

**PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA
(PARSAC)
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT FOR THE
FISCAL YEARS ENDED
JUNE 30, 2003 AND 2002**

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA

JUNE 30, 2003

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JAMES P. MARTA, CPA, ARM

Certified Public Accountant

Accounting, Auditing, Consulting and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Public Agency Risk Sharing Authority of California
Sacramento, California

We have audited the accompanying Statement of Net Assets of the Public Agency Risk Sharing Authority of California as of June 30, 2003, and the related Statement of Revenue, Expenses, and Changes in Net Assets, and Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of and for the year ended June 30, 2002, were audited by other auditors whose report dated August 13, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and the State Controller's Minimum Audit Requirements for California Special Districts. 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 statements presentation. We believe that our audit provides 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 the Public Agency Risk Sharing Authority of California as of June 30, 2003 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

The Management's Discussion and Analysis and the Reconciliation of Claims Liabilities by Type of Contract and Claims Development Information is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. The Graphical Presentation of Claims is provided for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion is fairly stated in all material respects in relation to the financial statements taken as a whole.

JAMES P. MARTA
CERTIFIED PUBLIC ACCOUNTANT

August 6, 2003

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

BACKGROUND

In May 1986, the California Municipal Insurance Authority (CMIA) began offering self-insured liability coverage to cities in California. CMIA established a self-insured Workers' Compensation Program in July 1990. In November 1993, CMIA was renamed Public Agency Risk Sharing Authority of California (PARSAC) to align the Authority's identity as a self-insurance pool. PARSAC has provided coverage to 36 small to mid-size cities throughout California. PARSAC operates self-insured programs for liability and workers' compensation coverage, and offers insured programs for property, boiler and machinery, fidelity bonds, special events and employee benefits. In addition to its programs, PARSAC provides claims administration and loss control training for members. PARSAC has invested in a building in Sacramento that houses its administrative office and provides additional office space for commercial lease.

PARSAC is governed by a Board of Directors, comprised of representatives from each member city. The Board of Directors elects a President, Vice President, Treasurer, and Auditor/Controller.

The daily operations are administered by a General Manager, who serves as the chief executive officer. The General Manager is responsible for the administration of the policies as set forth by the pool's organizational documents and the Board of Directors.

FINANCIAL HIGHLIGHTS

Total operating revenue was \$6.8 million, an increase of 34% or \$1.7 million. This increase is largely due to members joining and changing retention levels in the Workers' Compensation Program and excess insurance premium increases, which affected the Liability and Property Program to a greater degree, due to the hardening insurance market.

Total non-operating revenues were \$675,789, a decrease of 16%. This reduction is due to decreases in investment income as well as a decrease in the fair market value of investments held by PARSAC at the close of the fiscal year.

Total expenses were \$7.3 million, increased over 200% from the previous year. The main factor was an adjustment by the actuary increasing expected claim costs compared to a decrease in the prior year. Other increases were in excess insurance and special projects related to the Liability program Retrospective Premium Adjustment and program accounting.

Outstanding claims liabilities increased from \$5.6 million at June 30, 2002 to \$7.7 million at the close of the year, an increase of 38%. This increase was related to a change in the Workers' Compensation Program claims administrator to Gregory Bragg and Associates. Claims are now closely monitored and more appropriately reserved for.

DESCRIPTION OF THE BASIC FINANCIAL STATEMENTS

PARSAC's financial statements are prepared in conformity with generally accepted accounting principles and include amounts based upon reliable estimates and judgments. Statement of Net Assets, a Statement of Revenues, Expenses & Changes in Net Assets, and the Statement of Cash Flows are included along with Notes to Financial Statements to clarify unique accounting policies and financial information.

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Statement of Net Assets provides information on all PARSAC assets and liabilities, with the difference reported as Net Assets. Net Assets may be an indicator of the overall pool financial status. The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing total revenue and expense and the resulting effect on Net Assets.

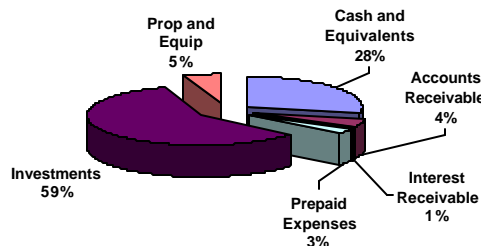
James Marta & Company, Certified Public Accountants has performed an independent audit examination of our financial statements. Their opinion is included in the Financial Section of this report. This report also includes information from PARSAC’s previous auditor, Bartig, Basler & Ray, who performed the audit at June 30, 2002.

ANALYSIS OF OVERALL FINANCIAL POSITION

Condensed Statement of Net Assets

	June 30, 2003	Percentage	June 30, 2002	Percentage
Current assets	\$17,649,673	95%	\$16,566,759	94%
Non-current assets	979,629	5%	964,299	6%
Total assets	18,629,302	100%	17,531,058	100%
Current liabilities	1,604,199	17%	2,079,673	27%
Claims liabilities	7,732,107	83%	5,612,880	73%
Total liabilities	9,339,306	100%	7,692,553	100%
Net Assets	9,292,996	100%	9,838,505	100%
Total liabilities and Net Assets	\$18,629,302	100%	\$17,531,058	100%

Figure 1 – Total Assets By Type



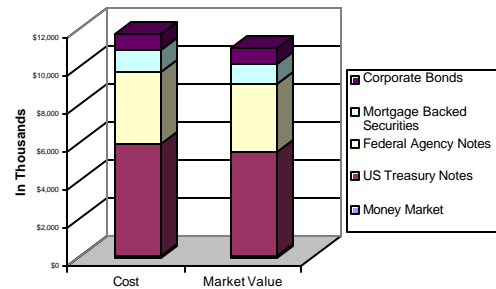
Investment revenue is used by the actuary in determining the amount of assets we will have, to pay future claims. Any additional interest earnings are used to offset program costs wherever possible and reduce the required member contributions. Funds are invested in a manner that will protect principal, allow for cash flow needs, and optimize returns. The investment policy is in conformity with state statutes governing the investment of public funds. 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.

