

**AUTHORITY FOR CALIFORNIA CITIES  
EXCESS LIABILITY**

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

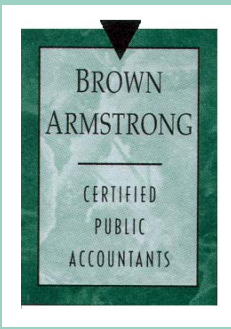
**JUNE 30, 2007 AND 2006**

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY  
YEARS ENDED JUNE 30, 2007 AND 2006**

**TABLE OF CONTENTS**

	<u>Page</u>
 <b><u>FINANCIAL SECTION</u></b> 	
Independent Auditor's Report.....	1
Management's Discussion and Analysis .....	3
 <u>Financial Statements</u>	
Statement of Net Assets.....	9
Statement of Revenue, Expenses and Changes in Net Assets .....	10
Statement of Cash Flows .....	11
Notes to Financial Statements .....	12
 <u>Other Report</u>	
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 <i>Government Auditing Standards</i> .....	18
 <u>Supplementary Information</u>	
Independent Auditor's Report on Supplementary Information.....	22
Schedule of Changes in Claims Liabilities by Risk Pool .....	23
Schedule of 10 Year Trend Data .....	24
Schedule of Retrospectively Rated Refund Liability by Member:	
Summary – All Program Years .....	25
Program Year 1 .....	26
Program Year 2 .....	27
Program Year 3 .....	28
Program Year 4 .....	29
Program Year 5 .....	30
Program Year 6 .....	31
Program Year 7 .....	32
Program Year 8 .....	33
Program Year 9 .....	34
Program Year 10 .....	35
Program Year 11 .....	36
Program Year 12 .....	37
Program Year 13 .....	38
Program Year 14 .....	39
Program Year 15 .....	40
Program Year 16 .....	41
Program Year 17 .....	42
Program Year 18 .....	43
Program Year 19 .....	44
Program Year 20 .....	45
Program Year 21 .....	46
Notes to Schedule of Retrospectively Rated Refund Liability by Member .....	47





**BROWN ARMSTRONG PAULDEN**  
**McCOWN STARBUCK THORNBURGH & KEETER**  
**Certified Public Accountants**

**Main Office**  
4200 Truxtun Ave., Suite 300  
Bakersfield, California 93309  
Tel 661.324.4971 Fax 661.324.4997  
e-mail: [info@bacpas.com](mailto:info@bacpas.com)

**Shafter Office**  
560 Central Avenue  
Shafter, California 93263  
Tel 661.746.2145 Fax 661.746.1218

Andrew J. Paulden, CPA  
Peter C. Brown, CPA  
Burton H. Armstrong, CPA, MST  
Harvey J. McCown, CPA  
Steven R. Starbuck, CPA  
Aileen K. Keeter, CPA  
Chris M. Thornburgh, CPA  
Eric H. Xin, MBA, CPA

**INDEPENDENT AUDITOR'S REPORT**

Lynn R. Krausse, CPA, MST  
Rosalva Flores, CPA  
Connie M. Perez, CPA  
Sharon Jones, CPA, MST  
Diana H. Branthoover, CPA  
Thomas M. Young, CPA  
Alicia Montgomery, CPA, MBA  
Matthew Gilligan, CPA  
Hanna J. Sheppard, CPA  
Ryan J. Nielsen, CPA  
Jian Ou-Yang, CPA  
Ryan S. Johnson, CPA  
Michael C. Olivares, CPA  
Amanda Fedewa, CPA  
Jialan Su, CPA  
Ariadne S. Prunes, CPA

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, 2007 and 2006, 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, 2007 and 2006, 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 5, 2007, 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  
October 5, 2007



**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

The following report reflects the financial condition of the Authority for California Cities Excess Liability for the fiscal year ending June 30, 2007. 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 2006-2007 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 \$5,000,000. The Cities of Anaheim, Burbank, Mountain View, Ontario, Palo Alto, Santa Barbara, Santa Cruz, and Santa Monica purchased additional optional limits of \$10,000,000 excess of \$35,000,000. Members were also charged Administrative costs totaling \$386,000.

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, 2007 and 2006. The Statement of Revenues, Expenses and Changes in Net Assets reports the operations of the organization for the years ended June 30, 2007 and 2006. The Statement of Cash Flows is presented on the direct method to reflect the operations of ACCEL for the years ending June 30, 2007 and 2006 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 April 1, 2006, ACCEL moved their investment portfolio from the City of Monterey to Chandler Asset Management for investment management services. 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, 2006.



## Analysis of Overall Financial Position and Results of Operations

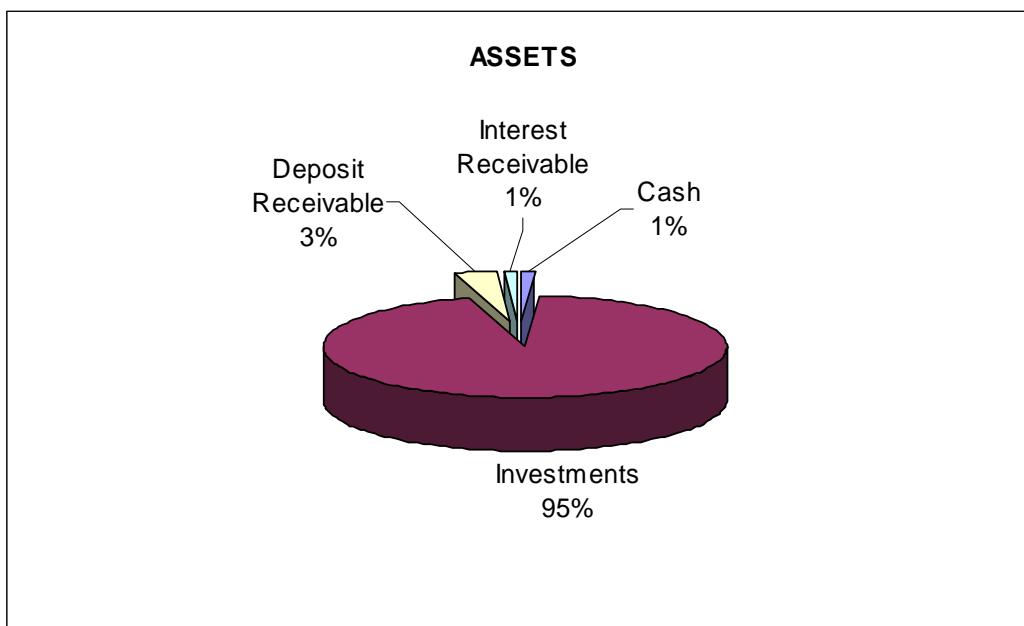
Assets of ACCEL increased 15.5% from June 30, 2006 to June 30, 2007. This was due primarily to an increase in the Authority's investments of member premiums above the cost of excess liability insurance, claims paid, and retro refunds in the current year.

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

#### Financial Summary

ASSETS	2006-2007	2005-2006	Change	%
Cash	\$ 336,060	\$ 309,198	\$ 26,862	7.99%
Investments	26,113,614	22,642,520	3,471,094	13.29%
Deposit Receivable	927,794	117,011	810,783	87.39%
Interest Receivable	340,411	350,302	(9,891)	-2.91%
<b>TOTAL ASSETS</b>	<b>\$ 27,717,879</b>	<b>\$ 23,419,031</b>	<b>\$ 4,298,848</b>	<b>15.51%</b>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Accounts payable	\$ 347,734	\$ 41,963	\$ (305,771)	-87.93%
Members payable	399,658	399,658	-	0.00%
Unpaid claims liability	11,672,000	9,506,000	(2,166,000)	-18.56%
Retrospectively rated refunds liability	15,201,949	13,374,872	(1,827,077)	-12.02%
<b>Total Liabilities</b>	<b>\$ 27,621,341</b>	<b>\$ 23,322,493</b>	<b>\$ (4,298,848)</b>	<b>-15.56%</b>
<b>Net Assets</b>	<b>\$ 96,538</b>	<b>\$ 96,538</b>	<b>\$ -</b>	<b>0.00%</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 27,717,879</b>	<b>\$ 23,419,031</b>	<b>\$ (4,298,848)</b>	<b>-15.51%</b>

