

**MONTEREY BAY AREA
SELF INSURANCE AUTHORITY**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2010

AND INDEPENDENT
AUDITORS' REPORT

MONTEREY BAY AREA SELF INSURANCE AUTHORITY

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
Monterey Bay Area Self Insurance Authority
Santa Cruz, California**

We have audited the accompanying financial statements of the enterprise fund, each major fund, and the aggregate remaining fund information of **Monterey Bay Area Self Insurance Authority** as of and for the year then ended, June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the foregoing table of contents. 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.

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, and 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 statement 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 respective financial position of the enterprise fund activities, each major fund, and the aggregate remaining fund information of the Authority at June 30, 2010, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2011 on our consideration of **Monterey Bay Area Self Insurance Authority's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. 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. *Monterey Bay Area Self Insurance Authority's* presentation of Ten-Year Claims Development Information on pages 28 through 31, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements, does not include estimates for incurred but not reported (IBNR) claims prior to July 1, 2003.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of *Monterey Bay Area Self Insurance Authority*. The accompanying statements of revenues and expenses – budget and actual are presented 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 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

August 15, 2011

Hayashi & Wayland, LLP

MONTEREY BAY AREA SELF INSURANCE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

This section of *Monterey Bay Area Self Insurance Authority's* annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended June 30, 2010. Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and currently known facts, please read it in conjunction with the Authority's basic financial statements. Comparisons to and analysis of the prior year are incorporated where appropriate.

FINANCIAL HIGHLIGHTS

- The Authority's net assets (deficit) increased (decreased) by \$(1,244,854) (or 42.3%) during 2010 and \$2,118,290 (or 41.9%) during 2009. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets (Deficit) were \$(3,256,667) and \$(2,943,077) for 2010 and 2009, respectively.
- Total costs of all of the Authority's programs were \$5,474,106 in 2010 and \$2,616,879 in 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority has chosen to present its financial statements using the reporting model for special-purpose governments engaged in only business-type activities. This model allows all financial information for the organization to be reported in a single column in each of the financial statements. The effect of internal activity between funds and groups of funds has been eliminated from these financial statements.

The financial statements include the Statement of Net Assets (Deficit), Statement of Revenues, Expenses and Changes in Net Assets (Deficit), Statement of Cash Flows, Combining Statement of Net Assets (Deficit), Combining Statement of Revenues, Expenses and Changes in Net Assets (Deficit), Combining Statement of Cash Flows, notes to the financial statements, an Independent Auditors' Report thereon and this Management's Discussion and Analysis. Readers of these financial statements are encouraged to consider the report as a whole to obtain a complete understanding of the Authority's financial condition.

Statement of Net Assets (Deficit)

The Statement of Net Assets (Deficit) is a report of the Authority's assets, liabilities and net assets. Assets and liabilities are reported at book value, on an accrual basis as of the statement date. Assets and liabilities have been segregated between Current (expected to be liquidated or paid within one year) and Noncurrent. Net assets are reported in major categories reflecting any restriction thereon.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Statement of Revenues, Expenses and Changes in Net Assets (Deficit)

The Statement of Revenues, Expenses and Changes in Net Assets (Deficit) presents the Authority's revenue earned and expense incurred during the period on an accrual basis. The Statement has been segregated into operating and nonoperating sections.

Statement of Cash Flows

The Statement of Cash Flows presents the source and uses of cash and is segregated into operating, capital and related financing, noncapital financing and investing activities. The direct method of cash flows reporting has been used and an indirect method of calculating cash provided (used) by operations is also presented.

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's most significant funds. The Fund consists exclusively of Enterprise Funds, but the focus now is on Major Funds, rather than fund types. In order to be selected as a major fund, the fund's assets, liabilities, revenues, or expenses should be at least 10% or more of the fund type's total assets, liabilities, revenues or expenses and at least 5% or more of the Authority's total assets, liabilities, revenues or expenses. Since the Authority has only one fund type, the 10% criteria is used to determine major funds. The Enterprise method of accounting is similar to accounting utilized by the private sector.

FUNDS

Business Type Funds

Workers' Compensation Fund – Under the Workers' Compensation Fund, the Authority provides workers' compensation insurance to member municipalities. The principal operating revenue for the Workers' Compensation Fund is premiums collected from the members. Operating expenses for this fund include claims expense, contract risk management services expense, and administrative expenses.

Liability Fund – Under the Liability Fund, the Authority provides liability insurance to member municipalities. The principal operating revenue for the Liability Fund is premiums collected from the members. Operating expenses for this fund include claims expense, contract risk management services expense, administrative expenses and insurance expense for excess of loss coverage.