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The investment market continues to experience declines. Uncertainty over the continued War on Terrorism has investors uncertain. This makes investing public funds a difficult task. One benchmark we look to is the LAIF Fund. During the fiscal year LAIF yields dropped from 2.75% to 1.77%. The effective rate of return for the Authority's investment portfolio decreased from 4.54% to 2.14%. The ability of these funds to earn investment income has a direct effect on program rates, as this income is used pay future liabilities. When investments fall short of projections, additional funding may be required to meet actuarial estimates.

Figure 1 – Investment Portfolio Summary



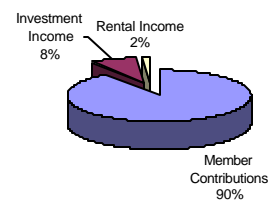
Current liabilities decreased by \$475,474 largely due to later invoicing of members for the 2003/04 year. Invoices are typically sent to members in early June, but because of tightening of the excess insurance markets, the excess rates were not finalized until the latter part of June. Claim liabilities increased by \$2.1 million reflecting an increase in the Workers' Compensation Program claims of \$2.5 million and decrease in Liability Program claims of \$400,000. Claims expense for fiscal year 02/03 was \$4,188,444, compared to \$(6,584,188) in fiscal year 01/02.

Dividends payable at June 30, 2003 were \$806,379. PARSAC refers to dividends as Retrospective Premium Adjustments (RPAs). This RPA was declared payable from the Liability Program at the May 2003 regular Board Meeting. The actual release of these funds is scheduled for July 2003 in conjunction with the 2003/04 invoicing.

ANALYSIS OF OVERALL RESULTS OF OPERATIONS

Operating income consist almost entirely of contributions received from members. This revenue increased from \$5.1 million to \$6.8 million, primarily as a result of higher excess insurance and member additions and changes. Expenses exceeded revenue by \$545,509.

Figure 3 - Total Revenue



Funding for the Liability and Workers' Compensation Programs is set at an actuarially determined 85% confidence level and 70% confidence level respectively, discounted to recognize the investment earnings.

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

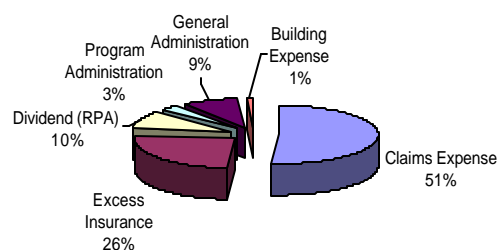
Condensed Statements of Revenue, Expense, and Changes in Net Assets

	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2002	Percentage Change
Operating Revenue:			
Member contributions	\$6,886,600	\$5,123,013	34%
Operating Expenses:			
Claims Expense	4,188,444	(6,584,188)	164%
Member dividends (RPA and CAT Fund)	790,042	1,062,652	(26%)
Excess Insurance expense	2,025,867	1,382,668	47%
Program services expense	244,714	135,653	80%
General Administrative expense	776,669	639,379	11%
Total Operating Expenses	8,025,736	(3,363,836)	300%
Operating Income (Loss)	(1,139,136)	8,486,849	(339%)
Non-Operating Income and (Expense):			
Investment Income	629,706	770,870	(18%)
Rental Income	115,511	98,355	17%
Rental Expense	(69,428)	(61,567)	13%
Net Non-Operating Income	675,789	807,658	(22%)
Net Income (Loss)	(462,347)	9,294,507	(105%)
Beginning Net Assets	9,838,505	543,998	
Ending Net Assets	\$9,376,158	\$9,838,505	(5%)

Non-operating income was reduced by \$193,436, most of which is due to lower yielding investments.

Operating expenses, including the provision for claims expense increased 300% to \$8.1 million. This was mainly due to the annual actuarial adjustment of claim costs of \$4.4 million compared with a negative expense in the prior year. In developing services for members, PARSAC implemented an audit of all members' safety programs which was completed this year. Customized workshops have been provided for members. These contributed to the 80% increase in program services during the year.

Figure 4 - Total Expense



PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA

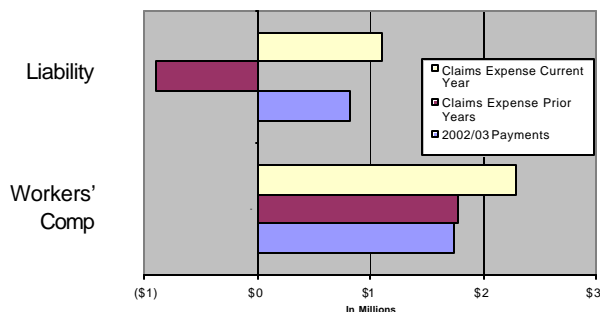
MANAGEMENT'S DISCUSSION AND ANALYSIS

Excess Insurance Expense

PARSAC operates in an environment that is dependent on the insurance market. Historically, the insurance market has operated in 7 year cycles where rates will swing from the very high to the very low and back again. While the renewals for 2002/03 were difficult for many due to decreased capacity, poor investment results, and coverage limitations, PARSAC maintained coverage with cost increases mainly from the excess insurers. This hard market is expected to continue for the near future because of the continued possible terrorist threat and resulting poorly performing investment market.

