BIG INDEPENDENT CITIES EXCESS POOL

REPORT ON AUDITED
FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2025

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Big Independent Cities Excess Pool (BICEP)
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Big Independent Cities Excess Pool (BICEP) as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise BICEP's basic financial statements as listed in the table of contents. The prior year comparative information has been derived from the financial statements of BICEP for the year ended June 30, 2024, and in our report dated December 12, 2024, we expressed an unmodified opinion on those financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BICEP as of June 30, 2025, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's office and state regulations governing special districts.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BICEP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BICEP's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, the *Government Auditing Standards* and the State Controller's Minimum Audit Requirements for California Special Districts will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, the *Government Auditing Standards* and the State Controller's Minimum Audit Requirements for California Special Districts, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BICEP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BICEP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and claims development information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2025 on our consideration of BICEP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 effectiveness of BICEP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BICEP's internal control over financial reporting and compliance.

Sampson & Sampson, LLP

Clovis, California
December 9, 2025

The management of the Big Independent Cities Excess Pool (BICEP) is pleased to present the following discussion and analysis of the operating results, financial condition, and liquidity of BICEP for the fiscal year ended June 30, 2025. This discussion should be read in conjunction with the financial statements and notes to the financial statements included with this report.

General Program Highlights

BICEP is a public agency created in 1988 by a joint powers agreement among five cities in California to provide a pooled approach to excess liability insurance, as well as joint insurance coverages for member cities pursuant to the California Government Code. As of June 30, 2025, BICEP consists of five Southern California cities: Huntington Beach, Oxnard, Santa Ana, Ventura, and West Covina. Effective July 1, 2019, all members ceased obtaining coverage from BICEP, and the Board of Directors has been directing the administration of the program and activities necessary to discharge the remaining claim obligations.

Description of the Basic Financial Statements

BICEP's financial statements are prepared in conformity with generally accepted accounting principles and include certain amounts based upon reliable estimates and judgments. The financial statements include the Independent Auditor's Report; the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows, along with accompanying Notes to Financial Statements.

The **Independent Auditor's Report** is presented in a formal letter format to the Board of Directors and provides the auditor's opinion on whether or not the financial statements present fairly, in all material respects, the financial position of BICEP as of the end of the fiscal year being audited.

The **Statement of Net Position** presents information on BICEP's assets and liabilities and the difference between the two representing net position, or pool equity.

The **Statement of Revenues, Expenses, and Changes in Net Position** presents information regarding revenues versus expenses and the change in BICEP's net position during the fiscal year. All revenues and expenses are recognized as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in the collection or disbursement of cash during future fiscal years (e.g., interest and accounts receivable, and the expense associated with payable and liability accruals, both involving cash transactions beyond the date of the financial statements).

The **Statement of Cash Flows** presents the changes in BICEP's cash and cash equivalents during the fiscal year. The statement details the sources and uses of BICEP's cash and cash equivalents into two categories: operating activities and investing activities.

The **Notes to Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of BICEP's operations and significant accounting policies as well as clarify unique financial information.

Analysis of Overall Financial Position and Results of Operations

Condensed Statement of Net Position

	June 30, 2025	June 30, 2024	Percentage Change
Cash and cash equivalents	$5,142,942	$3,571,906	44.0%
Investments at market value	2,272,370	5,295,298	(57.1%)
Other assets	593,508	565,928	4.9%
Total Assets	8,008,820	9,433,132	(15.1%)
Accounts Payable	327,225	9,418	3,374%
Claims Liabilities	8,460,811	10,852,700	(22.0%)
Total Liabilities	8,788,036	10,862,118	(19.1%)
Net Position	(779,216)	(1,428,986)	45.5%
Total Liabilities & Net Position	$8,008,820	$9,433,132	(15.1%)