Other Non-major Funds – In addition to the major funds above, the Authority also maintains the following non-major funds:

E. A. P. Fund
Property Insurance Fund

COMPARATIVE ANALYSIS

Statement of Net Assets (Deficit)

A comparative summary of the Authority's Statement of Net Assets (Deficit) at June 30 which generally reflects its financial condition, is as follows:

	<u>2010</u>	<u>2009</u>
Current assets	\$ 14,005,349	\$ 14,424,793
Other assets	81,784	88,097
Total assets	<u>\$ 14,087,133</u>	<u>\$ 14,512,890</u>
Current liabilities	\$ 2,779,227	\$ 2,754,460
Long-term liabilities	<u>14,564,573</u>	<u>14,701,507</u>
Total liabilities	<u>17,343,800</u>	<u>17,455,967</u>
Net assets (deficit) – Unrestricted	<u>(3,256,667)</u>	<u>(2,943,077)</u>
Total net assets (deficit)	<u>\$ (3,256,667)</u>	<u>\$ (2,943,077)</u>

Major Factors Affecting the Statement of Net Assets (Deficit)

Current year's net assets (deficit) increased (decreased) by \$(1,244,854) and \$2,118,290 during the years ending June 30, 2010 and 2009, respectively, resulting mainly from the change in claims payable based on the actuarial study. See Note 7 to the financial statements regarding a change in accounting estimate for reserve for claims and claim adjustments for workers compensation and liability.

COMPARATIVE ANALYSIS (Continued)

Statement of Revenues, Expenses and Changes in Net Assets (Deficit)

A comparative summary of the Authority's Statement of Revenues, Expenses and Changes in Net Assets (Deficit) for the years ended June 30 which generally reflects its results of operations, is as follows:

	<u>2010</u>	<u>2009</u>
Revenues:		
Contributions from members	\$ 4,107,245	\$ 4,380,087
Excess insurance recovery reimbursements	168,020	306,164
Interest income	<u>101,356</u>	<u>304,773</u>
Total revenues	<u>4,376,621</u>	<u>4,991,024</u>
Expenses:		
Claims expense	3,155,953	2,125,696
Increase (decrease) in provision for claims and allocated claims adjustment expenses	80,066	(798,022)
Contract risk management services	446,875	446,844
Other risk management services	27,074	25,005
Other contract services – administration	130,991	142,120
General and administrative	107,524	97,224
Insurance expense	594,359	578,012
Interest expense	<u>147,369</u>	<u>255,855</u>
Total expenses	<u>4,690,211</u>	<u>2,872,734</u>
Changes in net assets (deficit)	<u>\$ (313,590)</u>	<u>\$ 2,118,290</u>

Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Assets (Deficit)

The main reason for the decrease in net assets (deficit) in fiscal 2010 is claims expense and the increase in provision for claims and allocated claims adjustment expenses. The increase in both areas came from the workers compensation fund.

COMPARATIVE ANALYSIS (Continued)

Reserves for Claims and Allocated Claims Adjustment Expenses

Reserves for Claims and Allocated Claims Adjustment Expenses for the years ended June 30 are calculated as follows:

	<u>2010</u>	<u>2009</u>
Claim and claim adjustment expense reserves, beginning of year	\$ 12,921,507	\$ 13,719,529
Incurred claim and claim adjustment expenses, current and prior years	3,013,750	978,404
Payments, current and prior years	<u>(2,933,684)</u>	<u>(1,776,426)</u>
Claim and claim adjustment expense reserves, end of year	<u>\$ 13,001,573</u>	<u>\$ 12,921,507</u>

Further detail on the above amounts is provided in Footnotes 3, 4 and 7.

FACTORS AFFECTING FUTURE PERIODS

There are no material factors affecting future periods.

REQUESTS FOR INFORMATION

This financial report has been designed to provide a general overview of the Authority's accounting for anyone interested in its finances. Questions concerning any of the information should be addressed to the attention of the City Manager, City of Scotts Valley, 1 Civic Center Drive, Scotts Valley, CA 90566.

MONTEREY BAY AREA SELF INSURANCE AUTHORITY
STATEMENT OF NET ASSETS (DEFICIT)
JUNE 30, 2010

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 2,355,571
Investments	11,611,238
Accounts receivable	29,254
Interest receivable	<u>9,286</u>

Total current assets 14,005,349

NONCURRENT ASSETS –

Note issuance costs–net	<u>81,784</u>
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Total noncurrent assets 81,784

TOTAL ASSETS \$ 14,087,133

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 21,627
Deferred revenue	600
Claim and claim adjustment expense reserves	2,567,000
Current portion of long-term debt	<u>190,000</u>

Total current liabilities 2,779,227

**LONG-TERM CLAIM AND CLAIM ADJUSTMENT
EXPENSE RESERVES**

10,434,573

LONG-TERM DEBT

4,130,000

TOTAL LIABILITIES 17,343,800

NET ASSETS (DEFICIT) –

Unrestricted	<u><u>\$ (3,256,667)</u></u>
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See Notes to Financial Statements.

MONTEREY BAY AREA SELF INSURANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2010

REVENUES:

Contributions from members:	
Workers' compensation	\$ 3,553,060
Liability insurance	442,000
EAP and property insurance	112,185
Excess insurance recovery reimbursements	<u>168,020</u>
Total revenues	<u>4,275,265</u>

EXPENSES:

Claims expense	3,155,953
Increase in provision for claims and allocated claims adjustment expenses	80,066
Contract risk management services	446,875
Other risk management expenses	27,074
Other contract services – administration	130,991
General and administrative	107,524
Insurance expense:	
Workers' compensation	227,219
General liability	278,642
Property	<u>88,498</u>
Total expenses	<u>4,542,842</u>

OPERATING INCOME (LOSS) (267,577)

NONOPERATING REVENUE (EXPENSE):

Interest income	101,356
Interest expense	<u>(147,369)</u>

CHANGE IN NET ASSETS (313,590)

NET ASSETS (DEFICIT), BEGINNING OF YEAR (2,943,077)

NET ASSETS (DEFICIT), END OF YEAR \$ (3,256,667)

See Notes to Financial Statements.

