June 30,:

	Categories			Cost	Fair Market Value
	1	2	3		
<u>2004</u>					
U.S. Government Agencies	<u>\$ 11,674,870</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 11,898,799	\$ 11,674,870
Pooled Funds					
Local Agency Investment Fund				<u>6,530,742</u>	<u>6,530,742</u>
				<u>\$ 18,429,541</u>	<u>\$ 18,205,612</u>
<u>2003</u>					
U.S. Government Agencies	<u>\$ 10,082,550</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 9,999,700	\$ 10,082,550
Pooled Funds					
Local Agency Investment Fund				<u>14,776,420</u>	<u>14,776,420</u>
				<u>\$ 24,776,120</u>	<u>\$ 24,858,970</u>

Realized gain/(loss) on investments were \$19,613 and \$4,262 for 2004 and 2003 and unrealized gains/(loss) were \$223,929 and \$82,850, respectively.

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:

	2004	2003
	(In Thousands)	
Unpaid claims liability at beginning of year	\$ 1,724	\$ 2,195
Provision for claims and claim adjustment expenses:		
Provision for insured events of current year	2,226	-
Increases (decreases) in provision for insured events of prior years	1,538	(443)
Total provision for claims and claim adjustment expenses	3,764	(443)
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	(6)	(28)
Claims and claim adjustment expenses attributable to insured events of prior years	(3,123)	-
Net unpaid claims liability adjustment	(3,129)	(28)
Unpaid claims liability at end of year	\$ 2,359	\$ 1,724

NOTE 6 - RELATED PARTY TRANSACTIONS

Investment Management

ACCEL's investments are managed by the City of Monterey, which is a member of ACCEL. Fees paid for this service amounted to \$14,500 and \$13,000 for the years ended June 30, 2004 and 2003, respectively.

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 \$153,000 and \$144,000 for the years ended June 30, 2004 and 2003, respectively. Excess liability insurance expenses were \$2,443,182 and \$1,725,908 for the years ended June 30, 2004 and 2003, respectively.

NOTE 7 - SUBSEQUENT EVENTS

Retrospective Rating Program

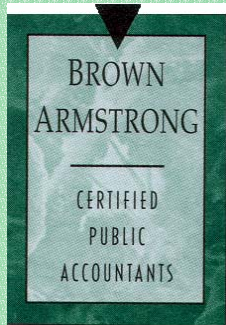
At the June 2004 Board of Directors meeting, a retrospectively rated refund was made available for distribution to the members for the program years 2 through 13 in the amount of \$6,189,553. Members may elect to have returned all or a portion of their refund and the funds will remain in the respective program year in the name of the member city. In July 2004, \$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	\$ 792,240	\$ -	\$ 792,240
Bakersfield	(64,387)	-	(64,387)
Burbank	(354,180)	-	(354,180)
Gardena	(89,886)	-	(89,886)
Modesto	294,264	-	294,264
Monterey	521,452	100,000	421,452
Mountain View	989,699	-	989,699
Ontario	1,973,724	-	1,973,724
Palo Alto	(44,928)	-	(44,928)
Santa Barbara	210,569	200,000	10,569
Santa Cruz	301,344	-	301,344
Santa Monica	1,057,866	800,000	257,866
Visalia	601,776	-	601,776
	<u>\$ 6,189,553</u>	<u>\$ 1,100,000</u>	<u>\$ 5,089,553</u>

Excess Liability Insurance

Effective July 1, 2004, ACCEL purchased a 1-year excess liability insurance policy for \$3,074,971 from Driver Alliant. Driver Alliant is also ACCEL's Program Administrator and is considered a related party.

OTHER REPORT



**BROWN ARMSTRONG
PAULDEN MCCOWN STARBUCK & KEETER**

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

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, 2004, and have issued our report thereon dated October 8, 2004. 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.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards.

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 general purpose financial statements and not to provide assurance 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 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 in amounts that would be material in relation to the general purpose 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.