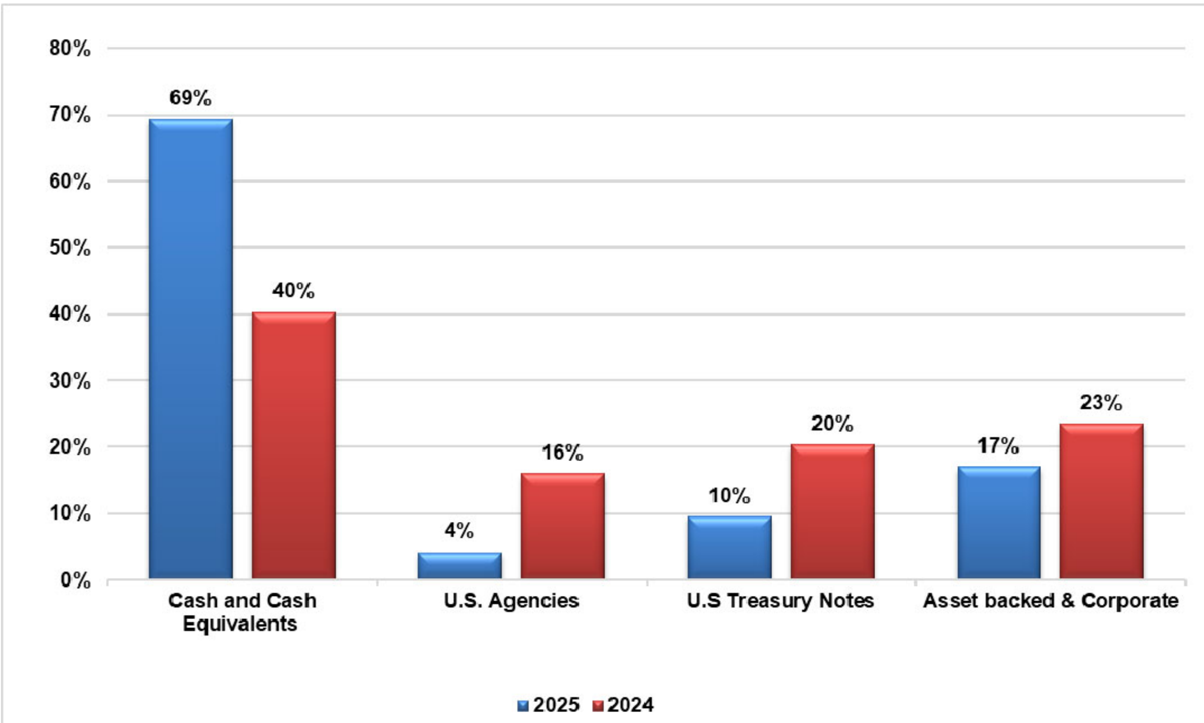
Pool Assets

Total assets decreased by 15.1% from the prior year due to claims payments.

BICEP's excess funds are invested in a portfolio managed by Chandler Asset Management. BICEP's investment earnings produced interest and realized gains of $268,000, and an increase in market value of $57,000 during the fiscal year.

The following chart depicts the make-up of BICEP's cash and investments at June 30, 2025 and 2024.

BICEP Allocation of Cash and Investments



Pool Liabilities

BICEP's liabilities consist almost entirely of the liability for unpaid claims. Total liabilities decreased by approximately $2 million, or 19.1%, from the prior year, primarily due to claim closures during the period and the corresponding reduction in the reserve for unpaid claims.

BICEP Revenues and Expenses

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Fiscal Year Ended June 30, 2025	Fiscal Year Ended June 30, 2024	Percentage Change
Revenues:			
Deposit premiums	$ -	$ -	-
Investment income	325,560	367,992	(11.5%)
Misc Income	-	-	-
Total Revenues	325,560	367,992	(11.5%)
Expenses:			
Insurance Expense	-	-	-
Insurance purchases - Other Coverages	-	-	-
Claims Payments	1,837,365	3,094,979	(40.6%)
Change in Claims Liabilities	(2,391,889)	(458,976)	(421.1%)
General and Administrative Expenses	230,314	224,085	2.8%
Total Operating Expenses	(324,210)	2,860,088	(111.3%)
Change in Net Position	649,770	(2,492,096)	126.1%
Net Position, Beginning of Year	(1,428,986)	1,063,110	(234.4%)
Net Position, End of Year	$ (779,216)	$ (1,428,986)	45.5%

Revenues consisted entirely of investment income given the transition to run-off status and cessation of providing coverage to members effective July 1, 2019.