MONTEREY BAY AREA SELF INSURANCE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Contributions received from members	\$ 4,215,587
Reimbursements received from recoveries	171,388
Cash paid for claims and other services	<u>(4,441,125)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(54,150)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income received	117,021
Net withdrawal from investments	<u>(4,666,695)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(4,549,674)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Interest paid on debt	(147,369)
Principal payments on long-term debt	<u>(180,000)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(327,369)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,931,193)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,286,764</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,355,571</u>

MONTEREY BAY AREA SELF INSURANCE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)

RECONCILIATION OF OPERATING INCOME (LOSS)	
TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (267,577)
Adjustments to reconcile the operating income (loss) to net cash used by operating activities:	
Amortization	5,740
(Increase) decrease in –	
Accounts receivable	139,854
Increase (decrease) in:	
Accounts payable	15,911
Deferred revenue	(28,144)
Reserves for claims and allocated claims adjustment expenses	<u>80,066</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (54,150)</u>

See Notes to Financial Statements.

MONTEREY BAY AREA SELF INSURANCE AUTHORITY
COMBINING STATEMENT OF NET ASSETS (DEFICIT)
JUNE 30, 2010

<u>ASSETS</u>	<u>Major Funds Workers' Compen- sation</u>	<u>Liability</u>	<u>Non-Major Funds</u>	<u>Total</u>
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,525,410	\$ 829,561	\$ 600	\$ 2,355,571
Investments	7,519,155	4,092,083	-	11,611,238
Accounts receivable	12,265	16,989	-	29,254
Interest receivable	6,013	3,273	-	9,286
Due from/to other funds	-	11,053	(11,053)	-
Total current assets	<u>9,062,843</u>	<u>4,952,959</u>	<u>(10,453)</u>	<u>14,005,349</u>
NONCURRENT ASSETS –				
Note issuance costs–net	<u>81,784</u>	-	-	<u>81,784</u>
Total noncurrent assets	<u>81,784</u>	-	-	<u>81,784</u>
Total assets	<u>\$ 9,144,627</u>	<u>\$ 4,952,959</u>	<u>\$ (10,453)</u>	<u>\$ 14,087,133</u>
 <u>LIABILITIES</u>				
CURRENT LIABILITIES:				
Accounts payable	\$ 1,737	\$ 19,890	\$ -	\$ 21,627
Deferred revenue	-	-	600	600
Claims and claim adjustment expense reserves	2,164,000	403,000	-	2,567,000
Current portion of long-term debt	<u>190,000</u>	-	-	<u>190,000</u>
Total current liabilities	<u>2,355,737</u>	<u>422,890</u>	<u>600</u>	<u>2,779,227</u>
LONG-TERM CLAIM AND CLAIM ADJUSTMENT RESERVES	<u>9,468,000</u>	<u>966,573</u>	-	<u>10,434,573</u>
LONG-TERM DEBT	<u>4,130,000</u>	-	-	<u>4,130,000</u>
Total liabilities	<u>15,953,737</u>	<u>1,389,463</u>	<u>600</u>	<u>17,343,800</u>
<u>NET ASSETS (DEFICIT) –</u>				
Unrestricted	<u>\$ (6,809,110)</u>	<u>\$ 3,563,496</u>	<u>\$ (11,053)</u>	<u>\$ (3,256,667)</u>

See Notes to Financial Statements.

MONTEREY BAY AREA SELF INSURANCE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Major Funds</u>		<u>Non-Major Funds</u>	<u>Total</u>
	<u>Workers' Compen- sation</u>	<u>Liability</u>		
REVENUES:				
Contributions from members:				
Workers' compensation	\$ 3,553,060	\$ -	\$ -	\$ 3,553,060
Liability	-	442,000	-	442,000
EAP and property insurance	-	-	112,185	112,185
Excess insurance recovery and reimbursements	<u>8,157</u>	<u>159,863</u>	<u>-</u>	<u>168,020</u>
Total revenues	<u>3,561,217</u>	<u>601,863</u>	<u>112,185</u>	<u>4,275,265</u>
EXPENSES:				
Claims expense	2,838,151	317,802	-	3,155,953
Increase (decrease) in provision for claims and allocated claims adjustment expenses	950,000	(869,934)	-	80,066
Contract risk management services	297,018	149,857	-	446,875
Other risk management expenses	-	-	27,074	27,074
Other contract services – administration	65,876	65,115	-	130,991
General and administrative	81,543	25,981	-	107,524
Insurance expense:				
Workers' compensation	227,219	-	-	227,219
General liability	-	278,642	-	278,642
Property	<u>-</u>	<u>-</u>	<u>88,498</u>	<u>88,498</u>
Total expenses	<u>4,459,807</u>	<u>(32,537)</u>	<u>115,572</u>	<u>4,542,842</u>
OPERATING INCOME (LOSS)	(898,590)	634,400	(3,387)	(267,577)
NONOPERATING REVENUE (EXPENSE):				
Interest income	68,631	32,725	-	101,356
Interest expense	<u>(147,369)</u>	<u>-</u>	<u>-</u>	<u>(147,369)</u>
CHANGE IN NET ASSETS	<u>(977,328)</u>	<u>667,125</u>	<u>(3,387)</u>	<u>(313,590)</u>
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(5,831,782)</u>	<u>2,896,371</u>	<u>(7,666)</u>	<u>(2,943,077)</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (6,809,110)</u>	<u>\$ 3,563,496</u>	<u>\$ (11,053)</u>	<u>\$ (3,256,667)</u>