#### Total Assets by Type at June 30, 2007



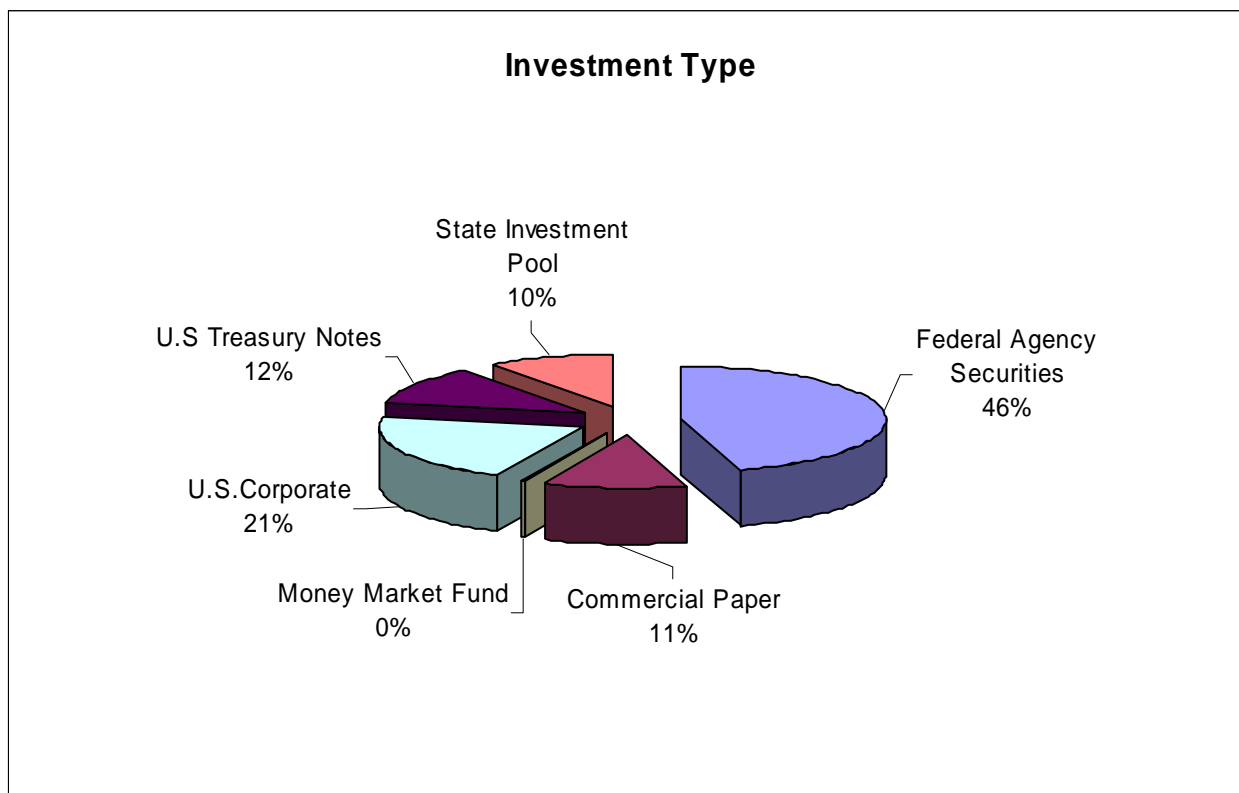


### Investment Income

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 \$22,642,520 to \$26,113,614 (a 15% increase) in fiscal year 2006-2007.

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, 2007



### Revenues

Pool operating revenues consist of contributions received from members' interest income and administrative fees. These revenues increased approximately \$3.7 million, or 56%, from FY 2005/2006 to FY 2006/2007 due to increased premiums as well as favorable investment performance.



## ***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 2006-2007 excess liability premiums remained fairly consistent compared with the prior year and ACCEL's pool layer retention remained at \$4,000,000 excess of \$1,000,000. In recent years, ACCEL members have determined that additional limits are advisable and they have elected to add optional excess limits. In addition, ACCEL has increased funding for the pooled layer to plan for the increased retained risk.

## ***Administrative Expenses***

For the 2006-2007 fiscal year, ACCEL budgeted \$386,000 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.

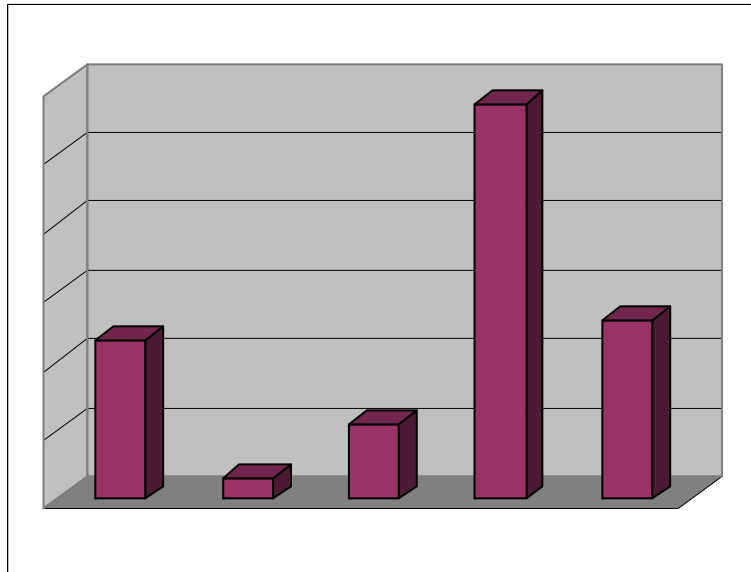
## ***Retrospective Rating Plan***

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, 2007, ACCEL members withdrew \$2,315,000 and no members were assessed.



### Five Year Historical Retrospective Refunds



2007	2006	2005	2004	2003
\$2,315	\$302	\$1,100	\$5,742	\$2,602
(These numbers in Thousands)				

### Comparative Analysis of Fiscal Year 2005/2006 and Fiscal Year 2006/2007

#### Revenues and Expenses

	2006-2007	2005-2006	Change	%
<b>REVENUES</b>				
Premiums earned	\$ 8,829,522	\$ 5,721,090	\$ 3,108,432	54.33%
Investment income	1,294,694	634,010	660,684	104.21%
Administrative fees	362,592	359,500	3,092	0.86%
<b>TOTAL REVENUES</b>	<b>\$ 10,486,808</b>	<b>\$ 6,714,600</b>	<b>\$ 3,772,208</b>	<b>56.18%</b>
<b>EXPENSES</b>				
Claims	\$ 1,170,286	\$ 1,564,876	\$ (394,590)	-25.22%
Excess liability insurance	2,645,855	2,669,078	(23,223)	-0.87%
Unpaid claims liability adjustment	2,166,000	6,397,000	(4,231,000)	-66.14%
Retro rated refunds paid	2,315,000	301,789	2,013,211	667.09%
Retro rated refunds liability adjustment	1,827,077	(4,589,623)	6,416,700	-139.81%
Administrative refunds paid	-	(2,363)	2,363	-100.00%
Management consulting	180,000	160,000	20,000	12.50%
Claims administration	97,054	73,558	23,496	31.94%
Professional support services	59,435	90,705	(31,270)	-34.47%
Other general and admin expenses	26,101	19,673	6,428	32.67%
<b>Total Expenses</b>	<b>\$ 10,486,808</b>	<b>\$ 6,684,693</b>	<b>\$ 3,802,115</b>	<b>56.88%</b>
Net Income (Loss)	\$ -	\$ 29,907	\$ (29,907)	-100.00%
Net Assets, Beginning of Year	\$ 96,538	\$ 66,631	\$ 29,907	44.88%
Net Assets, End of Year	\$ 96,538	\$ 96,538	\$ -	0.00%



## ***Analysis of Balances and Transactions***

Member contributions increased 54% for the year ending June 30, 2007. The overall expenses increased 57% from \$6,684,693 to \$10,486,808. 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, 2007. Other general and administrative expenses held reasonably constant from the 2005-2006 fiscal year to the 2006-2007 fiscal year. The increase in interest income of \$661,000 is due to increased interest rates during the year. The overall increase in total assets for the year ended June 30, 2007 was \$4,298,848 to an ending asset position of \$27,717,879.