As stated previously, BICEP's investment earnings produced interest and realized gains of $268,000, and an increase in market value of $57,000 during the fiscal year. It also includes interest of $49,000 in the Local Agency Investment Fund (LAIF). The investment earnings were offset by the investment expenses of $10,000, which consist of investment management and custodial fees.

Total operating expenses decreased 111%, or $3.2 million, from the prior year, primarily due to a decrease in provision for unpaid claims of 421% and a 40.6% decline in claims paid.

Total general and administrative expenses increased 3% from the prior year due to contractual agreements for operating expenses needed to perform run-off activities.

Description of Facts or Conditions that are Expected to have a Significant Effect on Financial Position or Results of Operations

Economic Factors:

The 2024/25 fiscal year is likely to be characterized by slower economic growth amid economic uncertainty. The fiscal year ended with the Federal Reserve maintaining an unchanged rate-hiking cycle at the June 2025 Federal Open Markets Committee (FOMC) meeting, which left the Federal Funds Rate unchanged in a range of 4.25% to 4.50%. The FOMC subsequently conveyed that it expects gradual monetary policy normalization, with a forecast of increased inflation in 2025, leaving two rate cuts priced for the remainder of 2025. While the financial conditions forecast increased inflation for 2025, the labor market remained resilient throughout the fiscal year. However, toward the end of the fiscal year, the labor market began to show slight signs of softening, with the unemployment rate reaching 4.1% in June 2025 due to a shrinking labor force. While the consumer has been resilient, elevated inflation expectations, concerns about trade policies and tariffs, and general economic and policy uncertainty could pose potential risks to future spending. Given the cumulative effects of gradually normalizing monetary policy and tighter financial conditions, the economy may gradually soften, leading the Fed to ease monetary policy in 2025.

Investment Arena:

The current economic environment has had a minimal impact on BICEP during fiscal year 2024/2025. Restrictive monetary policy kept market interest rates elevated across the yield curve, providing BICEP's portfolio with a reinvestment rate higher than in previous years. This is reflected in the slight increase in the portfolio's average purchase yield from 3.96% in June 2024 to 4.29% in June 2025. Beginning in December 2023, the portfolio has been on a trade hold to meet pending liquidity needs. The portfolio's duration shortened due to the reinvestment pause and a change in strategy to avoid placing sales at a loss. The portfolio benchmark was then updated to the ICE BofA 0-3 Year US Treasury to accommodate the portfolio's mostly holding-to-maturity strategy. The Authority's manager continues to ensure the portfolio holdings are in line with BICEP's objectives of safety, liquidity, and return.

BIG INDEPENDENT CITIES EXCESS POOL

STATEMENT OF NET POSITION

(Prior Year Data for Comparison Purposes Only)

ASSETS

	June 30, 2025	June 30, 2024
Current Assets:		
Cash and cash equivalents	$ 5,142,942	$ 3,571,906
Investments	1,229,125	2,784,255
Receivables:		
Interest	51,080	36,197
Excess insurance	539,397	526,934
Prepaid expenses	3,031	2,797
Total Current Assets	6,965,575	6,922,089
Non-Current Assets:		
Investments	1,043,245	2,511,043
Total Non-Current Assets	1,043,245	2,511,043
Total Assets	8,008,820	9,433,132

LIABILITIES AND NET POSITION

	2025	2024
Liabilities:		
Current Liabilities:		
Accounts payable	55,380	9,418
Due to member	221,308	
Bank Overdraft	50,537	
Current portion of claims liabilities	2,000,000	4,103,340
Total Current Liabilities	2,327,225	4,112,758
Non-current Liabilities:		
Claims liabilities	6,460,811	6,749,360
Total Liabilities	8,788,036	10,862,118
Net Position (Deficit)	$ (779,216)	$(1,428,986)

See independent auditor’s report and notes to financial statements.