Provision for Insured Events

Figure 5 - Claim Activity



PARSAC contracts with Bickmore Risk Services for annual actuarial valuations of the Workers' compensation and Liability Programs. This report is used to project liabilities for future years, as well as evaluate the adequacy of funding levels for current and prior years. The discount value of liabilities is dependent upon the payment patterns of each coverage type. For example, the discount factor is greater in the workers' compensation program which has a lengthy payout pattern as compared to the property program, whose payout is typically within the same year as the contributions are collected and thus has little long-term earnings potential.

The graph above illustrates the claims activity experienced for PARSAC's self-insured programs, identifying the claims expense of the current and prior years, and payments made in fiscal 02/03 for all program years. The Liability Program has a reduction in expense that was a negative adjustment, reflecting better loss experience than the actuary expected when compared to the prior year.

Member Dividends

We refer to the dividend as a Retrospective Premium Adjustment (RPA). Currently, only the Liability Program members have received RPAs. The calculation of the RPA is based upon a formula outlined in the policy. It works by identifying revenue and allocated investment income for each program year and reducing that amount by all liabilities and expenses relating to that year. This calculation is conducted as of December, and the identified funds are considered available for return to members. This amount is submitted to the Board of Directors for approval. During the year, the Liability Program declared \$790,042 available for return to members, representing a decrease of 32% from the prior year.

To stabilize the financial position of the Authority, a Funding Distribution Plan was established in the Liability Program. This Plan limits the RPAs available for return to members by setting a minimum overall confidence level requirement of 90%, delaying distribution to after four years and returning a percentage of equity over a longer time. The criteria established for the plan, better reflects the claims development pattern of the program. PARSAC is evaluating the method used to determine equity in the Workers' Compensation Program.

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANALYSIS OF SIGNIFICANT VARIATION BETWEEN ORIGINAL AND FINAL BUDGETS

The PARSAC Board of Directors annually approves a budget and establishes rates and funding levels for all programs. The preliminary budget is brought to the Executive Committee in March, with a final budget approved at the May Board meeting. Below is a summary of the budget information with a comparison to actual expenditures.

	Original Budget	Final Budget	Budget Variance	Actual Results	Budget v Actual Variance
Revenue:					
Member contributions	6,005,106	6,005,106	0%	6,886,600	15%
Operating Expenses:					
Claims Expense	3,139,000	3,139,000	0%	4,188,444	33%
Member Dividends	0	0	0%	790,042	
Excess Insurance Expense	1,859,327	1,859,327	0%	2,025,867	9%
Program Service Expense	251,600	251,600	0%	243,714	-3%
General Administrative Expense	804,371	844,371	5%	776,669	-8%
Total Operating Expense	6,054,298	6,094,298	1%	8,024,736	32%
Non-Operating Income					
Investment Income	19,650	19,650	0%	629,706	3105%
Rental Income	115,498	115,498	0%	115,511	0%
Rental Expense	(64,725)	(64,725)	0%	(69,428)	7%
Net Non-operating Income	70,423	70,423	0%	675,789	860%
Change in Net Assets	\$21,231	(\$18,769)	-188%	(\$462,347)	2363%

For the 2002/2003 year, member dividends were not included in the budget. The budget overage in member contributions reflected changes in retention levels that were not updated at the beginning of the year. Claims expense included an adjustment by the actuary, which was not adjusted for in the budget during the year. Investment income was under-budgeted and not corrected during the year.

DESCRIPTION OF FACTS OR CONDITIONS THAT ARE EXPECTED TO HAVE A SIGNIFICANT EFFECT ON FINANCIAL POSITION OR RESULTS OF OPERATIONS

PARSAC's General Manager resigned in May 2003. The Executive Committee has identified a sub-committee to work on recruitment for the position. Until the new General Manager is selected, the Executive Committee designated Kin Ong, the Risk Analyst as the Interim General Manager.

FINANCIAL SECTION

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA

STATEMENT OF NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Current Assets:		
Cash & Equivalents	\$ 3,419,810	\$ 120,020
Investments	12,839,359	15,660,853
Member Receivable	722,079	80,478
Interest Receivable	126,665	139,065
Prepaid Expenses	541,760	566,343
Total Current Assets	<u>17,649,673</u>	<u>16,566,759</u>
Noncurrent Assets:		
Plant, Property, & Equipment	979,629	964,299
Total Noncurrent Assets	<u>979,629</u>	<u>964,299</u>
Total Assets	<u>\$ 18,629,302</u>	<u>\$ 17,531,058</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Payables	\$ 134,326	\$ 150,736
Prefunded Deposit	9,936	9,936
Accrued Expenses	14,122	17,003
Dividends Payable	806,379	531,432
Deferred Revenue	556,274	1,370,566
Total Current Liabilities	<u>1,521,037</u>	<u>2,079,673</u>
Noncurrent Liabilities:		
Claim Liabilities	7,732,107	5,612,880
Total Noncurrent Liabilities	<u>7,732,107</u>	<u>5,612,880</u>
Total Liabilities	<u>\$ 9,253,144</u>	<u>\$ 7,692,553</u>
NET ASSETS		
Net Assets	<u>9,376,158</u>	<u>9,838,505</u>
Total Liabilities and Net Assets	<u>\$ 18,629,302</u>	<u>\$ 17,531,058</u>