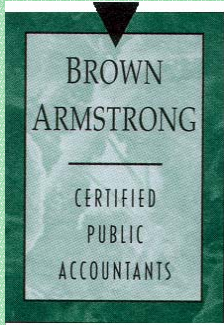
This report is intended solely for the information and use of the board of directors, audit committee, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK & KEETER
ACCOUNTANCY CORPORATION

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

Bakersfield, California
October 8, 2004

SUPPLEMENTARY INFORMATION



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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 20 and 21 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 22 through 39 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, 2004, 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 & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
October 8, 2004

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF CHANGES IN CLAIMS LIABILITIES BY RISK POOL
JUNE 30, 2004 AND 2003**

Reconciliation of claims liabilities by risk layer.

The schedule below presents the changes in claims liabilities for the past two years for ACCEL's two risk layers: Claim losses from \$500,000 to \$1,000,000 and claim losses excess \$1,000,000.

	\$500,000 Layer		\$1,000,000 Layer	
	2004	2003	2004	2003
	(In Thousands)		(In Thousands)	
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ -	\$ -	\$ 1,724	\$ 2,195
Incurring claims and claim adjustment expenses:				
Increase (decrease) in provision for insured events of current fiscal year	*	*	2,226	-
Increase (decrease) in provision for insured events of prior fiscal years	-	-	1,538	(443)
Total incurred claims and claim adjustment expenses	-	-	3,764	(443)
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current year	*	*	(6)	-
Claims and claim adjustment expenses attributable to insured events of prior years	-	-	(3,123)	(28)
Total Payments	-	-	(3,129)	(28)
Total unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,359</u>	<u>\$ 1,724</u>

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

At June 30, 2004 and 2003 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, 2004

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.

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1 Required contribution and investment revenues:										
Earned	\$ 4,874	\$ 4,534	\$ 4,942	\$ 4,960	\$ 4,211	\$ 4,251	\$ 4,296	\$ 4,355	\$ 4,453	\$ 4,382
Ceded	-	448	385	749	1,484	1,575	1,726	1,726	1,804	2,593
Net earned	4,874	4,086	4,557	4,211	2,727	2,676	2,570	2,629	2,649	1,789
2 Unallocated expenses	-	-	-	-	-	276	291	280	322	233
3 Estimated claims and expenses, end of policy year:										
Incurred	1,873	2,040	2,181	2,814	-	-	-	-	-	2,359
Ceded	-	1,020	1,090	1,970	-	-	-	-	-	-
Net incurred	1,873	1,020	1,091	844	-	-	-	-	-	2,359
4 Net paid (cumulative) as of:										
End of policy year	-	-	-	-	-	-	-	-	-	6
One year later	-	-	63	-	-	-	-	-	-	-
Two years later	-	22	63	-	2	-	-	-	-	-
Three years later	-	909	63	-	2	-	-	-	-	-
Four years later	-	909	63	-	2	-	-	-	-	-
Five years later	-	909	63	-	2	-	-	-	-	-
Six years later	-	910	64	1,539	-	-	-	-	-	-
Seven years later	-	909	64	-	-	-	-	-	-	-
Eight years later	-	912	-	-	-	-	-	-	-	-
Nine years later	1,438	-	-	-	-	-	-	-	-	-
5 Re-estimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
6 Re-estimated net incurred claims and expenses:										
End of policy year	1,873	2,040	2,181	2,814	-	-	-	-	-	2,359
One year later	1,000	1,230	2,055	1,017	-	-	-	-	-	-
Two years later	915	880	1,002	1,071	2	-	-	-	-	-
Three years later	536	1,109	1,002	500	2	-	-	-	-	-
Four years later	500	1,109	313	500	2	-	-	-	-	-
Five years later	500	979	313	251	2	-	-	-	-	-
Six years later	28	980	1,409	1,080	-	-	-	-	-	-
Seven years later	28	951	66	-	-	-	-	-	-	-
Eight years later	14	931	-	-	-	-	-	-	-	-
Nine years later	1,456	-	-	-	-	-	-	-	-	-
7 Increase (decrease) in estimated net incurred claims and expenses from end of policy year.	(417)	(1,109)	(2,115)	(1,734)	2	-	-	-	-	-