BIG INDEPENDENT CITIES EXCESS POOL

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(Prior Year Data for Comparison Purposes Only)

	Year Ended June 30, 2025	Year Ended June 30, 2024
OPERATING EXPENSES:		
Liability program:		
Claims paid	$ 1,837,365	$ 3,094,979
Change in unpaid claims	(2,391,889)	(458,976)
Total Liability Program Expenses	(554,524)	2,636,003
General and Administrative Expenses	230,314	224,085
Total Operating Expenses	(324,210)	2,860,088
Net Operating Loss	324,210	(2,860,088)
Non-Operating Revenues (Expenses):		
Investment income	335,602	380,721
Investment expenses	(10,042)	(12,729)
Total Non-Operating Revenues (Expenses)	325,560	367,992
CHANGE IN NET POSITION	649,770	(2,492,096)
NET POSITION, BEGINNING OF YEAR	(1,428,986)	1,063,1110
NET POSITION (DEFICIT), END OF YEAR	$ (779,216)	$ (1,428,986)

See independent auditor’s report and notes to financial statements.

BIG INDEPENDENT CITIES EXCESS POOL

STATEMENT OF CASH FLOWS

(Prior Year Data for Comparison Purposes Only)

	Year Ended June 30, 2025	Year Ended June 30, 2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash paid for claims	$(1,614,995)	$ 728,087
Cash paid for general and administrative	(147,629)	(225,885)
Net cash provided (used) by operating activities	(1,762,624)	502,202
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	228,837	256,823
Investment expenses	(9,987)	(12,923)
Purchase of investment securities		(509,180)
Proceeds from sales and maturities of securities	3,114,810	2,567,527
Net cash provided (used) by investing activities	3,333,660	2,302,247
Net increase (decrease) in cash and cash equivalents	1,571,036	2,804,449
Cash and cash equivalents, beginning of year	3,571,906	767,457
Cash and cash equivalents, end of year	$ 5,142,942	$3,571,906
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net operating loss	$ 324,210	$ (2,860,088)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Excess insurance receivable	(12,463)	3,823,066
Prepaid expenses	(234)	(245)
Accounts payable	45,907	(1,555)
Due to member	221,308	
Bank Overdraft	50,537	
Claims liabilities	(2,391,889)	(458,976)
Net cash provided (used) by operating activities	$(1,762,624)	$ 502,202
NON CASH ITEMS:		
Change in unrealized loss on investments	$ 52,941	$ 82,232

See independent auditor's report and notes to financial statements.

NOTE 1 – ORGANIZATION:

Organization and Operations

Big Independent Cities Excess Pool (BICEP) was created effective September 23, 1988, by a joint powers agreement among five cities organized and operating under the laws of the State of California. BICEP is organized pursuant to the provisions of the California Government Code for the purpose of providing joint insurance coverage and related risk-management services for member cities. The extension of joint insurance coverage to member cities began October 1, 1988.

BICEP's liability program has offered a combination of pooled and commercially purchased public auto and general liability coverages, plus errors and omissions coverage for losses in excess of the member cities' self-insurance retention (SIR) level of one million dollars. For the years between 2004/2005 through 2012/2013, members pooled liability coverage for the layer between each member's SIR of $1 million to $2 million. For the 2013/2014 and 2014/2015 years, the $1 million to $2 million layer was reinsured. For the 2015/2016 and 2016/2017 program years, BICEP provided coverage for the $1 million to $2 million layer through a corridor self-insured retention arrangement whereby the first $1 million of individual or aggregate losses in that layer are paid by BICEP to satisfy the arrangement before the insurance carrier coverage kicks in. For the 2016/2017 program year, the $2 million to $3 million layer was also covered by the corridor self-insured arrangement. For the 2017/2018 and 2018/2019 program years, BICEP pooled coverage between the $1 million and $2 million layer. The $2 million to $3 million layer and $3 million to $5 million layer were reinsured. The City of Ventura purchased reinsurance for the BICEP pooled layer of coverage for both of these program years. Coverage for both of these layers included a $1 million corridor self-insured arrangement. Claims in excess of the member's SIR of $1 million were covered by reinsurance and excess insurance policies purchased from commercial insurance carriers which, combined with the program's self-funded layers, offered a total of $27 million in coverage limits. The City of Huntington Beach elected to purchase additional insurance through BICEP to provide coverage up to $37 million. In addition, purchased insurance was provided by BICEP to its members on a pass-through basis for excess workers compensation, property, crime, environmental pollution, difference in conditions, airport/aircraft liability, marine liability, and fine arts. For the program years 2019/2020 through 2024/2025, there were no coverages offered as BICEP is in the process of winding down its operations and dissolving the organization.