## ***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, 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, 2007 AND 2006**

	2007	2006
<b><u>ASSETS</u></b>		
Cash	\$ 336,060	\$ 309,198
Investments	26,113,614	22,642,520
Deposits receivable	927,794	117,011
Interest receivable	340,411	350,302
	\$ 27,717,879	\$ 23,419,031
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities		
Accounts payable	\$ 347,734	\$ 41,963
Members payable	399,658	399,658
Unpaid claims liability	11,672,000	9,506,000
Retrospectively rated refunds liability	15,201,949	13,374,872
	27,621,341	23,322,493
Total Liabilities		
Net Assets	96,538	96,538
TOTAL LIABILITIES AND NET ASSETS	\$ 27,717,879	\$ 23,419,031

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, 2007 AND 2006**

	2007	2006
Revenues		
Premiums earned	\$ 8,829,522	\$ 5,721,090
Investment income	1,294,694	634,010
Administrative fees	362,592	359,500
	10,486,808	6,714,600
Expenses		
Claims	1,170,286	1,564,876
Excess liability insurance	2,645,855	2,669,078
Unpaid claims liability adjustment	2,166,000	6,397,000
Retrospectively rated refunds paid	2,315,000	301,789
Retrospectively rated refunds liability adjustment	1,827,077	(4,589,623)
Administrative refunds paid	-	(2,363)
Management consulting	180,000	160,000
Claims administration	97,054	73,558
Professional support services	59,435	90,705
Other general and administrative expenses	26,101	19,673
	10,486,808	6,684,693
Net Income	-	29,907
Net Assets, Beginning of Year	96,538	66,631
Net Assets, End of Year	\$ 96,538	\$ 96,538

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, 2007 AND 2006**

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ -	\$ 29,907
Adjustments to reconcile net income to net cash provided by operating activities:		
Unpaid claims liability adjustment	2,166,000	6,397,000
Retrospectively rated refunds liability adjustment	4,142,077	(4,287,834)
Change in the fair value of investments	(323,697)	152,473
(Increase) decrease in:		
Deposits receivable	(810,783)	(21,118)
Interest receivable	9,891	(59,650)
Increase (decrease) in:		
Accounts payable	305,771	16,322
Members payable	-	344,961
	<u>5,489,259</u>	<u>2,572,061</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	59,516,831	10,317,000
Purchase of investments	(62,664,228)	(12,607,789)
	<u>(3,147,397)</u>	<u>(2,290,789)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Retro rated (refund) assessment program year two	-	(3,455)
Retro rated (refund) assessment program year six	(211,363)	1,660
Retro rated (refund) assessment program year seven	(125,909)	(66,405)
Retro rated (refund) assessment program year eight	(221,193)	(81,178)
Retro rated (refund) assessment program year nine	(17,798)	(89,603)
Retro rated (refund) assessment program year ten	(46,817)	(62,758)
Retro rated (refund) assessment program year eleven	(1,397)	(50)
Retro rated (refund) assessment program year twelve	(222,665)	-
Retro rated (refund) assessment program year thirteen	(650,913)	-
Retro rated (refund) assessment program year fourteen	(642,920)	-
Retro rated (refund) assessment program year fifteen	(5,659)	-
Retro rated (refund) assessment program year sixteen	(168,366)	-
	<u>(2,315,000)</u>	<u>(301,789)</u>
Net Cash Used in Financing Activities	<u>(2,315,000)</u>	<u>(301,789)</u>
Net Increase (Decrease) in Cash	26,862	(20,517)
Cash at Beginning of Year	<u>309,198</u>	<u>329,715</u>
Cash at End of Year	<u>\$ 336,060</u>	<u>\$ 309,198</u>

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

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

**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.

**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.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### 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.

### 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, 2007 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash	\$ 336,060
Investments	<u>26,113,614</u>
	<u>\$ 26,449,674</u>

Cash and investments as of June 30, 2007 consist of the following:

Deposits with Financial Institutions	\$ 336,060
Investments	<u>26,113,614</u>
Total Cash and Investments	<u>\$ 26,449,674</u>

#### **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.

<u>Investment Type</u>		<u>Weighted Average Maturity (in years)</u>
Federal Agency Securities	\$ 11,812,139	2.440
Commercial Paper	2,996,929	0.210
Money Market Fund	35,694	0.000
U.S. Corporate	5,595,211	1.590
U.S Treasury Notes	3,086,680	3.200
State Investment Pool	<u>2,586,961</u>	0.003
Total	<u>\$ 26,113,614</u>	

**NOTE 3 – CASH AND INVESTMENTS** (Continued)

**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.	<u>\$ 11,812,139</u>

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Entity’s investment policy, or debt agreements, and the actual rating as of year end for each investment type. The column marked “exempt from disclosure” identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End			
				AAA	AA	A-1	Not Rated
Federal Agency Securities	\$ 11,812,139	N/A	\$ -	\$ 11,812,139	\$ -	\$ -	\$ -
Commercial Paper	2,996,929	N/A	-	-	-	2,996,929	-
Money Market Fund	35,694	N/A	-	35,694	-	-	-
U.S. Corporate	5,595,211	AA	-	-	5,595,211	-	-
U.S Treasury Notes	3,086,680	N/A	3,086,680	-	-	-	-
State Investment Pool	2,586,961	N/A	-	-	-	-	2,586,961
Total	<u>\$ 26,113,614</u>		<u>\$ 3,086,680</u>	<u>\$ 11,847,833</u>	<u>\$ 5,595,211</u>	<u>\$ 2,996,929</u>	<u>\$ 2,586,961</u>

**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.

**NOTE 3 – CASH AND INVESTMENTS** (Continued)**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>2007</u>	<u>2006</u>
	(In Thousands)	
Unpaid claims liability at beginning of year	<u>\$ 9,506</u>	<u>\$ 3,109</u>
Provision for claims and claim adjustment expenses:		
Provision for insured events of current year	2,993	2,646
Increases (decreases) in provision for insured events of prior years	<u>343</u>	<u>5,316</u>
Total provision for claims and claim adjustment expenses	<u>3,336</u>	<u>7,962</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of prior years	<u>(1,170)</u>	<u>(1,565)</u>
Unpaid claims liability at end of year	<u><u>\$ 11,672</u></u>	<u><u>\$ 9,506</u></u>

**NOTE 6 – RELATED PARTY TRANSACTIONS****Administration**

ACCEL's program administration is managed by Alliant Insurance Services, Inc., from whom they purchase their excess liability insurance. Fees paid for this service amounted to \$180,000 and \$160,000 for the years ended June 30, 2007 and 2006, respectively. Excess liability insurance expenses were \$2,645,855 and \$2,669,078 for the years ended June 30, 2007 and 2006, respectively.

## **NOTE 7 – SUBSEQUENT EVENTS**

### **Retrospective Rating Program**

At the June 2007 Board of Directors meeting, a retrospectively rated refund was made available for distribution to the members for the program years 2 through 16 in the amount of \$11,236,868. 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. Subsequently, \$850,000 was returned to member cities and \$10,386,868 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:

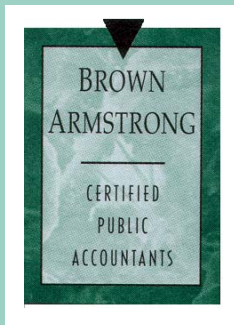
	<u>Available</u>	<u>Returned</u>	<u>Retained</u>
Anaheim	\$ 1,441,654	\$ -	\$ 1,441,654
Bakersfield	244,028	-	244,028
Burbank	(445)	-	(445)
Gardena	(1,599)	-	(1,599)
Modesto	1,044,677	800,000	244,677
Monterey	648,989	50,000	598,989
Mountain View	1,235,291	-	1,235,291
Ontario	2,132,657	-	2,132,657
Palo Alto	791,673	-	791,673
Santa Barbara	626,134	-	626,134
Santa Cruz	673,531	-	673,531
Santa Monica	1,521,328	-	1,521,328
Visalia	878,950	-	878,950
	<u>\$ 11,236,868</u>	<u>\$ 850,000</u>	<u>\$ 10,386,868</u>

### **Excess Liability Insurance**

Effective July 1, 2007, ACCEL purchased two tiers of coverage. These are annual excess liability insurance policies totaling \$2,186,520. This premium provided \$35 million in coverage for all Members.

In addition to these policies, individual Members elected to buy additional limits totaling \$45 million, \$55 million or \$80 million in liability coverage. The total premiums paid for 2007/08 coverage is \$2,689,718. Alliant is the excess liability Broker and also ACCEL's Program Administrator and is considered a related party.