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER
AS OF JUNE 30, 2004**

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, 2004**

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	\$ 74,231	\$ 400	\$ 204,130	\$ 97,180	\$ 106,930	\$ -	\$ 106,930	\$ 20
Ontario	122,192	71,792	517,363	711,347	496,250	215,108	-	215,108	(11)
Santa Barbara	131,012	73,252	179	204,443	117,944	86,492	-	86,492	7
Visalia	52,885	26,857	24,717	104,459	13,007	91,470	-	91,470	(18)
	<u>\$ 435,588</u>	<u>\$ 246,132</u>	<u>\$ 542,659</u>	<u>\$1,224,379</u>	<u>\$ 724,381</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ (2)</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	\$ -	\$1,425,064	\$ 1,290,414	\$ 138,976	\$ -	\$ 138,976	\$ (4,326)
Bakersfield	396,592	207,301	-	603,893	503,142	102,833	-	102,833	(2,082)
Burbank ⁽¹⁾	513,647	270,205	-	783,852	731,548	53,205	-	53,205	(901)
Gardena	137,521	75,985	-	213,506	151,532	63,022	-	63,022	(1,048)
Modesto	323,624	153,987	-	477,611	441,383	36,336	-	36,336	(108)
Ontario	305,480	141,944	(163,083)	284,341	185,042	101,263	-	101,263	(1,964)
Palo Alto	420,915	219,778	-	640,693	614,684	26,076	-	26,076	(67)
Santa Barbara	327,530	180,202	-	507,732	475,433	32,571	-	32,571	(272)
Santa Monica	578,656	295,248	-	873,904	749,931	126,636	-	126,636	(2,663)
Visalia	132,213	68,826	(7,606)	193,433	146,358	43,621	-	43,621	3,454
	<u>\$4,100,541</u>	<u>\$2,074,177</u>	<u>\$(170,689)</u>	<u>\$6,004,029</u>	<u>\$ 5,289,467</u>	<u>\$ 724,539</u>	<u>\$ -</u>	<u>\$ 724,539</u>	<u>\$ (9,977)</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, 2004**

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	\$ (30,694)	\$ 189,275	\$ 189,265	\$ -	\$ -	\$ -	\$ 10
Ontario	141,993	84,076	(106,747)	119,322	119,284	-	-	-	38
Santa Barbara	149,408	91,606	(14,416)	226,598	226,592	-	-	-	6
Visalia	60,091	33,088	(43,167)	50,012	49,996	-	-	-	16
	<u>\$ 500,109</u>	<u>\$ 280,122</u>	<u>\$ (195,024)</u>	<u>\$ 585,207</u>	<u>\$ 585,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70</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	\$ 471,521	\$ -	\$1,503,121	\$ 1,503,122	\$ -	\$ -	\$ -	\$ (1)
Bakersfield	420,968	197,290	-	618,258	618,258	-	-	-	-
Burbank	475,136	224,892	-	700,028	700,028	-	-	-	-
Gardena	163,763	74,392	-	238,155	238,154	-	-	-	1
Modesto	371,544	165,416	-	536,960	536,960	-	-	-	-
Ontario	354,982	258,717	-	613,699	613,697	-	-	-	2
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	41	216,815	216,804	-	-	-	11
	<u>\$4,396,510</u>	<u>\$2,131,005</u>	<u>\$ 41</u>	<u>\$6,527,556</u>	<u>\$ 6,527,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13</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, 2004**

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	\$ 30,294	\$ 281,871	\$ 197,326	\$ -	\$ -	\$ -	\$ 84,545
Ontario	156,835	78,208	99,145	334,188	202,176	-	-	-	132,012
Santa Barbara	155,133	112,498	14,237	281,868	170,949	-	-	-	110,919
Visalia	62,192	30,825	52,480	145,497	83,827	-	-	-	61,670
	<u>\$ 540,423</u>	<u>\$ 306,845</u>	<u>\$ 196,156</u>	<u>\$1,043,424</u>	<u>\$ 654,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 389,146</u>