See accompanying notes to financial statements

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
REVENUES:		
Premium Contributions	\$ 6,886,600	\$ 5,123,013
Retrospective Adjustment	(790,042)	(727,279)
Total Revenues	6,096,558	4,395,734
EXPENSES:		
Claims Expense	4,188,444	(6,584,188)
Excess Insurance	2,025,867	1,382,668
Program Administration	148,599	108,144
Risk Management	95,115	27,509
Professional Fees	192,011	104,337
Travel and Meetings	59,730	76,584
Other General Administrative	110,743	103,379
Member Dividends	0	335,373
Salaries	414,185	355,079
Total Expenses	7,234,694	(4,091,115)
Net Operating Income (Loss)	(1,138,136)	8,486,849
OTHER INCOME:		
Investment Income	629,706	770,870
Rental Income	115,511	98,355
Rental Expense	(69,428)	(61,567)
Total Other Income	675,789	807,658
Net Income (Loss)	(462,347)	9,294,507
Net Assets		
Beginning of Period	9,838,505	543,998
End of Period	\$ 9,376,158	\$ 9,838,505

See accompanying notes to financial statements

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Cash Flows From Operating Activities:		(1)
Contributions Received	\$ 4,653,065	\$ -
Salaries and Benefits Paid	(417,066)	-
Other Cash	115,511	-
Return to Members	274,947	-
Claims Expenses Paid	(2,069,217)	-
Premiums Paid	(2,025,867)	-
General & Administrative Expenses Paid	<u>(615,330)</u>	<u>-</u>
Net Cash Flows Provided (Used) by Operating Activities	(83,957)	(1,538,257)
Cash Flows From Capital and Related Financing Activities:		
Sale of Fixed Assets	-	-
Purchase of Fixed Assets	<u>(67,453)</u>	<u>(28,378)</u>
Net Cash Flows Provided (Used) by Financing Activities	(67,453)	(28,378)
Cash Flows From Investing Activities:		
Purchase of Investments	(12,572,394)	(363,139)
Proceeds from Sales and Maturities of Investments	<u>16,023,594</u>	<u>-</u>
Net Cash Flows Provided (Used) by Investing Activities	3,451,200	(363,139)
 Net Increase (Decrease) in Cash	 3,299,790	 (1,929,774)
Beginning Cash and Equivalents	<u>120,020</u>	<u>2,049,794</u>
Ending Cash and Equivalents	\$ <u><u>3,419,810</u></u>	\$ <u><u>120,020</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (1,092,053)	\$ 8,823,809
 Adjustments to Reconcile Net Income to Cash Provided by Operations:		
Depreciation	52,123	54,083
(Increase) Decrease in:		
Member Receivable	(641,601)	(78,275)
Interest Receivable	12,400	-
Prepaid Expenses	24,583	(227,363)
Increase (Decrease) in:		
Unearned Contributions	(814,292)	1,040,445
Accounts Payable	(16,410)	-
Accrued Liabilities	(2,881)	-
Return to Members	274,947	(3,894,546)
Claims Liability	1,709,227	(7,256,410)
Claims Liability - ULAE	<u>410,000</u>	<u>-</u>
 Net Cash Provided by Operating Activities	\$ <u><u>(83,957)</u></u>	\$ <u><u>(1,538,257)</u></u>

(1) Prior year direct method was not prepared

See accompanying notes to financial statements

PUBLIC AGENCY RISK SHARING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

1. GENERAL INFORMATION

A. ORGANIZATION AND OPERATIONS

The Public Agency Risk Sharing Authority of California (PARSAC), formerly the California Municipal Insurance Authority, is a governmental joint powers authority formed in May 1986 pursuant to the Government Code of the State of California, commencing with Section 6500. PARSAC is a statewide agency providing California municipalities risk management services including a variety of risk sharing and joint purchase coverage programs.

A Board of Directors governs PARSAC and each member is entitled to representation on the Board of Directors.

Although PARSAC was created in May 1986, the extension of pooled (self-funded) joint protection to member entities actually began on July 1, 1986. During the first program year of the Liability Program, all risks were pooled or self-funded. Effective July 6, 1987, however, PARSAC began purchasing an occurrence-form commercial excess liability insurance policy which, combined with the Program's self-funded layers, offered a total of \$5 million in coverage limits.

PARSAC offers two risk sharing programs each administered by a third party administrator:

The Liability Program, implemented in 1986, provides comprehensive general and automobile liability coverage along with public officials errors and omissions. Effective July 1, 1993, members have been afforded \$10 million coverage per occurrence. PARSAC is self-insured to \$1 million and the California Affiliated Risk Management Authorities (CARMA) excess pool provides \$3 million excess coverage above the \$1 million self-insured retention (S.I.R.). Additionally, members of CARMA have joint-purchased \$6 million in commercial reinsurance above the CARMA pool coverage of \$4 million bringing the total limits to \$10 million. Within PARSAC's self-insured coverage, each member has a choice of selecting its self-insured retention option of \$50,000, \$100,000, \$250,000 or \$500,000.

The Workers' Compensation Program, implemented on July 1, 1990, provides \$25 million of coverage for employee injuries arising out of and in the course of employment. PARSAC is self-insured to \$250,000 per occurrence. Losses in excess of \$250,000 are covered through the Local Agency Workers' Compensation Excess Pool (LAWCX). Losses in excess of \$1 million are covered through joint purchase of commercial insurance up to \$25 million. The Program initially provided first-dollar coverage. Beginning July 1, 2000, members may elect individual retention levels of \$25,000, \$50,000, \$100,000 and \$150,000 per occurrence. All members participate in the Program at first dollar, with exception of the City of Rancho Cucamonga, the City of Ridgecrest, and the City of Grass Valley.

PARSAC also offers its members access to property coverage. The Property Program provides all-risk replacement cost coverage for buildings and contents, and either actual cash value or replacement cost coverage for vehicles. The property coverage is commercial insurance joint-

PUBLIC AGENCY RISK SHARING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

purchased with other public agencies throughout the nation and is brokered through an insurance carrier.