**OTHER REPORT**



**BROWN ARMSTRONG PAULDEN**  
**McCOWN STARBUCK THORNBURGH & KEETER**  
**Certified Public Accountants**

**Main Office**  
4200 Truxtun Ave., Suite 300  
Bakersfield, California 93309  
Tel 661.324.4971 Fax 661.324.4997  
e-mail: [info@bacpas.com](mailto:info@bacpas.com)

**Shafter Office**  
560 Central Avenue  
Shafter, California 93263  
Tel 661.746.2145 Fax 661.746.1218

Andrew J. Paulden, CPA  
Peter C. Brown, CPA  
Burton H. Armstrong, CPA, MST  
Harvey J. McCown, CPA  
Steven R. Starbuck, CPA  
Aileen K. Keeter, CPA  
Chris M. Thornburgh, CPA  
Eric H. Xin, MBA, CPA

**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  
Alicia Montgomery, CPA, MBA  
Matthew Gilligan, CPA  
Hanna J. Sheppard, CPA  
Ryan J. Nielsen, CPA  
Jian Ou-Yang, CPA  
Ryan S. Johnson, CPA  
Michael C. Olivares, CPA  
Amanda Fedewa, CPA  
Jialan Su, CPA  
Ariadne S. Prunes, CPA

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, 2007, and have issued our report thereon dated October 5, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACCEL's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ACCEL's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting:

2007.01 and 2007.02

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007.01 and 2007.02 to be material weaknesses.

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*.

ACCEL's response to the findings identified in our audit is described above. We did not audit ACCEL's response and, accordingly, we express no opinion on it

This report is intended solely for the information and use of management, and the Board of Directors 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



Bakersfield, California  
October 5, 2007

## SCHEDULE OF FINDINGS AND RESPONSES

Effective for audits of financial statements for the period ending on or after December 15, 2007, SAS # 112 establishes standards, responsibility and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This is new this year, and requires that the auditor provide these comments in writing to management and the governing body, any control deficiencies found during the audit process that are considered significant deficiencies and/or material weaknesses. While the new SAS No. 112 keeps the term material weakness, it modifies the definition and introduces new definitions. These are discussed on the prior page.

It should be noted that, in the case of each of the auditor's FINDING, the correction was made as proposed and accepted by management. ACCEL had a number of issues this year, all predominately centered on contract staff changes. Both the key administrative staff member as well as the bookkeeper left the firm during the critical time of these tasks. (The bookkeeper level job was replaced by a higher level, tenured accountant.)

### **FINDING 2007.01 – Control Activities**

#### **Condition**

As a result of audit procedures performed, we noted control activities related to the initiation, recording, processing and review of certain transactions were not operating effectively. Adjusting journal entries were proposed by the auditor to correct misstatements in the reported value of investments, premiums receivable and payable, accounts payable, estimated loss reserve, and retrospectively rated refund reserves and the related income statement accounts. Such misstatements were not initially detected by ACCEL's control activities, and as such; indicate a deficiency in ACCEL's internal control over financial reporting. It was determined that the causes of the misstatements were likely due to turnover in key accounting positions, and insufficient monitoring.

#### **Recommendation**

ACCEL's finance committee should monitor the adequacy of training provided to key accounting personnel, and others charged with financial reporting responsibilities. Management should consider cross training those charged with administrative responsibilities to ensure errors will be avoided in the event of turnover. Reconciliations of all material account balances should be performed on a monthly basis, and reviewed by ACCEL's Treasurer. The finance committee should monitor the performance of reconciliations, and review supporting documentation on a quarterly basis.

#### **Client Response**

In June 2006, ACCEL moved from a consolidated investment process that utilized the City of Monterey's Finance Department for both LAIF and the purchase of other investment instruments. Chandler Asset Management took responsibility for the long term investments, and ACCEL now works directly with LAIF for liquidity funds. Due to the change in structure, the bookkeeper did not post all investment earning correctly. Posting of some expenses were missed and corrected by the auditor rather than through an internal control. A review process had been established, but due to staff changes these items were overlooked. During FY 05/06 and 06/07 the ACCEL Board was re-defining how payroll was being utilized to allocate Risk Sharing and Excess Premium. The 05/06 and 06/07 "final" Payroll audit figures were agreed to in April, 2007. These amounts were calculated but not billed due to staffing changes until the auditor realized the discrepancy in September. A procedure and calendar for billing these Premium audits exists, but was not followed.

ACCEL's Board of Directors agrees that we should move to monthly accounting for the investment portfolio prepared by Chandler Asset Management. This should be performed in detail, to properly identify and record income items received (or as a receivable), as well as recording gains or losses that have been realized (or not yet unrealized). LAIF will continue to be recorded quarterly. The Board has instructed the Pool Administrator to modify the accounting procedures in this manner. The Program Administrator has been instructed to internally audit these postings quarterly. This would include a review with the Treasurer, and also documentation back to the Board in the subsequent agenda packets. ACCEL's Board of Directors agrees that expenses and corresponding payables should be recorded in the accounting period during which they were incurred and has instructed the Pool Administrator to ensure that these accounting entries are made in a timely manner. The Program Administrators will internally audit these postings quarterly, and to review them with the Treasurer, with documentation back to the Board in the subsequent agenda packets. ACCEL's Board of Directors has instructed the Pool Administrator to make certain that all accounting entries pertaining to member premiums are made in the proper year and that invoices or credit memos are sent to the members immediately thereafter.

#### **FINDING 2007.02 – Estimates**

##### **Condition**

As a result of audit procedures performed, we noted the annual IBNR update was not completed in a timely manner, and that all not all claims were initially reported to the actuary to ensure an accurate Incurred but not reported (IBNR) liability, and unallocated loss adjustment expense (ULAE) could be estimated. After auditor review, accurate information was provided to the actuary, and the IBNR was updated. An adjusting entry to correct the misstatement was proposed and accepted by management.

##### **Recommendation**

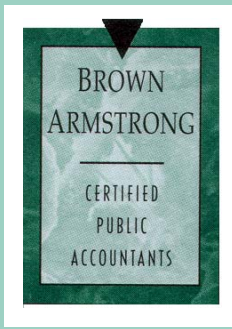
ACCEL's administrator should reconcile all claims approved by the Board with those recorded by the Claims administrator, Carl Warren. The Board should review the reconciliation prior to sending the totals to the actuary to ensure accuracy. To ensure estimates are prepared based on valid information, the finance committee should review all assumptions utilized by the actuary.

##### **Client Response**

The Carl Warren Loss Run has not correctly tracked all ancillary payment on ACCEL excess claims. Reserves have not always matched Cities' reserve amounts. This Loss Run was not reconciled within the timeframe established prior to the updated actuarial analysis which is needed to complete the Financial Audit. Staff turnover slowed down the process of securing the actuary's report in a timely manner.

ACCEL's Board of Directors has instructed the Pool Administrator and Carl Warren to be certain that the Loss Run and ACCEL payments match, by quarterly reconciling the Loss Run. Reserves listed on the Loss Run must be reconciled each June with the Retrospective Rating Plan "Loss Stratification Report" that includes Member Total Incurred claims amounts, prior to the actuary's calculation of the IBNR and Total Outstanding Liabilities. This report has to be provided to the auditor in an efficient and timely manner. The Program Administrators have reassured the board that a policy is in place, and this should not be a reoccurring issue.

**SUPPLEMENTARY INFORMATION**



**BROWN ARMSTRONG PAULDEN**  
**McCOWN STARBUCK THORNBURGH & KEETER**  
**Certified Public Accountants**

**Main Office**  
4200 Truxtun Ave., Suite 300  
Bakersfield, California 93309  
Tel 661.324.4971 Fax 661.324.4997  
e-mail: [info@bacpas.com](mailto:info@bacpas.com)

**Shafter Office**  
560 Central Avenue  
Shafter, California 93263  
Tel 661.746.2145 Fax 661.746.1218

Andrew J. Paulden, CPA  
Peter C. Brown, CPA  
Burton H. Armstrong, CPA, MST  
Harvey J. McCown, CPA  
Steven R. Starbuck, CPA  
Aileen K. Keeter, CPA  
Chris M. Thornburgh, CPA  
Eric H. Xin, MBA, CPA

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

Lynn R. Krausse, CPA, MST  
Rosalva Flores, CPA  
Connie M. Perez, CPA  
Sharon Jones, CPA, MST  
Diana H. Branthoover, CPA  
Thomas M. Young, CPA  
Alicia Montgomery, CPA, MBA  
Matthew Gilligan, CPA  
Hanna J. Sheppard, CPA  
Ryan J. Nielsen, CPA  
Jian Ou-Yang, CPA  
Ryan S. Johnson, CPA  
Michael C. Olivares, CPA  
Amanda Fedewa, CPA  
Jialan Su, CPA  
Ariadne S. Prunes, CPA

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, 2007, 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  
October 5, 2007

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY  
SCHEDULE OF CHANGES IN CLAIMS LIABILITIES BY RISK POOL  
JUNE 30, 2007 AND 2006**

Reconciliation of claims liabilities by risk layer.