Admission and Withdrawal

Under BICEP's Joint Powers Agreement, new members may be admitted by a two-thirds vote of all current members of the Board. Charter members must submit written notice at least six months prior to the start of the upcoming renewal date of coverage to voluntarily withdraw. Non-charter members may not voluntarily withdraw for a period of three years from the date of admission (initial term). After the initial term, non-charter members are required to provide six months written notice to withdraw. The effect of withdrawal does not terminate the responsibility of the members for its share of obligations incurred while a member of BICEP.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES:

Accounting Method

The accompanying financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded in the accounting period which the liability is incurred. BICEP does not discount claims liabilities therefore, anticipated investment income is not considered in determining if a premium deficiency exists.

Cash and Cash Equivalents

BICEP considers money market fund, deposits with the Local Agency Investment Fund (LAIF), and all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are stated at fair value on quoted market prices and consist primarily of federal agency securities, U.S. treasury notes, corporate notes, and asset-backed securities. Changes in the fair value of investments, both realized and unrealized, are included in the Statement of Revenues, Expenses, and Changes in Net Position as a component of non-operating revenues.

Prepaid Expenses

Expenses for the portions of insurance that extend into future accounting periods have been recorded as prepaid expenses.

Claims Liabilities

BICEP has established liabilities for claims, based on estimates of the ultimate cost of claims that have been reported, but not settled, and of claims that have been incurred, but not reported. The incurred but not reported claims have been estimated by the actuary. The claims reserves have been estimated by BICEP's claims administrator based upon prior experience with similar claims. Because actual costs depend on such factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Accordingly, the reserve for claims is computed annually to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to the reserves are charged to income or expense in the period in which they are made.

Classification of Revenues

BICEP has classified its revenue as either operating or non-operating revenues. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement 34. Revenues and expenses are classified according to the following criteria:

> Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as member contributions for insured events and administration fees.
>
> Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions and other revenue sources described in GASB Statement 34 such as investment earnings.

Income Taxes

As a public agency under the State of California, BICEP is exempt from federal and state income taxes under Internal Revenue Code Section 115 and California Revenue and Taxation Code Section 17131, respectively.

Use of Estimates

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

Comparative Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the prior year financial statements, from which this data was derived.

NOTE 3 – CASH AND INVESTMENTS:

Cash and investments held by BICEP are reflected in the accompanying statement of net position at June 30, 2025 as follows:

Cash and cash equivalents:	
Money Market Funds	$ 1,475,452
Cash receivable - investments	4,648
Local Agency Investment Fund	3,662,842
Total cash and cash equivalents	$ 5,142,942
Investments:	
Current	$ 1,229,125
Non-current	1,043,245
Total investments	$ 2,272,370

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

The following table identifies the investment types that are authorized for BICEP by the California Government Code and BICEP's investment policy. The table also identifies certain provisions of the California Government Code that addresses interest rate risk and concentration of credit risk.

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Local Agency Bonds	Yes	5 years	30%	5%
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	30%
Banker's Acceptances	Yes	180 days	40%	5%
Commercial Paper	Yes	270 days	25%	5%
Negotiable Certificates of Deposit	Yes	5 years	30%	5%
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Medium-Term Notes	Yes	5 years	30%	5%
Money Market Mutual Funds	Yes	N/A	20%	20%
Mortgage Pass-Through Securities	Yes	5 years	20%	5%
County Pooled Investment Funds	Yes	N/A	None	5%
Local Agency Investment Fund (LAIF)	Yes	N/A	None	Statutory Limit
JPA Pools (other investment pools)	Yes	N/A	None	None
Supranationals	Yes	5 years	30%	10%
Asset-Backed Securities	Yes	5 years	20%	5%