See Notes to Financial Statements.

MONTEREY BAY AREA SELF INSURANCE AUTHORITY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Major Funds			Total
	Workers' Compen- sation	Liability	Non-Major Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Contributions received from members	\$ 3,630,603	\$ 472,799	\$ 112,185	\$ 4,215,587
Reimbursements received from recoveries	8,157	163,231	-	171,388
Cash paid for claims and other services	<u>(3,508,046)</u>	<u>(817,507)</u>	<u>(115,572)</u>	<u>(4,441,125)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>130,714</u>	<u>(181,477)</u>	<u>(3,387)</u>	<u>(54,150)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Decrease in due from other funds/ (decrease) in due to other funds	<u>-</u>	<u>(3,387)</u>	<u>3,387</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	77,232	39,789	-	117,021
Net (purchase) of investments	<u>(3,032,843)</u>	<u>(1,633,852)</u>	<u>-</u>	<u>(4,666,695)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(2,955,611)</u>	<u>(1,594,063)</u>	<u>-</u>	<u>(4,549,674)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Interest paid on debt	(147,369)	-	-	(147,369)
Principal payments on long-term debt	<u>(180,000)</u>	<u>-</u>	<u>-</u>	<u>(180,000)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(327,369)</u>	<u>-</u>	<u>-</u>	<u>(327,369)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,152,266)	(1,778,927)	-	(4,931,193)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,677,676</u>	<u>2,608,488</u>	<u>600</u>	<u>7,286,764</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,525,410</u>	<u>\$ 829,561</u>	<u>\$ 600</u>	<u>\$ 2,355,571</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (898,590)	\$ 634,400	\$ (3,387)	\$ (267,577)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Amortization expense	5,740	-	-	5,740
(Increase) decrease in –				
Accounts receivable	77,543	62,311	-	139,854
Increase (decrease) in:				
Accounts payable	(3,979)	19,890	-	15,911
Deferred revenue	-	(28,144)	-	(28,144)
Reserves for claims and allocated claims adjustment expenses	<u>950,000</u>	<u>(869,934)</u>	<u>-</u>	<u>80,066</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 130,714</u>	<u>\$ (181,477)</u>	<u>\$ (3,387)</u>	<u>\$ (54,150)</u>

See Notes to Financial Statements.

MONTEREY BAY AREA SELF INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Monterey Bay Area Self Insurance Authority (the Authority) is a public agency created on July 1, 1983, by and among nine municipalities in California to provide a pooled approach to workers' compensation insurance. Since then, two municipalities have joined and one municipality has withdrawn. The Authority established a group to provide for liability insurance for certain electing members. The Authority is not a component unit of any entity and has no component units itself.

The Authority was created pursuant to Article I of Chapter 5, Division 7, Title I of the California Government code and was established to develop risk management programs, share the risk of self-insured losses, and jointly purchase excess insurance and administrative and other services.

It is governed by a Board of Directors which is comprised of the City Managers or their designated alternates from each of the member entities. Member cities at June 30, 2010, included Capitola, Del Rey Oaks, Gonzales, Greenfield, Hollister, King City, Marina, Sand City, Scotts Valley, and Soledad.

The Authority has certain administrative duties and obligations to its members including accounting, reporting, claims administration and investment of funds. Contribution rates are determined on the basis of individual member's claims experience. Members are required to participate in safety and risk reduction programs. Any member desiring to withdraw from participation will remain liable for any unpaid claims.

Basis of Accounting and Financial Statement Presentation – In accordance with generally accepted accounting principles (GAAP) applicable to Public Entity Risk Pools, the accounts of the Authority are organized into one proprietary fund, the Enterprise Fund, which has a measurement focus and a basis of accounting similar to a commercial enterprise which is appropriate to account for such entities.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expense generally result from providing services and producing and delivering good in connection with an enterprise fund's principal ongoing operations. The Principal operating revenues of the Authority's enterprise fund is premiums collected from member entities. Operating expenses for enterprise funds include claims expense, administrative expense and insurance expense for excess of loss coverage.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Authority's and Other Governmental Entities that Use Proprietary Authority Accounting*. Accordingly, the Authority has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents – For the purposes of the statements of cash flows, cash equivalents include all highly liquid debt instruments purchased with an original maturity of three months or less.