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

	<u>2007</u>	<u>2006</u>
	(In Thousands)	
Unpaid claims and claim adjustment expenses at beginning of fiscal year	<u>\$ 9,506</u>	<u>\$ 3,109</u>
Incurred claims and claim adjustment expenses:		
Increase (decrease) in provision for insured events of current fiscal year	2,993	2,646
Increase (decrease) in provision for insured events of prior fiscal years	<u>343</u>	<u>5,316</u>
Total incurred claims and claim adjustment expenses	<u>3,336</u>	<u>7,962</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of prior years	<u>(1,170)</u>	<u>(1,565)</u>
Total unpaid claims and claim adjustment expenses at end of fiscal year	<u><u>\$ 11,672</u></u>	<u><u>\$ 9,506</u></u>

At June 30, 2007 and 2006 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, 2007**

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.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>1 Required contribution and investment revenues:</b>										
Earned	\$ 4,960	\$ 4,211	\$ 4,251	\$ 4,296	\$ 4,355	\$ 4,453	\$ 4,920	\$ 6,676	\$ 6,355	8,830
Ceded	749	1,484	1,575	1,726	1,726	1,804	2,443	3,075	2,669	2,646
Net earned	4,211	2,727	2,676	2,570	2,629	2,649	2,477	3,954	3,686	6,184
<b>2 Unallocated expenses</b>	-	-	276	291	280	322	233	405	352	462
<b>3 Estimated claims and expenses, end of policy year:</b>										
Incurred	2,814	-	-	-	-	-	2,359	2,224	2,987	3,378
Ceded	1,970	-	-	-	-	-	-	-	-	-
Net incurred	844	-	-	-	-	-	2,359	2,224	2,987	3,378
<b>4 Net paid (cumulative) as of:</b>										
End of policy year	-	-	-	-	-	-	6	-	-	-
One year later	-	-	-	-	-	-	11	-	-	-
Two years later	-	2	-	-	-	-	1,015	334	-	-
Three years later	-	2	-	-	-	-	1,019	-	-	-
Four years later	-	2	-	-	-	-	-	-	-	-
Five years later	-	2	-	-	-	-	-	-	-	-
Six years later	1,539	2	-	826	-	-	-	-	-	-
Seven years later	1,547	2	1	-	-	-	-	-	-	-
Eight years later	2,083	2	-	-	-	-	-	-	-	-
Nine years later	2,083	-	-	-	-	-	-	-	-	-
<b>5 Re-estimated ceded claims and expenses</b>	-	-	-	-	-	-	-	-	-	-
<b>6 Re-estimated net incurred claims and expenses:</b>										
End of policy year	2,814	-	-	-	-	-	2,359	2,224	2,987	3,378
One year later	1,017	-	-	-	-	-	1,019	3,943	2,987	-
Two years later	1,071	2	-	-	-	-	3,123	3,943	-	-
Three years later	500	2	-	-	-	-	3,123	-	-	-
Four years later	500	2	-	-	-	-	-	-	-	-
Five years later	251	2	1	-	150	-	-	-	-	-
Six years later	1,080	2	1	826	-	-	-	-	-	-
Seven years later	1,547	2	1	-	-	-	-	-	-	-
Eight years later	3,084	2	-	-	-	-	-	-	-	-
Nine years later	2,083	-	-	-	-	-	-	-	-	-
<b>7 Increase (decrease) in estimated net incurred claims and expenses from end of policy year.</b>	1,239	2	1	826	150	-	764	1,719	-	-

**AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY  
SCHEDULE OF RETROSPECTIVELY RATED REFUND LIABILITY BY MEMBER  
AS OF JUNE 30, 2007**

SUMMARY – ALL PROGRAM YEARS

	(A) Deposits Collected 500000 Pool	(B) Interest Income	(C) Funds Transferred	(D) Total Accumulated Funds	(E) Admin Fees	(F) Excess Insurance	(G) Retro-Refunds Paid to Date	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available	
Modesto	\$ 591,353	\$ 308,428	\$ (84,555)	\$ 815,226	\$ -	\$ -	\$ 708,296	\$106,930	\$ -	\$ 106,930	\$ -
Ontario	520,458	281,244	270,852	1,072,554	-	-	857,446	215,108	-	215,108	-
Santa Barbara	570,825	352,773	(110,925)	812,673	-	-	726,181	86,492	-	86,492	-
Visalia	231,230	121,285	(27,658)	324,857	-	-	233,387	91,470	-	91,470	-
	<u>\$1,913,866</u>	<u>\$1,063,730</u>	<u>\$ 47,714</u>	<u>\$3,025,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,525,310</u>	<u>\$500,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ -</u>
	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Transferred Funds	(D) Total Accumulated Funds	(E) Admin Fees	(F) Excess Insurance	(G) Retro-Refunds Paid to Date	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available	
Anaheim	\$18,016,365	\$ 4,648,287	\$ -	\$ 22,664,652	\$ -	\$ (3,398,493)	\$ 9,916,508	\$ 4,774,077	\$ 2,208,572	\$ 6,982,649	\$ 2,367,002
Bakersfield	8,188,673	2,187,767	-	10,376,440	(56,500)	(1,629,692)	5,435,094	1,820,920	1,002,353	2,823,273	431,881
Burbank	6,518,104	1,938,223	-	8,456,327	-	(671,481)	5,345,568	1,151,937	978,553	2,130,490	308,787
Gardena	897,918	390,617	-	1,288,535	-	-	1,193,959	92,936	-	92,936	1,640
Modesto	7,770,685	2,137,675	84,555	9,992,915	(30,000)	(1,536,338)	4,002,056	2,136,921	938,986	3,075,907	1,348,614
Monterey	2,735,307	780,564	-	3,515,871	-	(737,439)	1,179,570	485,976	403,446	889,422	709,441
Mountain View	3,559,837	771,764	-	4,331,601	(26,500)	(1,131,242)	43,581	1,041,617	617,703	1,659,320	1,470,958
Ontario	7,520,319	2,525,632	(270,852)	9,775,099	(30,000)	(1,668,074)	1,890,150	2,655,997	924,624	3,580,621	2,606,254
Palo Alto	9,113,262	2,287,183	-	11,400,445	-	(1,763,032)	5,820,257	1,341,166	1,154,109	2,495,275	1,321,881
Santa Barbara	7,485,335	2,162,150	110,925	9,758,410	(30,000)	(1,408,925)	5,781,526	622,610	959,730	1,582,340	955,619
Santa Cruz	2,277,697	266,513	-	2,544,210	(56,500)	(957,305)	-	232,602	536,002	768,604	761,801
Santa Monica	13,124,859	3,689,655	-	16,814,514	-	(2,440,141)	6,504,788	4,301,270	1,581,348	5,882,618	1,986,967
Visalia	2,961,767	853,114	27,659	3,842,540	-	(663,534)	1,152,657	662,409	366,575	1,028,984	997,365
	<u>\$90,170,128</u>	<u>\$24,639,144</u>	<u>\$ (47,713)</u>	<u>\$114,761,559</u>	<u>\$(229,500)</u>	<u>\$(18,005,696)</u>	<u>\$ 48,265,716</u>	<u>\$21,320,438</u>	<u>\$11,672,000</u>	<u>\$32,992,438</u>	<u>\$15,268,209</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, 2007**

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, 2007**

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	\$ 459,817	\$ 15,765	\$ 1,439,945	\$ 1,290,414	\$ 150,415	\$ -	\$ 150,415	\$ (884)
Bakersfield	396,592	206,916	8,655	612,163	503,142	109,406	-	109,406	(385)
Burbank(1)	513,647	271,913	(29,243)	756,317	730,337	24,272	-	24,272	1,708
Gardena	137,521	76,166	(2,054)	211,633	151,532	59,920	-	59,920	181
Modesto	323,624	153,910	1,593	479,127	441,383	37,821	-	37,821	(77)
Ontario	305,480	141,670	(156,671)	290,479	185,042	105,711	-	105,711	(274)
Palo Alto	420,915	219,761	654	641,330	614,684	26,663	-	26,663	(17)
Santa Barbara	327,530	180,156	1,175	508,861	475,433	33,474	-	33,474	(46)
Santa Monica	578,656	294,968	6,879	880,503	749,931	130,852	-	130,852	(280)
Visalia	132,213	68,900	(8,673)	192,440	146,358	46,008	-	46,008	74
	<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, 2007**