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

	(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	796,739	-	-	-	(4,705)
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	-	697,225	475,545	-	-	-	221,680
Palo Alto	481,713	195,799	-	677,512	677,512	-	-	-	-
Santa Barbara	387,832	193,407	-	581,239	581,239	-	-	-	-
Santa Monica	666,475	381,751	-	1,048,226	1,048,226	-	-	-	-
Visalia	157,774	68,606	-	226,380	226,380	-	-	-	-
	<u>\$4,868,171</u>	<u>\$2,411,583</u>	<u>\$ -</u>	<u>\$7,279,754</u>	<u>\$ 7,062,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,975</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, 2004**

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

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(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	\$ 1,485,299	\$ 1,485,290	\$ -	\$ -	\$ -	\$ 9
Bakersfield	497,967	185,213	683,180	683,180	-	-	-	-
Burbank	595,898	225,987	821,885	821,885	-	-	-	-
Gardena	182,935	70,554	253,489	253,466	-	-	-	23
Modesito	491,583	264,860	756,443	756,443	-	-	-	-
Monterey	182,788	107,988	290,776	290,773	-	-	-	3
Ontario	464,064	203,220	667,284	662,876	-	-	-	4,408
Palo Alto	512,308	190,650	702,958	702,958	-	-	-	-
Santa Barbara	429,697	213,097	642,794	642,782	-	-	-	12
Santa Monica	744,971	342,330	1,087,301	1,087,301	-	-	-	-
Visalia	180,027	66,702	246,729	246,712	-	-	-	17
	<u>\$5,370,533</u>	<u>\$2,267,605</u>	<u>\$ 7,638,138</u>	<u>\$ 7,633,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,472</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, 2004**

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	\$ 270,770	\$ -	\$ 1,115,781	\$ 461,331	\$ 659,869	\$ 2,013	\$ 661,882	\$ (7,432)
Bakersfield	392,364	132,441	-	524,805	335,581	192,104	586	192,690	(3,466)
Burbank	467,142	130,958	-	598,100	426,271	177,997	543	178,540	(6,711)
Gardena	150,239	52,167	-	202,406	258,842	34,465	105	34,571	(91,007)
Modesto	386,004	153,506	-	539,510	416,493	123,111	376	123,486	(469)
Monterey	145,258	69,175	-	214,433	149,657	64,886	198	65,084	(308)
Ontario	375,765	151,639	27,339	554,743	9,213	358,978	1,095	360,073	185,457
Palo Alto	409,606	127,868	-	537,474	405,235	135,225	413	135,637	(3,398)
Santa Barbara	358,552	141,165	-	499,717	424,000	55,944	171	56,114	19,603
Santa Monica	620,491	248,615	-	869,106	271,321	609,315	1,859	611,173	(13,388)
Visalia	155,190	56,500	7,783	219,473	65,290	89,299	272	89,571	64,612
	<u>\$ 4,305,622</u>	<u>\$ 1,534,804</u>	<u>\$ 35,122</u>	<u>\$ 5,875,548</u>	<u>\$ 3,223,234</u>	<u>\$ 2,501,191</u>	<u>\$ 7,630</u>	<u>\$ 2,508,821</u>	<u>\$ 143,493</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, 2004**

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	\$ 135,523	\$ 1,292,130	\$ (1,330,653)	\$ 2,663,929	\$ 7,743	\$ 2,671,672	\$ (48,889)
Bakersfield	393,468	156,937	91,560	641,965	(267,259)	928,746	2,699	931,446	(22,222)
Burbank	468,514	166,996	-	635,510	7,217	676,517	1,966	678,483	(50,190)
Modesto	403,812	80,910	45,447	530,169	(608,122)	1,157,454	3,364	1,160,818	(22,527)
Monterey	154,252	54,641	1,771	210,664	11,329	199,227	579	199,806	(471)
Mountain View ⁽¹⁾	291,684	95,667	-	387,351	(439,010)	760,783	2,211	762,994	63,367
Ontario	398,123	169,112	-	567,235	(768,098)	1,306,641	3,798	1,310,439	24,894
Palo Alto	438,745	148,428	-	587,173	69,088	542,956	1,578	544,534	(26,449)
Santa Barbara	367,723	146,948	-	514,671	214,281	228,303	664	228,966	71,424
Santa Monica	631,676	146,477	-	778,153	(988,754)	1,806,291	5,250	1,811,541	(44,634)
Visalia	162,692	80,479	212,866	456,037	49,561	262,746	764	263,509	142,967
	<u>\$ 4,583,524</u>	<u>\$ 1,530,367</u>	<u>\$ 487,167</u>	<u>\$ 6,601,058</u>	<u>\$ (4,050,420)</u>	<u>\$ 10,533,594</u>	<u>\$ 30,616</u>	<u>\$ 10,564,210</u>	<u>\$ 87,268</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, 2004**