PARSAC also offers its members a Special Events and Fidelity Bond Program, which are also provided through joint-purchased agreements.

PARSAC is a California public entity as provided in Internal Revenue section 115; thus, it is tax-exempt. The California Office of the Controller, Division of Local Government Fiscal Affairs, for the purpose of filing an Annual Report of Financial Transactions of Special Districts considers PARSAC to be a "Special District".

PARSAC includes all activities (operations of its administrative staff, officers and board of directors as they relate to PARSAC) considered to be part of PARSAC. The Authority has reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No. 14, relating to the financial reporting entity to determine whether PARSAC is financially accountable for other entities. PARSAC has determined that no other outside entity meets the above criteria, and therefore, no Authority has been included as a component unit in the financial statements. In addition, PARSAC is not aware of any entity that would be financially accountable for the Authority that would result in PARSAC being considered a component unit of that entity.

PUBLIC AGENCY RISK SHARING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING

These statements are prepared on the accrual basis of accounting. Under this method, revenues from contributions and interest are recognized when earned and expenses are recognized when goods or services have been rendered. The Authority applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations, except where superceded by GASB pronouncements. Liabilities for reserves for open claims and claims incurred but not reported have been recorded in the Authority's financial statements.

The Authority maintains one insurance fund, however, separate program accounting is maintained for each program's revenues, expenses, and related reserves. The claims program funds are considered proprietary/enterprise fund type.

B. FUND ACCOUNTING

The accounts of the Authority are organized on the basis of funds, each of which is considered to be a separate accounting entity. The Authority's funds have been combined for the presentation of the financial statements. The operation of each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. The Authority maintains two funds that are considered Proprietary-Enterprise Funds. Proprietary funds are used to account for activities similar to those found in the private sector, where determination of net income is necessary or useful to sound financial administration.

C. STATEMENT OF CASH FLOWS

For purposes of this statement, the Authority considers interest on investments to be an integral part of operations and relies on it to meet claim payments and administrative expense obligations.

D. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash and cash equivalents include all checking and savings accounts; cash in bank and all highly liquid debt instruments purchased with original maturity of three months or less.

PUBLIC AGENCY RISK SHARING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

E. RECEIVABLES

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At June 30, 2003 and 2002, the total accounts receivable portfolio was considered collectible. Interest on investments is recorded in the year the interest is earned.

F. CONTRIBUTION INCOME

Contribution development is performed by actuaries and the Board of Directors based on the particular characteristics of the members. Contribution income consists of payments from members that are planned to match the expense of insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs, and operating expenses. Contributions are recognized as revenues in the period for which insurance protection is provided. If the Authority's Board of Directors determines that the insurance funds for a program are insufficient to pay losses, the Authority may impose a supplemental assessment on all participating members. Supplemental assessments are recognized as income in the period assessed. The activities of the Authority consist solely of risk management programs and claims management activities related to the coverages described above. The reporting entity does not include any other component units with the criterion prescribed by GAAP.

G. FIXED ASSETS & DEPRECIATION

Fixed assets are carried at cost. Depreciation and amortization is provided for over the estimated useful lives of the assets using the straight-line method. The estimate useful life used for building and improvements is thirty years. The estimated useful lives used for furniture and equipment range from three to five years. The software is depreciated over five years. Depreciation expense was \$57,487 and \$54,083 for the fiscal years ended June 30, 2003 and June 30, 2002, respectively.

PUBLIC AGENCY RISK SHARING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

H. UNPAID CLAIM LIABILITIES (CLAIMS PAYABLE, CLAIMS INCURRED BUT NOT REPORTED, AND LIABILITY FOR UNALLOCATED LOSS ADJUSTMENT EXPENSES)

Each program establishes claims liabilities based on estimates of the ultimate cost of claims (including future allocated claim adjustment expense) 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 coverages such as general liability.

Claims liabilities are recomputed annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims 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.

I. INVESTMENTS

Effective July 1, 1997, the Authority adopted GASB Statement 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. The Authority records its investments and cash in the Local Agency Investment Fund (LAIF) at fair market value. Changes in fair market value are reported as revenue in the statement of operations and net assets. The effect of recording investments and LAIF at fair market value is reflected as a net increase in the fair value of investments on the statement of operations and net assets.

Fair Market Value of investments and LAIF has been determined by the sponsoring government based on quoted market prices. The Authority's investments in LAIF have been valued based on the relative fair value of the entire external pool to the external pool's respective amortized cost.

J. UNALLOCATED LOSS ADJUSTMENT EXPENSE (ULAE)

The liability for ULAE includes all costs expected to be incurred in connection with the settlement of unpaid claims that cannot be related to a specific claim.

PUBLIC AGENCY RISK SHARING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

K. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term are described elsewhere in this report.

L. COMPENSATED ABSENCES

In accordance with the Authority's employee handbook, compensated absences for vacation are accrued at various numbers of hours per month depending on each employee's years of service. The liability for compensated absences at June 30, 2003 and 2002 was \$14,122 and \$17,003, respectively.

M. CATASTROPHIC LOSS FUND

Effective July 1, 1988, a Liability Program Catastrophic Loss Fund was established. Contributions to the Fund were based upon a percentage of Deposit Premiums set by the Board of Directors. A three percent contribution rate was established for the fiscal year ending June 30, 1994. A contribution rate has not been established for any fiscal year ended since June 30, 1994 because the Board of Directors deemed that the Fund is adequately funded.

Effective July 1, 1990, the Liability Program Catastrophic Loss Fund was expanded to cover exposures, if any, beyond \$1 million which are covered by the Liability Program's Memorandum of Coverage but not covered by the commercial excess liability insurance policy. The balance of this fund appears in "Net Assets, End of Period" on the Statement of Revenues, Expenses and Changes in Net Assets schedule.