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, 2007**

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, 2007**

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, 2007**

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	\$ 270,451	\$ (15,126)	\$ 1,100,336	\$ 461,331	\$ 656,313	\$ -	\$ 656,313	\$ (17,308)
Bakersfield	392,364	132,214	(6,589)	517,989	335,581	191,591	-	191,591	(9,183)
Burbank	467,142	131,301	29,243	627,686	422,785	176,834	-	176,834	28,067
Gardena	150,240	52,901	2,078	205,219	170,745	33,016	-	33,016	1,458
Modesto	386,004	153,617	(792)	538,829	416,493	121,308	-	121,308	1,028
Monterey	145,258	69,175	-	214,433	150,152	64,281	-	64,281	-
Ontario	375,765	167,235	22,645	565,645	200,417	360,172	-	360,172	5,056
Palo Alto	409,606	127,893	1,014	538,513	405,235	133,063	-	133,063	215
Santa Barbara	358,552	141,209	(787)	498,974	443,664	55,276	-	55,276	34
Santa Monica	620,491	247,174	(4,792)	862,873	271,321	621,296	-	621,296	(29,744)
Visalia	155,190	63,553	9,044	227,787	65,290	88,042	-	88,042	74,455
	<u>\$ 4,305,623</u>	<u>\$ 1,556,723</u>	<u>\$ 35,938</u>	<u>\$ 5,898,286</u>	<u>\$ 3,343,014</u>	<u>\$ 2,501,192</u>	<u>\$ -</u>	<u>\$ 2,501,192</u>	<u>\$ 54,080</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, 2007**

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	\$ 283,863	\$ 147,374	\$1,304,072	\$ (1,328,733)	\$ 2,632,714	\$ -	\$ 2,632,714	\$ 91
Bakersfield	393,468	156,015	94,569	644,052	(267,259)	928,454	-	928,454	(17,143)
Burbank	468,514	166,324	-	634,838	(25,034)	672,752	-	672,752	(12,880)
Modesto	403,812	80,751	47,344	531,907	(608,122)	1,143,121	-	1,143,121	(3,092)
Monterey	154,252	54,646	2,395	211,293	13,181	198,107	-	198,107	5
Mountain View(1)	291,684	101,152	-	392,836	(439,010)	752,334	-	752,334	79,512
Ontario	398,123	172,998	-	571,121	(721,189)	1,291,077	-	1,291,077	1,233
Palo Alto	438,745	148,307	17,060	604,112	69,088	537,350	-	537,350	(2,326)
Santa Barbara	367,723	146,953	338	515,014	289,509	225,500	-	225,500	5
Santa Monica	631,676	139,310	6,539	777,525	(988,754)	1,896,855	-	1,896,855	(130,576)
Visalia	162,692	96,181	212,866	471,739	49,561	260,296	-	260,296	161,882
	<u>\$4,583,524</u>	<u>\$ 1,546,500</u>	<u>\$ 528,485</u>	<u>\$6,658,509</u>	<u>\$ (3,956,762)</u>	<u>\$ 10,538,560</u>	<u>\$ -</u>	<u>\$10,538,560</u>	<u>\$ 76,711</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, 2007**

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	\$ 220,401	\$ 38,373	\$ 847,871	\$ 629,173	\$ 218,687	\$ -	\$ 218,687	\$ 11
Bakersfield	267,235	95,569	(81,272)	281,532	222,027	60,222	-	60,222	(717)
Burbank	329,067	126,005	2,000	457,072	427,265	29,193	-	29,193	614
Modesto	262,942	119,645	20,845	403,432	282,303	120,182	-	120,182	947
Monterey	105,710	67,786	3,335	176,831	157,777	19,054	-	19,054	-
Mountain View	159,350	98,162	-	257,512	112,373	57,862	-	57,862	87,277
Ontario	279,850	189,451	-	469,301	324,420	115,462	-	115,462	29,419
Palo Alto	309,159	116,914	8,594	434,667	386,432	47,723	-	47,723	512
Santa Barbara	256,508	137,222	4,100	397,830	377,639	20,191	-	20,191	-
Santa Monica	425,961	225,052	25,568	676,581	528,328	160,650	-	160,650	(12,397)
Visalia	103,616	33,432	(135,128)	1,920	(24,032)	24,823	-	24,823	1,129
	<u>\$ 3,088,495</u>	<u>\$ 1,429,639</u>	<u>\$ (113,585)</u>	<u>\$ 4,404,549</u>	<u>\$ 3,423,705</u>	<u>\$ 874,049</u>	<u>\$ -</u>	<u>\$ 874,049</u>	<u>\$ 106,795</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, 2007**

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	\$ 266,150	\$ 360,073	\$1,247,022	\$ 890,857	\$ 363,252	\$ -	\$ 363,252	\$ (7,087)
Bakersfield	297,034	158,519	88,656	544,209	463,296	80,883	-	80,883	30
Burbank	345,334	146,648	50	492,032	438,954	46,198	-	46,198	6,880
Modesto	270,852	153,195	245,305	669,352	424,983	221,492	-	221,492	22,877
Monterey	112,393	71,344	(2,459)	181,278	146,593	34,685	-	34,685	-
Mountain View	167,639	100,579	-	268,218	120,218	51,523	-	51,523	96,477
Ontario	282,551	218,706	-	501,257	-	189,398	-	189,398	311,859
Palo Alto	331,028	139,949	100,008	570,985	471,469	90,669	-	90,669	8,847
Santa Barbara	269,455	147,581	35,153	452,189	419,519	32,670	-	32,670	-
Santa Monica	467,441	198,156	217,314	882,911	671,206	274,742	-	274,742	(63,037)
Visalia	110,607	44,414	(96,915)	58,106	-	53,682	-	53,682	4,424
	<u>\$3,275,133</u>	<u>\$1,645,241</u>	<u>\$ 947,185</u>	<u>\$5,867,559</u>	<u>\$ 4,047,095</u>	<u>\$1,439,194</u>	<u>\$ -</u>	<u>\$1,439,194</u>	<u>\$ 381,270</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, 2007**

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	\$ 209,726	\$ 481	\$ 842,742	\$ 81,636	\$ 614,197	\$ 181,242	\$ -	\$ 181,242	\$ (34,333)
Bakersfield	304,490	116,282	266	421,038	38,030	325,334	57,647	-	57,647	27
Burbank	355,287	118,252	-	473,539	49,507	365,806	45,698	-	45,698	12,528
Modesto	291,830	108,105	151	400,086	35,613	212,829	131,348	-	131,348	20,296
Monterey	115,970	58,050	-	174,020	14,344	88,742	25,814	-	25,814	45,120
Mountain View	177,713	101,603	-	279,316	26,445	-	30,101	-	30,101	222,770
Ontario	285,931	138,580	-	424,511	43,604	-	117,484	-	117,484	263,423
Palo Alto	313,896	109,199	8,723	431,818	45,948	279,179	96,140	-	96,140	10,551
Santa Barbara	270,942	101,684	-	372,626	37,572	316,811	18,243	-	18,243	-
Santa Monica	471,073	172,125	(24,661)	618,537	61,534	413,992	176,499	-	176,499	(33,488)
Visalia	109,072	57,804	-	166,876	14,000	-	31,925	-	31,925	120,951
	<u>\$3,328,739</u>	<u>\$1,291,410</u>	<u>\$ (15,040)</u>	<u>\$4,605,109</u>	<u>\$ 448,233</u>	<u>\$2,616,890</u>	<u>\$ 912,141</u>	<u>\$ -</u>	<u>\$ 912,141</u>	<u>\$ 627,845</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, 2007**

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	\$ 263,970	\$ (49,550)	\$ 861,501	\$ 69,525	\$ 783,816	\$ 9,927	\$ -	\$ 9,927	\$ (1,767)
Bakersfield	323,143	120,593	55	443,791	30,532	409,305	3,950	-	3,950	4
Burbank	343,002	130,339	-	473,341	42,162	425,949	3,840	-	3,840	1,390
Modesto	291,262	120,936	(142)	412,056	30,329	350,201	5,486	-	5,486	26,040
Monterey	122,748	72,696	-	195,444	12,914	-	1,982	-	1,982	180,548
Mountain View	186,176	109,819	-	295,995	19,994	-	1,330	-	1,330	274,671
Ontario	313,307	185,184	-	498,491	37,127	-	7,500	-	7,500	453,864
Palo Alto	331,582	123,958	43	455,583	37,401	411,788	5,641	-	5,641	753
Santa Barbara	286,768	110,498	-	397,266	31,574	363,278	2,414	-	2,414	-
Santa Cruz(1)	89,949	48,099	-	138,048	9,506	-	5,131	-	5,131	123,411
Santa Monica	497,910	220,616	(214,760)	503,766	51,654	400,000	15,407	-	15,407	36,705
Visalia	113,875	67,520	-	181,395	12,190	-	1,936	-	1,936	167,269
	<u>\$3,546,803</u>	<u>\$1,574,228</u>	<u>\$ (264,354)</u>	<u>\$4,856,677</u>	<u>\$ 384,908</u>	<u>\$3,144,337</u>	<u>\$ 64,544</u>	<u>\$ -</u>	<u>\$ 64,544</u>	<u>\$ 1,262,888</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, 2007**