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	\$ 220,755	\$ -	\$ 809,852	\$ 626,681	\$ 208,753	\$ 1,212	\$ 209,964	\$ (26,793)
Bakersfield	267,235	95,709	(91,560)	271,384	222,027	56,653	329	56,982	(7,625)
Burbank	329,067	126,017	-	455,084	430,468	28,605	166	28,771	(4,155)
Modesto	262,942	119,796	-	382,738	282,303	114,761	666	115,427	(14,992)
Monterey	105,710	67,815	-	173,525	157,296	18,179	106	18,285	(2,056)
Mountain View	159,350	89,130	-	248,480	112,373	55,189	320	55,509	80,598
Ontario	279,850	170,385	-	450,235	112,533	110,044	639	110,682	227,020
Palo Alto	309,159	116,965	-	426,124	386,432	45,502	264	45,766	(6,074)
Santa Barbara	256,508	137,253	-	393,761	371,306	19,521	113	19,634	2,821
Santa Monica	425,961	225,987	-	651,948	528,328	139,273	808	140,082	(16,462)
Visalia	103,616	33,321	(135,128)	1,809	(24,032)	23,597	137	23,734	2,107
	<u>\$ 3,088,495</u>	<u>\$ 1,403,133</u>	<u>\$ (226,688)</u>	<u>\$ 4,264,940</u>	<u>\$ 3,205,715</u>	<u>\$ 820,077</u>	<u>\$ 4,760</u>	<u>\$ 824,837</u>	<u>\$ 234,388</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, 2004**

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	\$ 266,540	\$ -	\$ 887,339	\$ 890,857	\$ 356,347	\$ 3,084	\$ 359,431	\$ (362,949)
Bakersfield	297,034	158,489	-	455,523	456,379	87,749	760	88,509	(89,365)
Burbank	345,334	146,270	-	491,604	492,125	52,650	456	53,106	(53,627)
Modesto	270,852	151,932	-	422,784	424,983	242,964	2,104	245,068	(247,267)
Monterey	112,393	70,759	-	183,152	88,163	31,834	275	32,109	62,880
Mountain View	167,639	90,788	-	258,427	120,218	56,735	491	57,226	80,983
Ontario	282,551	186,898	-	469,449	-	203,117	1,759	204,876	264,573
Palo Alto	331,028	139,460	-	470,488	471,469	98,969	857	99,826	(100,807)
Santa Barbara	269,455	147,581	-	417,036	417,068	35,100	304	35,404	(35,436)
Santa Monica	467,441	201,636	-	669,077	671,206	215,057	1,861	216,918	(219,047)
Visalia	110,607	44,170	(111,986)	42,791	-	57,828	501	58,329	(15,538)
	<u>\$ 3,275,133</u>	<u>\$ 1,604,523</u>	<u>\$ (111,986)</u>	<u>\$ 4,767,670</u>	<u>\$ 4,032,468</u>	<u>\$ 1,438,350</u>	<u>\$ 12,451</u>	<u>\$ 1,450,801</u>	<u>\$ (715,599)</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, 2004**