N. OPERATING REVENUES

Operating revenues include all program contributions, related fees and assessments, which is integral to the financing of the insurance and risk management programs.

O. ALLOCATION OF INDIRECT EXPENSES

Indirect expenses are allocated to programs in proportion to the estimated related cost of each program in proportion to total costs.

P. RECLASSIFICATIONS

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

PUBLIC AGENCY RISK SHARING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

3. UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The following represents changes in the unpaid losses and loss adjustment expenses for PARSAC during the past two years:

	<u>2003</u>	<u>2002</u>
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$5,612,879	\$13,084,341
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	3,374,741	1,898,432
Increases (Decreases) in provision for insured events of prior fiscal years	<u>880,503</u>	<u>(7,721,956)</u>
Total incurred claims and claim adjustment expenses	4,255,244	(5,823,524)
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	646,671	102,880
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>1,899,345</u>	<u>1,545,058</u>
Total Payments	2,546,016	1,647,938
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u><u>\$7,322,107</u></u>	<u><u>\$5,612,879</u></u>

4. RETROSPECTIVE PREMIUMS

The Bylaws of PARSAC require Retrospective Premiums to be calculated in two stages for each Member Entity in each Program Year, as follows:

- a. Step One: “Actual” per-member costs are established by determining an amount equal to the individual member’s incurred losses, pro-rata share of claims and operating expenses, and interest income credit for such Program Year (subject to a minimum of 75% and a maximum of 150% of the initial Deposit Premium calculations).
- b. Step Two: “Residual” per-member costs are established by determining each member’s proportionate share of the difference between the sum of the individual amounts calculated

PUBLIC AGENCY RISK SHARING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

pursuant to a. above, and the total of all incurred losses, expenses and interest income for such Program Year.

Initial Retrospective Premium Adjustments (RPA) was calculated thirty months after program year inception date. The RPA for each Program Year through June 30, 2001 was calculated based on the Retrospective Premium as described above, less Deposit Premiums and RPA previously billed for that Program Year. Effective with the Program Year June 30, 2002 RPA are calculated fifty-four months after program year inception date along with a percentage held on the calculated years. RPA are subject to change as the ultimate cost of claims becomes known, investment income is realized, and PARSAC's indirect costs, including expenses, are allocated to each Program Year.

5. CASH AND INVESTMENTS

A. CASH AND EQUIVALENTS

Cash consisted of the following at June 30, 2003:

	<u>2003</u>
Balance Per Bank	\$ 3,471,987
Plus: Deposits in Transit	-
Less: Outstanding Checks	<u>(52,472)</u>
Balance Per Books	3,419,514
Cash on Hand	<u>296</u>
Cash on Hand and in Bank	3,419,810
Pooled Funds:	-
Total Cash and Equivalents	<u>\$ 3,419,810</u>

The carrying amount of the Authority's cash is covered by federal depository insurance up to \$100,000. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit. This collateral must be in the form of government-backed securities.

PARSAC places certain funds with the State of California's Local Agency Investment Fund (LAIF). The Authority is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the state of California and the Pooled Money

Investment Board. The State Treasurer's office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the Authority's

PUBLIC AGENCY RISK SHARING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

investment in this pool is reported in the accompanying financial statements based upon the Authority'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 monies held in the pooled investment funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. This fund currently yields approximately 1.77% interest annually. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office; 915 Capital Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized.

B. INVESTMENTS

The Authority's investments are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

	<u>Risk Category</u>	<u>June 30, 2003 Market Value</u>	<u>June 30, 2002 Market Value</u>
Corporate Bonds	I	812,529	459,664
Mortgaged Backed Securities	I	1,071,377	1,262,154
Govt. Bonds	I	8,994,216	8,438,169
Money market	I	111,166	337,129
LAIF	N/A	<u>1,850,071</u>	<u>5,163,738</u>
Totals		<u>12,839,359</u>	<u>15,660,853</u>

Category I - Insured or registered, or securities held by the Authority or its agent in the Authority's name.

Category II - Uninsured or unregistered, with securities held by the counter party's trust department or agent in the Authority's name.

Category III- Uninsured or unregistered, with the securities held by the counter party, or by its trust department or agent but not in the Authority's name.

PUBLIC AGENCY RISK SHARING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

Under provisions of the Authority's Investment Policy, and in accordance with Section 53601 of the California Government Code, the Authority may invest in the following types of investments:

- Obligations of the US Government, its Agencies or instrumentality's
- Local Agency Investment Fund (California State Treasurer's Pool)
- Passbook Savings Account Demand Deposits
- State Agency Obligations
- Certain: Bankers Acceptances
 - Commercial Paper "Prime"
 - Certificates of Deposit
 - Repurchase or Reverse Repurchase Agreements

6. RENTAL INCOME

PARSAC purchased an 8,753 square foot office building at 1525 Response Road in Sacramento on January 6, 1995. The Authority occupies approximately 2,150 square feet of the building and leases out the balance. For the period ended June 30, 2003 and 2002 the gross rent income was \$115,511 and \$98,355 with operating expenses of \$69,428 and \$61,567 for a net profit of \$46,038 and \$36,788.