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	\$ 230,630	\$ (346,028)	\$ 530,201	\$ 130,119	\$ 170,332	\$ 225,431	\$ -	\$ 225,431	\$ 4,319
Bakersfield	341,891	102,538	203,586	648,015	58,263	431,842	157,719	-	157,719	191
Burbank	362,837	111,935	9,000	483,772	80,456	245,559	116,674	-	116,674	41,083
Modesto	325,478	132,450	-	457,928	57,771	-	155,010	-	155,010	245,147
Monterey	128,484	52,756	-	181,240	25,472	-	67,504	-	67,504	88,264
Mountain View	196,524	86,737	-	283,261	40,674	-	35,835	-	35,835	206,752
Ontario	317,860	118,734	-	436,594	68,122	-	257,308	-	257,308	111,164
Palo Alto	369,439	111,510	194,185	675,134	71,370	410,832	197,720	-	197,720	(4,788)
Santa Barbara	306,900	93,451	78,225	478,576	56,867	351,289	70,421	-	70,421	(1)
Santa Cruz	178,820	68,696	-	247,516	36,279	-	118,966	-	118,966	92,271
Santa Monica	514,524	163,564	152,000	830,088	99,517	200,000	596,287	-	596,287	(65,716)
Visalia	115,088	42,540	-	157,628	24,044	-	84,588	-	84,588	48,996
	<u>\$3,803,444</u>	<u>\$1,315,541</u>	<u>\$ 290,968</u>	<u>\$5,409,953</u>	<u>\$ 748,954</u>	<u>\$1,809,854</u>	<u>\$2,083,463</u>	<u>\$ -</u>	<u>\$2,083,463</u>	<u>\$ 767,682</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, 2007**

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	\$ 189,540	\$ -	\$ 855,885	\$ 240,854	\$ 599,603	\$ 214	\$ -	\$ 214	\$ 15,214
Bakersfield	357,987	76,287	(221,277)	212,997	118,083	94,683	265	-	265	(34)
Modesto	326,839	59,015	(176,040)	209,814	155,508	-	205	-	205	54,101
Monterey	134,468	22,878	-	157,346	78,460	50,000	72	-	72	28,814
Mountain View	223,175	39,809	-	262,984	116,201	125,000	84	-	84	21,699
Ontario	321,441	73,302	-	394,743	174,962	-	321	-	321	219,460
Palo Alto	394,012	82,988	(232,633)	244,367	132,108	111,997	178	-	178	84
Santa Barbara	320,210	75,410	3,808	399,428	103,744	227,952	123	-	123	67,609
Santa Cruz	180,363	37,646	-	218,009	105,477	-	102	-	102	112,430
Santa Monica	543,831	151,415	-	695,246	184,209	200,000	695	-	695	310,342
Visalia	118,955	22,344	-	141,299	74,020	-	78	-	78	67,201
	<u>\$3,587,626</u>	<u>\$ 830,634</u>	<u>\$ (626,142)</u>	<u>\$3,792,118</u>	<u>\$1,483,626</u>	<u>\$1,409,235</u>	<u>\$ 2,337</u>	<u>\$ -</u>	<u>\$ 2,337</u>	<u>\$ 896,920</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, 2007**

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	\$ 182,950	\$ -	\$ 917,969	\$ 229,863	\$ 425,653	\$ 44	\$ -	\$ 44	\$ 262,409
Bakersfield	367,080	62,924	(39,483)	390,521	169,795	217,267	75	-	75	3,384
Modesto	338,985	71,431	-	410,416	150,984	-	59	-	59	259,373
Monterey	143,302	25,884	-	169,186	76,497	-	20	-	20	92,669
Mountain View	222,556	34,006	-	256,562	112,853	125,000	27	-	27	18,682
Ontario	330,483	66,445	-	396,928	170,100	-	88	-	88	226,740
Palo Alto	396,553	82,819	(41,692)	437,680	175,579	-	32	-	32	262,069
Santa Barbara	351,627	57,340	10,925	419,892	138,510	200,000	47	-	47	81,335
Santa Cruz	200,738	39,093	-	239,831	102,589	-	26	-	26	137,216
Santa Monica	561,088	150,755	-	711,843	175,803	-	219	-	219	535,821
Visalia	129,346	22,467	-	151,813	72,438	-	20	-	20	79,355
	<u>\$3,776,777</u>	<u>\$ 796,114</u>	<u>\$ (70,250)</u>	<u>\$4,502,641</u>	<u>\$1,575,011</u>	<u>\$ 967,920</u>	<u>\$ 657</u>	<u>\$ -</u>	<u>\$ 657</u>	<u>\$ 1,959,053</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, 2007**

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	(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	\$ 760,049	\$ 140,168	\$ (15,200)	\$ 885,017	\$ 259,995	\$ 5,659	\$ 64,372	\$ -	\$ 64,372	\$ 554,991
Bakersfield	370,553	36,264	(45,100)	361,717	183,732	-	104,036	-	104,036	73,949
Modesto	358,174	42,185	(8,000)	392,359	164,712	-	84,947	-	84,947	142,700
Monterey	155,115	18,357	(1,500)	171,972	80,202	-	21,815	-	21,815	69,955
Mountain View	237,173	28,955	-	266,128	127,600	-	34,045	-	34,045	104,483
Ontario	347,711	51,202	132,012	530,925	181,562	-	99,739	-	99,739	249,624
Palo Alto	420,745	54,113	(55,600)	419,258	188,661	-	70,156	-	70,156	160,441
Santa Barbara	359,021	52,267	(22,000)	389,288	148,740	-	45,366	-	45,366	195,182
Santa Cruz	209,182	23,918	(5,000)	228,100	116,045	-	34,541	-	34,541	77,514
Santa Monica	631,065	75,532	(162,000)	544,597	198,848	-	241,125	-	241,125	104,624
Visalia	135,242	18,802	46,600	200,644	75,813	-	26,195	-	26,195	98,636
	<u>\$3,984,030</u>	<u>\$ 541,763</u>	<u>\$ (135,788)</u>	<u>\$4,390,005</u>	<u>\$1,725,910</u>	<u>\$ 5,659</u>	<u>\$ 826,337</u>	<u>\$ -</u>	<u>\$ 826,337</u>	<u>\$ 1,832,099</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, 2007**

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	(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	\$ 816,566	\$ 104,227	\$ 920,793	\$ 259,995	\$ 118,366	\$ -	\$ 28,166	\$ 28,166	\$ 514,266
Bakersfield	387,763	26,424	414,187	183,732	-	-	13,366	13,366	217,089
Modesto	388,314	36,166	424,480	164,712	-	-	13,395	13,395	246,373
Monterey	170,400	14,953	185,353	80,202	-	-	5,781	5,781	99,370
Mountain View	260,878	21,392	282,270	127,600	-	-	8,842	8,842	145,828
Ontario	372,868	30,286	403,154	181,562	-	-	12,863	12,863	208,729
Palo Alto	477,725	48,889	526,614	188,661	-	-	16,471	16,471	321,482
Santa Barbara	375,482	41,248	416,730	148,740	-	-	12,952	12,952	255,038
Santa Cruz	227,628	17,196	244,824	116,045	-	-	7,925	7,925	120,854
Santa Monica	673,594	90,836	764,430	198,848	-	-	23,242	23,242	542,340
Visalia	140,652	7,909	148,561	75,813	-	-	4,850	4,850	67,898
	<u>\$4,291,870</u>	<u>\$ 439,526</u>	<u>\$4,731,396</u>	<u>\$1,725,910</u>	<u>\$ 118,366</u>	<u>\$ -</u>	<u>\$ 147,852</u>	<u>\$ 147,852</u>	<u>\$ 2,739,268</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, 2007**