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	\$ -	\$ 844,157	\$ 81,636	\$ 614,197	\$ 149,457	\$ 2,602	\$ 152,059	\$ (3,735)
Bakersfield	304,490	116,255	-	420,745	38,030	318,965	64,855	1,129	65,984	(2,234)
Burbank	355,287	117,560	-	472,847	49,507	366,079	61,024	1,062	62,087	(4,826)
Modesto	291,830	106,984	-	398,814	35,613	212,829	151,290	2,634	153,924	(3,552)
Monterey	115,970	51,255	-	167,225	14,344	-	25,754	448	26,202	126,679
Mountain View	177,713	78,526	-	256,239	26,445	-	34,314	597	34,911	194,883
Ontario	285,931	111,607	-	397,538	43,604	-	129,920	2,262	132,182	221,752
Palo Alto	313,896	108,616	8,499	431,011	45,948	279,179	104,037	1,811	105,848	36
Santa Barbara	270,942	101,676	-	372,618	37,572	315,105	20,105	350	20,455	(514)
Santa Monica	471,073	173,974	-	645,047	61,534	413,992	135,511	2,359	137,870	31,651
Visalia	109,072	45,398	-	154,470	14,000	-	35,875	625	36,499	103,971
	<u>\$ 3,328,739</u>	<u>\$ 1,223,473</u>	<u>\$ 8,499</u>	<u>\$ 4,560,711</u>	<u>\$ 448,233</u>	<u>\$ 2,520,346</u>	<u>\$ 912,141</u>	<u>\$ 15,880</u>	<u>\$ 928,021</u>	<u>\$ 664,111</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, 2004**

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

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(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	\$ 264,070	\$ 911,151	\$ 69,525	\$ 783,816	\$ 7,920	\$ 289	\$ 8,209	\$ 49,601
Bakersfield	323,143	120,590	443,733	30,532	408,484	4,838	177	5,015	(298)
Burbank	343,002	130,259	473,261	42,162	425,949	4,696	172	4,868	282
Modesto	291,262	118,265	409,527	30,329	350,201	6,244	228	6,472	22,525
Monterey	122,748	53,845	176,593	12,914	-	2,022	74	2,096	161,583
Mountain View	186,176	81,176	267,352	19,994	-	1,481	54	1,535	245,823
Ontario	313,307	137,812	451,119	37,127	-	7,287	266	7,553	406,439
Palo Alto	331,582	123,917	455,499	37,401	411,788	6,066	222	6,288	22
Santa Barbara	286,768	110,481	397,249	31,574	362,702	2,704	99	2,803	170
Santa Cruz ⁽¹⁾	89,949	35,237	125,186	9,506	-	5,859	214	6,073	109,607
Santa Monica	497,910	216,682	714,592	51,654	-	12,336	451	12,787	650,151
Visalia	113,875	50,085	163,960	12,190	-	2,147	78	2,225	149,545
	<u>\$ 3,546,803</u>	<u>\$ 1,442,419</u>	<u>\$ 4,989,222</u>	<u>\$ 384,908</u>	<u>\$ 2,742,940</u>	<u>\$ 63,600</u>	<u>\$ 2,324</u>	<u>\$ 65,924</u>	<u>\$ 1,795,450</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, 2004**

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

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(D) Total Accumulated Funds	(E) Excess Insurance	(F) Retro Refunds Paid	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 645,599	\$ 211,739	\$ 857,338	\$ 130,119	\$ -	\$ 113,912	\$ 4,845	\$ 118,757	\$ 608,462
Bakersfield	341,891	102,365	444,256	58,263	387,241	160,470	6,825	167,295	(168,543)
Burbank	362,837	108,564	471,401	80,456	501,439	124,276	5,286	129,562	(240,056)
Modesto	325,478	105,666	431,144	57,771	-	130,553	5,552	136,105	237,268
Monterey	128,484	42,137	170,621	25,472	-	39,810	1,693	41,503	103,646
Mountain View	196,525	64,940	261,465	40,674	-	31,006	1,319	32,325	188,466
Ontario	317,860	103,520	421,380	68,122	-	185,881	7,906	193,787	159,471
Palo Alto	369,439	111,806	481,245	71,370	410,832	140,453	5,974	146,427	(147,384)
Santa Barbara	306,900	93,462	400,362	56,867	343,557	57,874	2,461	60,335	(60,397)
Santa Cruz	178,820	58,149	236,969	36,279	-	100,362	4,268	104,630	96,060
Santa Monica	514,524	167,172	681,696	99,517	-	377,947	16,074	394,021	188,158
Visalia	115,088	37,025	152,113	24,044	-	76,117	3,237	79,354	48,715
	<u>\$3,803,445</u>	<u>\$1,206,545</u>	<u>\$5,009,990</u>	<u>\$ 748,954</u>	<u>\$1,643,069</u>	<u>\$1,538,661</u>	<u>\$ 65,440</u>	<u>\$1,604,101</u>	<u>\$ 1,013,866</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, 2004**