*Based on state law requirements or investment policy requirements, whichever is more restrictive.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that BICEP manages its exposure to interest rate risk is through the purchase of a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of BICEP's investments to market interest rate fluctuations is provided by the following table that shows the distribution of BICEP's investments by maturity:

		Remaining Maturity (in Months)		
Investment Type	Total	12 Months Or Less	13 to 24 Months	25 to 60 Months
Federal Agency Securities	$ 200,320	$	$	$ 200,320
U.S. Treasury Notes	706,225	517,257		188,968
Corporate Notes	969,026	512,073	436,861	20,092
Agency CMBS	108,140			108,140
Asset-Backed Securities	288,659	199,795	54,114	34,750
Total	$ 2,272,370	$ 1,229,125	$ 490,975	$ 552,270

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

BICEP's portfolio includes the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Highly Sensitive Investments	Fair Value at Year End
Callable Corporate Notes	$ 568,943
Asset-Backed Securities	$ 288,659
Agency CMBS	$ 108,140

These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair value of these securities highly sensitive to changes in interest rates.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual Standard and Poors rating as of year-end for each investment type.

Investment Type	Total	AAA	AA	A	Not Rated
Federal Agency Securities	$ 200,320	$	$ 200,320	$	$
U.S. Treasury Notes	706,225		706,225		
Corporate Notes	969,026		448,705	520,321	
Agency CMBS	108,140		108,140		
Asset-Backed Securities	288,659	188,758			99,901
Total	$ 2,272,370	$ 188,758	$ 1,463,390	$ 520,321	$ 99,901

Concentration of Credit Risk

The investment policy of BICEP places limits on the amount that may be invested in any one issuer. The limits are applied at the time the investment decision is made. These limits are summarized as follows:

	Limit per Issuer	Limit per Asset Class
Federal Agency Securities	30%	No Limit
U.S. Treasury Notes	No Limit	No Limit
Corporate Notes	5%	30%
Asset-Backed Securities	5%	20%

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total BICEP investments are as follows:

Issuer	Investment Type	Reported Amount
FFCB	Federal Agency Securities	$ 200,320

Custodial Credit Risk

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

As of June 30, 2025, none of BICEP's deposits with financial institutions were held in uncollateralized accounts. In addition, none of BICEP's investments were subject to custodial credit risk as of June 30, 2025. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or a government investment pool (such as LAIF).

Managed Investment Pools

BICEP is a voluntary participant in the Local Agency Investment Fund (LAIF) which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of BICEP's investment in this pool is reported in the accompanying financial statements at amounts based upon BICEP's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded at fair market value.

Fair Value Measurements

BICEP categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

BICEP has the following recurring fair value measurements as of June 30, 2025:

Assets at Fair Value as of June 30, 2025:

	Level 1	Level 2	Level 3	Total
Investments:				
Federal Agency Securities	$	$ 200,320	$	$ 200,320
U.S. Treasury Notes		706,225		706,225
Corporate Notes		969,026		969,026
Agency CMBS		108,140		108,140
Asset-Backed Securities		288,659		288,659

Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

NOTE 4 – CLAIMS LIABILITIES:

The following represents changes in the unpaid claims liabilities for BICEP during the current and prior year:

	2024/25	2023/24
Claims liabilities - beginning of year	$ 10,852,700	$ 11,311,676
Incurred claims expenses:		
Increase (decrease) in provision for insured events for prior years	(554,524)	2,636,003
Total incurred claims expenses	(554,524)	2,636,003
Payments/Recoveries:		
Claims expenses attributable to insured events of prior years	1,837,365	3,094,979
Total payments	1,837,365	3,094,979
Claims liabilities - end of year	$ 8,460,811	$ 10,852,700

The components of liabilities are as follows:

	2024/25	2023/24
Claims reserves	$ 2,000,000	$ 4,103,340
Claims incurred but not reported	5,460,811	5,749,360
Reserves for reinsurance corridor	1,000,000	1,000,000
	$ 8,460,811	$ 10,852,700
Current portion of claims liabilities	$ 2,000,000	$ 4,103,340
Long-term portion of claims liabilities	6,460,811	6,749,360
	$ 8,460,811	$ 10,852,700

NOTE 5 – MEMBER DIVIDENDS:

BICEP's return of equity policy provides that available equity can be released to members beginning no earlier than five years after the end of the applicable program year, provided net equity at the 90% level remains in the program after a return. There was no member dividends approved or issued for the 2024/2025 year.