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) Admin Fees	(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	\$ 857,379	\$ 52,286	\$ (135,514)	\$ 774,151	\$ -	\$ (259,995)	\$ -	\$ -	\$ -	\$ -	\$ 514,156
Bakersfield	407,372	12,139	-	419,511	(26,500)	(183,732)	-	-	-	-	209,279
Modesto	415,393	14,406	(45,437)	384,362	-	(164,712)	-	-	-	-	219,650
Monterey	175,033	6,278	(1,768)	179,543	-	(80,202)	-	-	-	-	99,341
Mountain View	282,114	5,931	-	288,045	(26,500)	(127,600)	-	-	-	-	133,945
Ontario	377,714	35,512	226,128	639,354	-	(181,562)	50,000	-	-	-	407,792
Palo Alto	495,255	28,006	-	523,261	-	(188,661)	-	-	-	-	334,600
Santa Barbara	390,224	25,047	-	415,271	-	(148,740)	-	-	-	-	266,531
Santa Cruz	226,181	1,266	-	227,447	(26,500)	(116,045)	-	-	-	-	84,902
Santa Monica	694,959	59,428	-	754,387	-	(198,848)	-	-	-	-	555,539
Visalia	158,551	4,554	44	163,149	-	(75,813)	-	-	-	-	87,336
	<u>\$4,480,175</u>	<u>\$ 244,853</u>	<u>\$ 43,453</u>	<u>\$4,768,481</u>	<u>\$ (79,500)</u>	<u>\$ (1,725,910)</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,913,071</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, 2007**

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

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Transferred Funds	(D) Total Accumulated Funds	(E) Excess Insurance	Admin Fees	(G) Allocated Paid Claims	(H) Unpaid Claims Liability	(I) Total Incurred Claims and Expenses	(J) Projected Retrospectively Rated Refund Available
Anaheim	\$ 920,139	\$ 47,796	\$ (639)	\$ 967,296	\$ (502,725)	\$ -	\$ 209,790	\$ 425,135	\$ 634,925	\$ (170,354)
Bakersfield	419,465	16,581	(2,066)	433,980	(237,054)	(30,000)	98,880	200,379	299,259	(132,333)
Modesto	406,456	17,525	(272)	423,709	(216,890)	(30,000)	90,522	183,440	273,962	(97,143)
Monterey	171,073	8,387	-	179,460	(98,990)	-	41,285	83,664	124,949	(44,479)
Mountain View	261,682	13,373	-	275,055	(146,561)	-	61,193	123,946	185,139	(56,645)
Ontario	387,646	16,277	(1,721)	402,202	(206,727)	(30,000)	86,270	174,764	261,034	(95,559)
Palo Alto	532,743	31,740	(356)	564,127	(245,642)	-	102,448	207,610	310,058	8,427
Santa Barbara	398,935	16,115	-	415,050	(222,571)	(30,000)	92,897	188,191	281,088	(118,609)
Santa Cruz	220,689	5,421	5,000	231,110	(141,795)	(30,000)	59,125	119,814	178,939	(119,624)
Santa Monica	666,276	36,766	(2,087)	700,955	(342,519)	-	142,918	289,621	432,539	(74,103)
Visalia	147,057	7,576	(192)	154,441	(81,709)	-	34,047	69,203	103,250	(30,518)
	<u>\$4,532,161</u>	<u>\$ 217,557</u>	<u>\$ (2,333)</u>	<u>\$4,747,385</u>	<u>\$ (2,443,183)</u>	<u>\$ (150,000)</u>	<u>\$1,019,375</u>	<u>\$2,065,767</u>	<u>\$3,085,142</u>	<u>\$ (930,940)</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, 2007**

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

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(C) Transfer 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	\$1,171,003	\$ (2,810)	\$ -	\$1,168,193	\$ (758,098)	\$ 61,677	\$ 647,164	\$ 708,841	\$ (298,746)
Bakersfield	423,154	1,929	-	425,083	(208,665)	27,792	291,680	319,472	(103,054)
Burbank(1)	525,622	(481)	(11,050)	514,091	(273,763)	36,477	382,830	419,307	(178,979)
Modesto	412,948	4,003	-	416,951	(190,869)	25,420	266,789	292,209	(66,127)
Monterey	191,611	668	-	192,279	(105,879)	11,357	119,547	130,904	(44,504)
Mountain View	282,154	855	-	283,009	(152,842)	17,283	181,248	198,531	(68,364)
Ontario	438,187	2,787	-	440,974	(229,490)	25,467	267,139	292,606	(81,122)
Palo Alto	546,810	3,875	-	550,685	(271,204)	33,384	350,226	383,610	(104,129)
Santa Barbara	403,546	2,517	-	406,063	(195,162)	25,988	272,749	298,737	(87,836)
Santa Cruz	221,168	714	-	221,882	(110,376)	14,711	154,254	168,965	(57,459)
Santa Monica	858,846	5,014	-	863,860	(497,901)	43,726	458,905	502,631	(136,672)
Visalia	153,559	(212)	-	153,347	(80,713)	10,769	113,236	124,005	(51,371)
	<u>\$5,628,608</u>	<u>\$ 18,859</u>	<u>\$ (11,050)</u>	<u>\$5,636,417</u>	<u>\$ (3,074,962)</u>	<u>\$ 334,051</u>	<u>\$3,505,765</u>	<u>\$3,839,816</u>	<u>\$ (1,278,361)</u>

(1) The Authority for California Excess Liability approved Burbank for re-entry into the program year 19 pool effective July 1, 2004.

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, 2007**

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

	(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	\$1,350,924	\$ 55,037	\$ 1,405,961	\$ (605,688)	\$ (1)	\$ 515,066	\$ 515,065	\$ 285,209
Bakersfield	451,694	22,263	473,957	(218,074)	-	234,843	234,843	21,040
Burbank	524,228	27,983	552,211	(225,593)	(1)	291,568	291,567	35,050
Modesto	424,287	22,142	446,429	(204,238)	-	229,170	229,170	13,021
Monterey	171,887	9,101	180,988	(84,277)	-	94,731	94,731	1,980
Mountain View	275,763	13,803	289,566	(132,872)	-	143,799	143,799	12,895
Ontario	427,515	21,295	448,810	(193,256)	-	221,796	221,796	33,758
Palo Alto	516,585	28,011	544,596	(217,797)	(1)	291,852	291,851	34,949
Santa Barbara	451,395	21,522	472,917	(176,705)	-	224,065	224,065	72,147
Santa Cruz	226,455	11,699	238,154	(103,148)	-	122,810	122,810	12,195
Santa Monica	736,642	42,952	779,594	(430,460)	(1)	382,329	382,328	(33,194)
Visalia	163,716	6,298	170,014	(76,981)	-	84,237	84,237	8,796
	<u>\$5,721,090</u>	<u>\$ 282,106</u>	<u>\$ 6,003,196</u>	<u>\$ (2,669,089)</u>	<u>\$ (4)</u>	<u>\$ 2,836,265</u>	<u>\$ 2,836,261</u>	<u>\$ 497,846</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, 2007**

PROGRAM YEAR 21 – JULY 1, 2006 TO JUNE 30, 2007

	(A) Deposits Collected \$1,000,000 Pool	(B) Interest Income	(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	\$ 1,159,833	\$ 55,998	\$ 1,215,831	\$ -	\$ 593,042	\$ 593,042	\$ 622,790
Bakersfield	533,794	22,052	555,846	-	262,085	262,085	293,761
Burbank	648,353	29,128	677,481	-	304,156	304,156	373,325
Modesto	485,232	24,461	509,693	-	246,192	246,192	263,502
Monterey	182,391	9,689	192,080	-	99,723	99,723	92,357
Mountain View	335,256	15,588	350,844	-	159,869	159,869	190,975
Ontario	484,985	24,164	509,149	-	248,062	248,062	261,088
Palo Alto	552,163	25,999	578,162	-	287,951	287,951	290,211
Santa Barbara	460,341	25,662	486,003	-	261,773	261,773	224,230
Santa Cruz	296,524	12,765	309,289	-	131,198	131,198	178,090
Santa Monica	867,123	40,931	908,054	-	427,252	427,252	480,802
Visalia	177,542	8,360	185,902	-	95,049	95,049	90,853
	<u>\$ 6,183,536</u>	<u>\$ 294,797</u>	<u>\$ 6,478,333</u>	<u>\$ -</u>	<u>\$ 3,116,351</u>	<u>\$ 3,116,351</u>	<u>\$ 3,361,982</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, 2007**

**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.