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

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(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	\$ 143,197	\$ 809,542	\$ 240,854	\$ -	\$ 434	\$ -	\$ 434	\$ 568,254
Bakersfield	357,987	76,289	434,276	118,083	94,683	233	-	233	221,277
Modesto	326,839	53,373	380,212	155,508	-	213	-	213	224,491
Monterey	134,468	18,469	152,937	78,460	-	88	-	88	74,389
Mountain View	223,175	34,038	257,213	116,201	-	145	-	145	140,867
Ontario	321,441	50,409	371,850	174,962	-	209	-	209	196,679
Palo Alto	394,012	82,983	476,995	132,108	111,997	257	-	257	232,633
Santa Barbara	320,210	65,558	385,768	103,744	176,642	209	-	209	105,173
Santa Cruz	180,363	25,921	206,284	105,477	-	118	-	118	100,689
Santa Monica	543,831	119,031	662,862	184,209	-	354	-	354	478,299
Visalia	118,955	15,335	134,290	74,020	-	78	-	78	60,192
	<u>\$ 3,587,626</u>	<u>\$ 684,603</u>	<u>\$ 4,272,229</u>	<u>\$ 1,483,626</u>	<u>\$ 383,322</u>	<u>\$ 2,338</u>	<u>\$ -</u>	<u>\$ 2,338</u>	<u>\$ 2,402,943</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, 2004**

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	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 735,019	\$ 123,801	\$ -	\$ 858,820	\$ 229,863	\$ -	\$ -	\$ -	\$ 628,957
Bakersfield	367,080	48,255	-	415,335	169,795	-	-	-	245,540
Modesto	338,985	44,379	-	383,364	150,984	-	-	-	232,380
Monterey	143,302	16,218	-	159,520	76,497	-	-	-	83,023
Mountain View	222,556	28,544	-	251,100	112,853	-	-	-	138,247
Ontario	330,483	42,795	-	373,278	170,100	-	-	-	203,178
Palo Alto	396,553	55,486	(8,499)	443,540	175,579	-	-	-	267,961
Santa Barbara	351,627	48,856	-	400,483	138,510	-	-	-	261,973
Santa Cruz	200,738	24,782	-	225,520	102,589	-	-	-	122,931
Santa Monica	561,088	94,867	-	655,955	175,803	-	-	-	480,152
Visalia	129,346	14,190	-	143,536	72,438	-	-	-	71,098
	<u>\$ 3,776,777</u>	<u>\$ 542,173</u>	<u>\$ (8,499)</u>	<u>\$ 4,310,451</u>	<u>\$ 1,575,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,735,440</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, 2004**

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

	(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	\$ 760,049	\$ 84,332	\$ 844,381	\$ 259,995	\$ -	\$ -	\$ -	\$ 584,386
Bakersfield	370,553	31,964	402,517	183,732	-	-	-	218,785
Modesto	358,174	31,408	389,582	164,712	-	-	-	224,870
Monterey	155,115	12,144	167,259	80,202	-	-	-	87,057
Mountain View	237,173	19,870	257,043	127,600	-	-	-	129,443
Ontario	347,711	30,475	378,186	181,562	-	-	-	196,624
Palo Alto	420,745	38,225	458,970	188,661	-	-	-	270,309
Santa Barbara	359,021	33,183	392,204	148,740	-	-	-	243,464
Santa Cruz	209,182	17,413	226,595	116,045	-	-	-	110,550
Santa Monica	631,065	69,038	700,103	198,848	-	-	-	501,255
Visalia	135,242	9,908	145,150	75,813	-	-	-	69,337
	<u>\$ 3,984,030</u>	<u>\$ 377,960</u>	<u>\$ 4,361,990</u>	<u>\$ 1,725,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,636,080</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, 2004**