Accounts Receivable – Receivables are comprised of premiums, liability billing and interest from the member cities. Receivables are accounted for using the allowance method. The allowance was zero at June 30, 2010.

Self Insurance and Excess Insurance – The Authority covers losses in excess of \$10,000 for members of the liability group and carries excess insurance for losses between \$1,000,000 and \$20,000,000. Members of the workers' compensation group pay temporary disability claims directly, while the Authority pays for permanent disability claims, medical costs, rehabilitation costs, and legal costs and carries excess workers' compensation coverage for between \$500,000 and statutory limits.

Reinsurance – The Authority uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurance, although it does not discharge the primary liability of the Authority as a direct insurer of the risks insured. The Authority does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurance. The Authority is contingently liable with respect to certain loss coverage, which would become a liability in the event the insurance carriers are unable to meet the obligations under these contracts.

Net Assets (Deficit) – Net assets (deficit) represent the difference between assets and liabilities. If adequate provision has been made for the payment of all claims and expenses of the Authority, the Board of Directors, under certain conditions, may distribute surplus funds to past or present members, who were members for the prior fiscal year, or may carry forward the surplus to offset annual or supplemental payments in the subsequent fiscal year. In the event the Authority is terminated, all members of the Authority are obligated for any necessary supplemental payments applicable to the years during which they were members. After all claims and related expenses have been paid or reserves established for the payment of any such claims, any surplus funds will be distributed to members, past or present, who constituted the Authority for that year. Net assets (deficit) are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets not subject to such limitations are reported as unrestricted.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Claim and Claim Adjustment Expense Reserves – Claim and claim adjustment expenses are charged to income as incurred. Claim and Claim adjustment expense reserves represent the accumulation of estimates for reported unpaid losses including claim adjustment expenses, the effects of inflation and other societal and economic factors, plus a provision for losses incurred but not reported. Claim adjustment expenses represent anticipated costs of settling claims, including attorneys’ and adjusters’ fees. The reserves for incurred but not reported claim and claim adjustment expenses are actuarially determined and based on a computation that applies varying percentages to each policy year’s earned contributions, less cumulative claims paid and reported unpaid loss reserves at the balance sheet date. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in earnings.

For financial statement presentation the Authority uses the discounted central value (approximately 55% confidence level) from the actuarial report for both workers’ compensation and liability claims reserves. Workers’ compensation and liability claims use the discounted value because these claims take a long time to be finalized. Over that time period, the funds set aside for these claims are earning interest to offset the ultimate claim liability.

Use of Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

Budget – The Board of Directors adopts an annual budget prepared on the cash basis of accounting.

NOTE 2. DEPOSITS AND INVESTMENTS

The Authority maintains its cash accounts in various commercial banks. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, a State regulation requires the Bank to place collateral on public funds deposits. The regulation stipulates that all deposits made by public entities made to accounts held at FDIC insured institutions must be collateralized at a rate of 110% by securities which are held for the benefit of the entity. Therefore, no balances as of June 30, 2010 are uninsured.

The Authority’s unrestricted cash and cash equivalents at year-end also consisted of unsecured and uncollateralized deposits in the California State Treasurer’s Investment Pool, known as the Local Agency Investment Fund (LAIF). Money in the fund is invested by the State Treasurer to realize the maximum return consistent with prudent treasury management. All earnings of the fund, less a reimbursement of management costs incurred not to exceed one quarter of one percent of earnings, are distributed to the contributing agencies in their relative shares each quarter. The balances of funds in LAIF and in United States Treasury bills approximated fair market value as of June 30, 2010.

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments – The Authority’s investment policy is designed to follow the California Government Code Sections 53600 et seq. Within the context of the limitations, the following investments are authorized:

United States Treasury Bills, Bonds and Notes

Obligations issued by Federal Agencies such as the Government National Mortgage Association (GNMA), the Federal Farm Credit Banks Funding Corporation (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA), and the Federal Home Loan Mortgage Association (FHLMC).

In addition, the Authority may invest in Banker’s Acceptances, commercial paper ranked P1 by Moody’s Investor Services or A1+ by Standard & Poor’s, Certificate of Deposits, Repurchase Agreements, Reverse Repurchase Agreements, Local Agency Investment Fund, the pooled cash program of the Treasurer of Santa Cruz County, Time Deposits, and Medium Term Corporate Notes. All of the above investments are further restricted by specific maturity periods and their proportionate value to the total portfolio.

All securities owned by the Authority shall be held in safekeeping by a third party bank trust department, acting as an agent for the Authority under the terms of a custody agreement. Collateral is required for investments in certificates of deposits, repurchase agreements and reverse repurchase agreements at the level of at least 102% of the market value of principal and accrued interest.

Custodial Credit Related to Investments – The custodial credit risk for investment is the risk that a government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The Authority’s investment policy is designed to mitigate the custodial credit risk by investing in investment grade securities and by diversifying the investment portfolio, so that the failure of any one issuer does not unduly harm the Authority’s capital base and cash flow.