NOTE 6 – DISSOLUTION OF BICEP:

BICEP is in the process of winding down its operations and dissolving the Organization. Operations will continue until the run-off of outstanding claims has been completed. BICEP would cover any deficit they encounter by assessing members an additional assessment.

REQUIRED SUPPLEMENTARY INFORMATION

BIG INDEPENDENT CITIES EXCESS POOL

CLAIMS DEVELOPMENT INFORMATION

JUNE 30, 2025

The following table illustrates how BICEP's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Program for its most current ten year period. The rows of the table are defined as follows:

(1) This line shows the total of each fiscal year's gross earned contributions and reported investment revenue amounts of premiums ceded and reported contributions (net of reinsurance) and reported investment revenue.

(2) This line shows each fiscal year's other operating costs of the Program including overhead and loss adjustment expenses not allocable to individual claims.

(3) This line shows the Program's gross incurred losses and allocated loss adjustment expense, losses assumed by reinsurers, and net incurred losses and loss adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called program year).

(4) This section of rows shows the cumulative net amounts paid as of the end of successive years for each program year.

(5) This section of rows shows how each program year's net amount of losses increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known losses, reevaluation of existing information on known losses, and emergence of new losses not previously known.)

(6) This line compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought. As data for individual program years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature program years. The columns of the table show data for successive program years.

BIG INDEPENDENT CITIES EXCESS POOL

CLAIMS DEVELOPMENT INFORMATION

JUNE 30, 2025

1. Required contribution and investment revenue:	2016/2017	2017/2018	2018/2019
Contribution revenue earned	$ 6,790,472	$ 8,142,393	$ 8,699,494
Net dividends			
Ceded	(4,374,252)	(3,621,140)	(3,995,579)
Net earned before interest	2,416,220	4,521,253	4,703,915
Interest earned	83,220	279,147	576,687
Total net earned	2,499,440	4,800,400	5,280,602
2. Unallocated expenses	538,396	358,731	470,807
3. Estimated incurred claims and expenses, end of policy year	2,000,000	5,513,266	3,625,900
4. Paid claims (cumulative) as of:			
End of program year			
One year later			
Two years later	972,399	3,000,157	128,594
Three years later	973,591	3,000,000	397,774
Four years later	2,000,000	2,999,843	397,774
Five years later	2,000,000	2,999,843	1,492,753
Six years later	2,000,000	3,999,843	3,492,753
Seven years later	2,000,000	3,993,732	
Eight years later	2,000,000		
Nine years later			
5. Re-estimated incurred claims and expenses:			
End of program year	2,000,000	5,513,266	3,625,900
One year later	2,000,000	2,814,045	4,585,293
Two years later	2,000,000	5,871,973	4,597,512
Three years later	2,000,000	5,133,711	4,295,261
Four years later	2,000,000	4,650,497	7,423,423
Five years later	2,000,000	5,954,270	7,895,001
Six years later	2,000,000	5,690,000	9,814,001
Seven years later	2,000,000	5,011,000	
Eight years later	2,000,000		
Nine years later			
6. Increase (decrease) in estimated net incurred claims and expenses from end of program year	$	$ (502,266)	$ 6,188,101

OTHER INDEPENDENT AUDITOR'S REPORT

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

The Board of Directors
Big Independent Cities Excess Pool (BICEP)
Sacramento, California

We have audited, in accordance with the 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, the financial statements of Big Independent Cities Excess Pool (BICEP) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise BICEP basic financial statements, and have issued our report thereon dated December 9, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BICEP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BICEP's internal control. Accordingly, we do not express an opinion on the effectiveness of BICEP's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of BICEP's financial statements will not be prevented, or detected or corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BICEP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BICEP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sampson & Sampson, LLP

Clovis, California
December 9, 2025