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	\$ 35,310	\$ 851,876	\$ 259,995	\$ -	\$ -	\$ -	\$ 591,881
Bakersfield	387,763	6,935	394,698	183,732	-	-	-	210,966
Modesto	388,314	9,074	397,388	164,712	-	-	-	232,676
Monterey	170,400	3,986	174,386	80,202	-	-	-	94,184
Mountain View	260,878	5,261	266,139	127,600	-	-	-	138,539
Ontario	372,868	7,175	380,043	181,562	-	-	-	198,481
Palo Alto	477,725	13,643	491,368	188,661	-	-	-	302,707
Santa Barbara	375,482	13,299	388,781	148,740	-	-	-	240,041
Santa Cruz	227,628	3,765	231,393	116,045	-	-	-	115,348
Santa Monica	673,594	31,849	705,443	198,848	-	-	-	506,595
Visalia	140,652	322	140,974	75,813	-	-	-	65,161
	<u>\$ 4,291,870</u>	<u>\$ 130,619</u>	<u>\$ 4,422,489</u>	<u>\$ 1,725,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,696,579</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, 2004**

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

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Transferred Funds	(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	\$ 857,379	\$ (1,337)	\$ (135,523)	\$ 720,519	\$ 259,995	\$ -	\$ -	\$ -	\$ 460,524
Bakersfield	380,870	(9,688)	-	371,182	183,732	-	-	-	187,450
Modesto	415,393	(8,503)	(45,447)	361,443	164,712	-	-	-	196,731
Monterey	175,033	(4,082)	(1,771)	169,180	80,202	-	-	-	88,978
Mountain View	255,613	(8,038)	-	247,575	127,600	-	-	-	119,975
Ontario	377,713	(10,752)	-	366,961	181,562	-	-	-	185,399
Palo Alto	495,254	(6,891)	-	488,363	188,661	-	-	-	299,702
Santa Barbara	390,225	(2,751)	-	387,474	148,740	-	-	-	238,734
Santa Cruz	199,681	(7,589)	-	192,092	116,045	-	-	-	76,047
Santa Monica	694,958	1,488	-	696,446	198,848	-	-	-	497,598
Visalia	158,550	(4,554)	-	153,996	75,813	-	-	-	78,183
	<u>\$ 4,400,669</u>	<u>\$ (62,697)</u>	<u>\$ (182,741)</u>	<u>\$ 4,155,231</u>	<u>\$ 1,725,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,429,321</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, 2004**

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

	(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	\$ 920,139	\$ 10,449	\$ 930,588	\$ 502,725	\$ 1,314	\$ 450,748	\$ 452,062	\$ (24,199)
Bakersfield	389,476	4,300	393,776	237,054	619	205,488	206,107	(49,385)
Modesto	376,456	3,949	380,405	216,890	568	199,110	199,678	(36,163)
Monterey	171,072	2,106	173,178	98,990	256	83,803	84,059	(9,871)
Mountain View	261,681	3,162	264,843	146,561	382	128,190	128,572	(10,290)
Ontario	357,647	3,658	361,305	206,727	540	189,896	190,436	(35,858)
Palo Alto	532,743	4,972	537,715	245,642	641	260,974	261,615	30,458
Santa Barbara	368,935	4,025	372,960	222,571	582	195,426	196,008	(45,619)
Santa Cruz	190,689	2,346	193,035	141,795	371	108,109	108,480	(57,240)
Santa Monica	666,276	7,284	673,560	342,519	895	326,388	327,283	3,758
Visalia	147,056	1,773	148,829	81,709	213	72,038	72,251	(5,131)
	<u>\$ 4,382,170</u>	<u>\$ 48,024</u>	<u>\$ 4,430,194</u>	<u>\$ 2,443,183</u>	<u>\$ 6,381</u>	<u>\$ 2,220,170</u>	<u>\$ 2,226,551</u>	<u>\$ (239,540)</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, 2004**

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 cities' 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 members' 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.

Administration Fees

ACCEL members are assessed annual administrative fees in equal amounts. In the current year, Bakersfield, Modesto, Ontario, Santa Barbara, and Santa Cruz each paid administrative fees of \$30,000 out of pool deposits.