As of June 30, 2010, the following amounts were exposed to custodial credit risk:

Total investment balance	\$ 11,611,238
Less:	
Investments not subject to categorization	11,197,965
Investments with no credit risk	<u>413,273</u>
Insured or registered securities held by the entity or its agent	<u>\$ —</u>

Concentration of Credit Risk – There is a concentration of credit risk when the amount of investment in any one entity is at least 5% of total investments except investments held in the U.S. Government or investments guaranteed by the U.S. Government. At June 30, 2010, there were no amounts considered to be a concentration of credit risk.

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The amount of loss in the fair value of a fixed-income security increases as the current market interest rate related to the investment rises. It is the Authority’s policy to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and to invest operating funds primarily in shorter-term securities. This policy is designed to minimize interest rate risk.

NOTE 3. CLAIM AND CLAIM ADJUSTMENT EXPENSE RESERVES – WORKER’S COMPENSATION

Activity in the claim and claim adjustment expense reserves for the year ended June 30, 2010 was as follows:

Claim and claim adjustment expense reserves, beginning of year, net of reinsurance recoverable of \$1,512,850.	<u>\$ 10,682,000</u>
Incurred claim and claim adjustment expenses:	
Provision for insured events – current year	3,172,481
Provision for insured events – prior years	<u>615,670</u>
Total incurred claim and claim adjustment expenses	<u>3,788,151</u>
Payments:	
Claim and claim adjustment expenses attributable to insured events – current year	1,148,192
Claim and claim adjustment expenses attributable to insured events – prior years	<u>1,689,959</u>
Total payments	<u>2,838,151</u>
Claim and claim adjustment expense reserves, end of year, net of reinsurance recoverable of \$2,761,900.	<u>\$ 11,632,000</u>

The provision for prior year insured events represents the variations between the Authority’s estimated claims payable for prior years’ claims and the actual amounts required to satisfy such claims.

NOTE 4. CLAIM AND CLAIM ADJUSTMENT EXPENSE RESERVES – LIABILITY

Activity in the claim and claim adjustment expense reserves for the year ended June 30, 2010 was as follows:

Claim and claim adjustment expense reserves, beginning of year, net of reinsurance recoverable of \$ –0– .	\$ 2,239,507
Incurred claim and claim adjustment expenses:	
Provision for insured events – current year	485,686
Provision for insured events – prior years	<u>(1,260,087)</u>
Total incurred claim and claim adjustment expenses	<u>(774,401)</u>
Payments:	
Claim and claim adjustment expenses attributable to insured events – current year	24,307
Claim and claim adjustment expenses attributable to insured events – prior years	<u>71,226</u>
Total payments	<u>95,533</u>
Claim and claim adjustment expense reserves, end of year, net of reinsurance recoverable of \$ –0– .	<u>\$ 1,369,573</u>

The provision for prior year insured events represents the variations between the Authority's estimated claims payable for prior years' claims and the actual amounts required to satisfy such claims.

NOTE 5. LONG-TERM DEBT

Long-term debt at June 30, 2010 consists of the following:

Note payable to DEPFA Bank. Annual payments including interest are due on annual basis. The loan bears interest at the monthly LIBOR rate plus 60 basis points per annum. The note matures October 1, 2024. The note is secured by all premiums received by the Authority.	\$ 4,320,000
Total	4,320,000
Less current portion	<u>(190,000)</u>
Total long-term debt	<u>\$ 4,130,000</u>

NOTE 5. LONG-TERM DEBT (Continued)

Long-term debt maturities at June 30, 2010 are as follows:

	<u>Interest *</u>	<u>Principal</u>
2011	\$ 40,083	\$ 190,000
2012	38,209	205,000
2013	36,217	215,000
2014	34,129	225,000
2015	31,924	240,000
2016 – 2020	122,145	1,400,000
2021 – 2024	<u>45,656</u>	<u>1,845,000</u>
Total	<u>\$ 348,363</u>	<u>\$ 4,320,000</u>

* Interest is a variable rate computed at the monthly LIBOR rate plus 60 basis points. The interest amounts shown above are based on the June 30, 2010 monthly LIBOR rate plus 60 basis points, or .9487% annual interest rate.

NOTE 6. NOTE ISSUANCE COSTS

Note issuance costs represent legal and accounting fees, preparation costs and other expenses associated with the issuance of a long-term debt note. Such costs are being amortized over the 20 year term of the note which matures on June 30, 2025. The balance as of June 30, 2010 is presented as follows:

Original cost	\$ 114,785
Accumulated amortization	<u>(33,001)</u>
Debt issuance costs – net	<u>\$ 81,784</u>

Amortization expense for the year ended June 30, 2010 is \$5,740.