7. FIXED ASSETS

Fixed assets at June 30, 2003 consist of the following:

	<u>2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>2003</u>
Land	515,861	-	-	515,861
Building	462,777	68,992	-	531,769
Tenant Improvements	184,022	-	(3,122)	180,900
Equipment	104,586	8,135	(6,552)	106,169
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Less Depreciation	(302,949)	(57,487)	5,366	(355,070)
Totals	<u>964,297</u>	<u>19,640</u>	<u>(4,307)</u>	<u>979,629</u>

PUBLIC AGENCY RISK SHARING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

8. EMPLOYEE RETIREMENT PLAN

A. PLAN DESCRIPTION

The Authority's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Authority's retirement plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, are established by State statutes within the Public Employees' Retirement Law. The Authority selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

B. FUNDING POLICY

PARSAC contributes 7% (representing the employee portion of contribution) of active plan members' annual covered salary to the retirement plan. The Authority is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its employees. The actuarial methods and assumptions used are those by the CalPERS Board of Administration. The required employer contribution rate for fiscal years 2002/2003 is 11.386%, and 2001/2002 was 11.716%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

C. ANNUAL PENSION COST

For fiscal year 2002/2003, the Authority's annual pension cost of \$55,971 was equal to the Authority's required and actual contribution. The required contribution for fiscal year 2002/2003 was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% depending on age, service, and type of employment, and (c) 3.75% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the Authority's retirement plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2003 was 16 years.

PUBLIC AGENCY RISK SHARING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

THREE YEAR TREND INFORMATION - AUTHORITY'S RETIREMENT PLAN

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APL)</u>	<u>Percentage of APL Contributed</u>	<u>Net Pension Obligation</u>
6/30/99	\$49,859	100%	\$0
6/30/00	\$47,141	100%	\$0
6/30/01	\$47,618	100%	\$0

FUNDING STATUS OF PLAN

Actual Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Underfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Under/(Over) Funded Actuarial Liability as a Percentage of Covered Payroll
6/30/99	\$340,163	\$260,429	\$79,734	76.6%	\$270,143	29.5%
6/30/00	\$420,205	\$338,065	\$82,140	80.5%	\$283,678	29.0%
6/30/01	\$491,272	\$400,298	\$90,974	81.5%	\$201,265	45.2%

SUPPLEMENTARY INFORMATION

Public Agency Risk Sharing Authority of California

RECONCILIATION OF CLAIMS LIABILITIES

JUNE 30, 2003 AND 2002

	Liability		Workers Compensation		Totals	
	2003	2002	2003	2002	2003	2002
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$3,885,250	\$9,381,959	\$1,727,629	\$3,702,382	\$5,612,879	\$13,084,341
Incurred claims and claim adjustment expenses:						
Provision for insured events of the current fiscal year	1,094,000	1,317,934	2,280,741	580,498	3,374,741	1,898,432
Increases (Decreases) in provision for insured events of prior fiscal years	<u>(893,116)</u>	<u>(5,730,911)</u>	<u>1,773,619</u>	<u>(1,991,045)</u>	<u>880,503</u>	<u>(7,721,956)</u>
Total incurred claims and claim adjustment expenses	200,884	(4,412,977)	4,054,360	(1,410,547)	4,255,244	(5,823,524)
Payments:						
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	17,965	26,829	628,706	76,051	646,671	102,880
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>798,306</u>	<u>1,056,903</u>	<u>1,101,039</u>	<u>488,155</u>	<u>1,899,345</u>	<u>1,545,058</u>
Total Payments	816,271	1,083,732	1,729,745	564,206	2,546,016	1,647,938
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>\$3,269,863</u>	<u>\$3,885,250</u>	<u>\$4,052,244</u>	<u>\$1,727,629</u>	<u>\$7,322,107</u>	<u>\$5,612,879</u>

CLAIMS DEVELOPMENT INFORMATION

FOR THE YEAR ENDED JUNE 30, 2003

		Liability Program									
		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
	Total Required Contribution, Interest, and Ceded										
	Earned Contribution	2,861,755	3,417,472	3,553,884	3,311,902	3,178,690	2,956,143	3,044,084	203,022	242,004	4,478,302
	Investment Income	505,896	682,103	830,284	594,968	445,558	411,791	377,068	300,120	241,207	0
	Ceded	685,795	901,400	886,648	657,923	620,456	659,415	794,360	833,079	960,803	1,754,550
(1)	Net Earned Required Contribution and Investment Revenues	2,681,856	3,198,175	3,497,520	3,248,947	3,003,792	2,708,519	2,626,792	(329,937)	(477,592)	2,723,752
(2)	Unallocated Expenses	402,722	466,466	534,136	495,965	483,437	440,918	328,079	198,609	27,800	572,612
(3)	Estimated Incurred Claims and Expense										
	End of Year	1,139,205	1,034,600	1,093,352	1,228,077	1,191,544	1,269,585	1,012,640	1,119,921	846,197	(660,550)
	Ceded	685,795	901,400	886,648	657,923	620,456	659,415	794,360	833,079	960,803	1,754,550
	Net Incurred	1,825,000	1,936,000	1,980,000	1,886,000	1,812,000	1,929,000	1,807,000	1,953,000	1,807,000	1,094,000
(4)	Paid (Cumulative)										
	End of Year	34	4,242	5,885	0	0	9,206	12,161	11,270	10,348	17,965
	One Year Later	26,865	105,880	8,439	13,663	9,172	13,323	97,752	33,517	184,704	
	Two Years Later	234,072	863,329	738,652	887,287	106,661	703,726	382,936	245,475		
	Three Years Later	406,881	964,536	979,613	975,702	214,806	757,195	599,165			
	Four Years Later	414,833	974,815	1,074,552	1,014,577	215,825	751,261				
	Five Years Later	414,833	967,008	1,183,161	1,365,156	215,772					
	Six Years Later	414,833	967,421	1,581,307	1,046,787						
	Seven Years Later	665,258	967,231	1,869,587							
	Eight Years Later	354,971	967,421								
	Nine Years Later	608,884									
(5)	Re-Estimated Ceded Claims and Expenses	685,795	901,400	886,648	657,923	620,456	659,415	794,360	833,079	960,803	1,754,550
(6)	Re-Estimated Incurred Claims and Expense										
	End of Year	1,825,000	1,936,000	1,980,000	1,886,000	1,812,000	1,929,000	1,807,000	1,953,000	1,807,000	1,094,000
	One Year Later	1,445,000	1,500,000	1,450,000	1,094,000	1,193,000	1,048,000	1,606,000	1,018,000	1,082,000	
	Two Years Later	1,100,000	2,000,000	1,555,000	1,081,000	1,153,000	1,295,000	1,075,000	756,000		
	Three Years Later	1,100,000	846,000	609,000	661,000	922,000	1,051,000	739,000			
	Four Years Later	2,732,000	571,000	613,000	571,000	316,000	882,000				
	Five Years Later	639,000	421,000	641,000	1,357,000	406,000					
	Six Years Later	489,000	396,000	1,915,000	1,363,000						
	Seven Years Later	464,000	982,000	1,876,000							
	Eight Years Later	613,000	970,000								
	Nine Years Later	608,884									
(7)	Increase (Decrease) in Estimated Incurred Claims Expense from End of Policy Year	(1,216,116)	(966,000)	(104,000)	(523,000)	(1,406,000)	(1,047,000)	(1,068,000)	(1,197,000)	(725,000)	0

Public Agency Risk Sharing Authority of California

CLAIMS DEVELOPMENT INFORMATION

FOR THE YEAR ENDED JUNE 30, 2003

		Workers Compensation Program									
		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
	Total Required Contribution, Interest, and Ceded										
	Earned Contribution	1,372,008	1,589,054	1,526,552	1,658,841	1,429,301	1,340,708	1,268,152	1,215,418	1,283,660	2,422,798
	Investment Income	162,595	195,364	255,588	182,691	198,037	114,291	84,603	54,936	63,388	81,138
	Ceded	108,193	59,421	127,712	32,186	50,859	30,224	46,000	69,265	96,182	354,519
(1)	Net Earned Required Contribution and Investment Revenues	1,426,410	1,724,997	1,654,428	1,809,346	1,576,479	1,424,775	1,306,755	1,201,089	1,250,866	2,149,417
(2)	Unallocated Expenses	188,736	178,170	377,739	261,113	188,586	137,668	126,469	49,252	42,231	271,032
(3)	Estimated Incurred Claims and Expense										
	End of Year	146,614	258,158	281,576	255,628	368,282	359,552	568,000	349,470	719,636	1,926,222
	Ceded	108,193	59,421	127,712	32,186	50,859	30,224	46,000	69,265	96,182	354,519
	Net Incurred	254,807	317,579	409,288	287,814	419,141	389,776	614,000	418,735	815,818	2,280,741
(4)	Paid (Cumulative)										
	End of Year	124,888	127,891	184,850	107,696	140,399	157,722	143,422	134,945	76,066	628,706
	One Year Later	281,714	369,687	588,816	276,137	386,023	390,583	523,475	354,801	906,471	
	Two Years Later	391,887	492,910	772,592	446,263	520,956	501,355	694,440	849,283		
	Three Years Later	469,734	572,263	1,058,942	621,234	614,481	581,783	716,794			
	Four Years Later	511,243	604,884	1,125,140	597,327	673,146	540,680				
	Five Years Later	525,880	621,170	1,295,899	520,323	985,990					
	Six Years Later	531,040	633,886	1,317,347	782,586						
	Seven Years Later	539,754	637,329	1,242,051							
	Eight Years Later	539,795	636,429								
	Nine Years Later	578,078									
(5)	Re-Estimated Ceded Claims and Expenses	108,193	59,421	127,712	32,186	50,859	30,224	46,000	69,265	96,182	354,519
(6)	Re-Estimated Incurred Claims and Expense										
	End of Year	363,000	377,000	537,000	320,000	470,000	420,000	660,000	488,000	912,000	2,280,741
	One Year Later	451,000	576,000	713,000	428,000	562,000	369,000	507,000	687,000	1,770,280	
	Two Years Later	542,000	605,000	966,000	532,000	799,000	512,000	944,000	1,200,153		
	Three Years Later	532,000	650,000	1,038,000	704,000	1,099,000	775,000	1,110,342			
	Four Years Later	566,000	627,000	1,232,000	696,000	1,084,000	712,026				
	Five Years Later	612,000	654,000	1,253,000	745,000	1,176,179					
	Six Years Later	566,000	649,000	1,336,000	920,395						
	Seven Years Later	557,000	676,000	1,302,533							
	Eight Years Later	611,000	734,186								
	Nine Years Later	611,500									
(7)	Increase (Decrease) in Estimated Incurred Claims Expense from End of Policy Year	356,693	416,607	893,245	632,581	757,038	322,250	496,342	781,418	954,462	0

CLAIMS DEVELOPMENT INFORMATION
Cumulative from Inception through June 30, 2003

1. This line shows the total of each fiscal year's earned deposit premiums and investment income less ceded (excess insurance cost) to arrive at net earned.
2. This line shows other operating costs of the Authority for each fiscal year including overhead and claims expense not allocable to individual claims.
3. This line shows the Authority's estimated ultimate losses as calculated by actuary study.
4. This line shows the cumulative amounts paid as of the end of successive years for each program year.
5. This line shows the ceded losses as determined by actuary study.
6. This line shows the re-estimated net incurred claims and expenses as calculated by actuary study.
7. This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater than or less than originally thought.

Public Agency Risk Sharing Authority of California

**Summary of Claim Liabilities
as of June 30, 2003**