NOTE 7. CHANGE IN ACCOUNTING ESTIMATE

Prior to the fiscal year ended June 30, 2010, the Authority used the 70% confidence level for financial statement presentation of both workers' compensation and liability claims reserves. A new confidence level is now being used for both workers' compensation and liability claims for 2010. A description of that new confidence level is presented in Note 1 under "Claim and Claim Adjustment Expense Reserves." For the year ended June 30, 2010, the provision for claims and allocated claims adjustment expenses was reduced by the following amounts as a result of the change in accounting estimate:

Workers' Compensation	\$ 791,000
Liability	<u>140,264</u>
Total	<u>\$ 931,264</u>

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

**INDEPENDENT AUDITORS' 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***

**To the Board of Directors
Monterey Bay Area Self Insurance Authority
Santa Cruz, California**

We have audited the financial statements of the *Monterey Bay Area Self Insurance Authority* as of and for the year ended June 30, 2010, and have issued our report thereon dated August 15, 2011. 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 *Monterey Bay Area Self Insurance Authority's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *Monterey Bay Area Self Insurance Authority's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Monterey Bay Area Self Insurance Authority's* internal control over financial reporting.

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.

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 presented or detected by the entity's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the *Monterey Bay Area Self Insurance Authority'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 that are required to be reported under *Government Auditing Standards*.

This report is solely intended for the information of the Board of Directors and management and is not intended to be and should not be used by anyone other than those specified parties.

August 15, 2011

Hayashi & Wayland, LLP

SUPPLEMENTARY INFORMATION

MONTEREY BAY AREA SELF INSURANCE AUTHORITY
STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
WORKERS' COMPENSATION
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Contributions from members	\$ 3,553,060	\$ 3,553,060	\$ –
Excess insurance recovery reimbursements	<u>60,000</u>	<u>8,157</u>	<u>(51,843)</u>
Total revenues	<u>3,613,060</u>	<u>3,561,217</u>	<u>(51,843)</u>
EXPENSES:			
Claims expense	2,575,000	2,838,151	(263,151)
Contract risk management services	365,796	297,018	68,778
Other contract services – administration	52,500	65,876	(13,376)
General and administrative	75,450	81,543	(6,093)
Insurance expense	237,000	227,219	9,781
Contingency reserve	<u>70,000</u>	<u>–</u>	<u>70,000</u>
Total expenses	<u>3,375,746</u>	<u>3,509,807</u>	<u>(134,061)</u>
Operating income before reconciliation for non – budgeted items	<u>\$ 237,314</u>	51,410	<u>\$ (185,904)</u>
Accrued expenses – Increase in provision for claims and allocated claims adjustment expenses		<u>950,000</u>	
OPERATING INCOME (LOSS)		<u>\$ (898,590)</u>	

MONTEREY BAY AREA SELF INSURANCE AUTHORITY
STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
LIABILITY
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Contributions from members	\$ 442,000	\$ 442,000	\$ –
Reimbursements	<u>–</u>	<u>159,863</u>	<u>159,863</u>
Total revenues	<u>442,000</u>	<u>601,863</u>	<u>159,863</u>
EXPENSES:			
Claims expense	435,000	317,802	117,198
Contract risk management services	93,200	149,857	(56,657)
Other contract services – administration	126,567	65,115	61,452
General and administrative	32,859	25,981	6,878
Insurance expense	280,000	278,642	1,358
Contingency reserve	<u>12,000</u>	<u>–</u>	<u>12,000</u>
Total expenses	<u>979,626</u>	<u>837,397</u>	<u>142,229</u>
Operating income (loss) before reconciliation for non–budgeted items	<u>\$ (537,626)</u>	(235,534)	<u>\$ 302,092</u>
Accrued expenses – Decrease in provision for claims and allocated claims adjustment expenses		<u>(869,934)</u>	
OPERATING INCOME		<u>\$ 634,400</u>	

MONTEREY BAY AREA SELF INSURANCE AUTHORITY
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
WORKERS' COMPENSATION
JUNE 30, 2010

The rows of the table on page 27 are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned premiums and reported investment income.
- (2) This line shows each fiscal year's other operating costs of the fund, including overhead and claim adjustment expenses not allocable to individual claims.
- (3) This line shows the Authority's incurred claims (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 section of 10 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 in known claims, reevaluation of existing information on known claims, as well as the emergence of new claims not previously known.
- (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 1) and shows whether this latest estimate of claims cost 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 incurred claims currently recognized in less mature years. The columns of the table show data for successive policy years.

MONTEREY BAY AREA SELF INSURANCE AUTHORITY
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
WORKERS' COMPENSATION
JUNE 30, 2010
(Continued)

	FOR THE YEARS ENDED JUNE 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
(1) Premiums and Investment Income	\$ 1,917,685	\$ 2,129,475	\$ 2,890,042	\$ 3,196,556	\$ 2,670,356	\$ 2,989,236	\$ 3,073,170	\$ 3,345,961	\$ 3,883,249	\$ 3,606,504
(2) Unallocated Expenses	238,836	272,527	387,216	276,675	579,100	538,020	628,870	641,843	627,390	671,656
(3) Estimated Claims and Expenses	849,090	936,992	1,745,294	3,533,352	5,257,674	3,286,833	4,486,641	3,400,000	3,013,783	3,963,481
(4) Paid, Cumulative as of:										
End of policy year	308,367	437,455	843,311	467,013	659,475	425,153	864,346	434,224	509,729	1,126,017
One year later	880,486	1,052,763	1,250,278	863,861	1,237,583	852,367	1,708,701	955,325	1,232,805	
Two years later	2,200,827	1,352,163	1,742,590	1,207,910	1,420,240	1,065,792	2,251,562	1,169,893		
Three years later	1,787,663	1,744,918	2,008,899	1,296,330	1,495,340	1,193,470	2,634,600			
Four years later	2,183,656	1,966,932	2,184,698	1,723,566	1,562,876	1,129,898				
Five years later	2,434,758	2,116,874	2,275,884	1,659,129	1,685,126					
Six years later	2,566,262	2,144,547	2,276,611	1,683,354						
Seven years later	2,835,895	2,166,200	2,281,606							
Eight years later	3,013,951	2,199,423								
Nine years later	2,502,862									
(5) Re-estimated, Incurred Claims and Expenses:										
End of policy year	849,090	936,992	1,745,294	3,533,352	5,257,674	3,286,833	4,486,641	3,400,000	3,013,783	3,963,481
One year later	1,687,835	1,813,024	2,408,139	4,883,715	4,290,642	3,985,890	7,461,081	2,697,992	3,997,281	
Two years later	3,000,939	1,965,802	4,621,000	3,216,789	3,358,806	4,474,971	4,020,775	2,388,044		
Three years later	2,412,153	3,618,736	3,969,661	2,833,552	3,729,099	2,481,433	3,983,835			
Four years later	2,954,991	3,221,898	3,412,770	3,018,979	2,168,738	2,401,500				
Five years later	3,123,346	2,919,897	3,116,729	1,794,713	2,547,642					
Six years later	3,157,444	2,883,004	2,175,279	2,060,383						
Seven years later	3,211,541	2,047,669	2,479,204							
Eight years later	2,387,108	2,260,566								
Nine years later	2,609,458									
(6) Increase (decrease) in Estimated Incurred Claims and Expenses	\$ 1,538,018	\$ 1,110,677	\$ 429,985	\$(1,738,639)	\$(3,088,936)	\$ (805,400)	\$ (465,866)	\$ (702,008)	\$ 983,498	\$ -

MONTEREY BAY AREA SELF INSURANCE AUTHORITY
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
LIABILITY
JUNE 30, 2010

The rows of the table on page 29 are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned premiums and reported investment income.
- (2) This line shows each fiscal year's other operating costs of the fund, including overhead and claim adjustment expenses not allocable to individual claims.
- (3) This line shows the Authority's incurred claims (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 section of 10 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 in known claims, reevaluation of existing information on known claims, as well as the emergence of new claims not previously known.
- (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 1) and shows whether this latest estimate of claims cost 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 incurred claims currently recognized in less mature years. The columns of the table show data for successive policy years.

MONTEREY BAY AREA SELF INSURANCE AUTHORITY
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
LIABILITY
JUNE 30, 2010
(Continued)

	FOR THE YEARS ENDED JUNE 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
(1) Premiums and Investment Income	\$ N/A	\$ N/A	\$ 1,183,895	\$ 1,114,863	\$ 1,204,596	\$ 1,404,160	\$ 1,331,436	\$ 1,213,122	\$ 1,010,101	\$ 623,496
(2) Unallocated Expenses	N/A	N/A	681,621	312,192	444,255	377,006	417,914	459,686	565,048	519,595
(3) Estimated Claims and Expenses	N/A	N/A	532,739	508,490	868,733	925,446	840,642	873,013	1,025,703	625,950
(4) Paid, Cumulative as of:										
End of policy year	N/A	N/A	4,259	17,060	18,774	9,800	8,689	15,328	4,286	24,307
One year later	N/A	N/A	N/A	158,570	214,295	150,741	90,271	219,961	283,255	
Two years later	N/A	N/A	731,520	291,222	346,950	378,738	261,521	616,408		
Three years later	N/A	675,315	1,213,186	964,238	421,737	378,738	435,840			
Four years later	366,113	762,346	1,029,513	965,392	421,737	556,750				
Five years later	343,396	769,594	1,029,513	965,392	436,370					
Six years later	343,396	785,964	1,029,513	537,555						
Seven years later	343,396	785,964	1,139,378							
Eight years later	343,396	857,076								
Nine years later	385,844									
(5) Re-estimated, Incurred Claims and Expenses:										
End of policy year	N/A	N/A	532,739	508,490	868,733	925,446	840,642	873,013	1,025,703	625,950
One year later	N/A	N/A	N/A	835,291	774,170	910,000	552,712	1,113,374	585,468	
Two years later	N/A	N/A	1,503,829	657,232	520,000	1,053,781	676,691	708,769		
Three years later	N/A	846,663	1,458,355	640,000	545,081	874,809	347,925			
Four years later	429,238	762,346	1,330,000	585,221	504,718	427,893				
Five years later	343,396	762,346	1,299,553	583,962	327,828					
Six years later	343,396	762,346	1,369,831	426,270						
Seven years later	343,396	762,346	978,960							
Eight years later	343,396	679,467								
Nine years later	242,383									
(6) Increase (decrease) in Estimated Incurred Claims and Expenses	N/A	N/A	\$ 446,221	\$ (82,220)	\$ (540,905)	\$ (497,553)	\$ (492,717)	\$ (164,244)	\$ (440,235)	\$ -

N/A = not available