

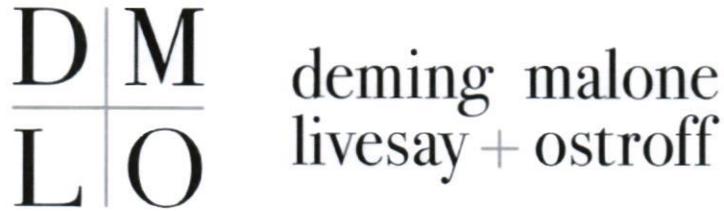
**KENTUCKY ASSOCIATION OF COUNTIES -
ALL LINES FUND**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2023 and 2022

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Independent Auditors' Report

To the Board of Trustees
Kentucky Association of Counties - All Lines Fund
Frankfort, Kentucky

Opinion

We have audited the accompanying financial statements of Kentucky Association of Counties – All Lines Fund, which comprise the balance sheets as of June 30, 2023 and 2022, and the related statements of revenues, expenses and changes in members' equity, and cash flows, for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kentucky Association of Counties – All Lines Fund as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; this includes 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 the Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' 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 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, 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 the Fund'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 the Fund'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.

Deming, Malone, Linsay & Petroff

Louisville, Kentucky
October 25, 2023

**KENTUCKY ASSOCIATION OF COUNTIES -
ALL LINES FUND**

BALANCE SHEETS

June 30, 2023 and 2022

Assets	2023	2022
Cash and cash equivalents	\$ 14,500,435	\$ 22,689,580
Investments	85,203,785	80,573,776
Investment - County Reinsurance, Limited	1,248,919	1,248,919
Member premiums receivable	48,924,553	41,089,857
Reinsurance receivable	5,083,883	
Accrued interest receivable	258,284	212,400
Other	409,640	303,362
Total assets	\$ 155,629,499	\$ 146,117,894
Liabilities and Members' Equity		
Estimated liability for future claims, net of estimated recoveries:		
Reported claims		
Claims incurred but not reported	73,182,000	62,600,000
Unallocated loss adjustment expenses	874,000	904,000
Advance premium liability	52,849,617	44,396,162
Unearned reinsurance recoveries	4,558,908	
Accounts payable	383,072	344,843
Total liabilities	131,847,597	108,245,005
Members' Equity	23,781,902	37,872,889
Total liabilities and members' equity	\$ 155,629,499	\$ 146,117,894

See Notes to Financial Statements.

**KENTUCKY ASSOCIATION OF COUNTIES -
ALL LINES FUND**

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN MEMBERS' EQUITY**

Years Ended June 30, 2023 and 2022

	2023	2022
Revenues		
Member premiums	\$ 44,337,945	\$ 42,842,287
Investment income	2,499,744	2,972,258
Realized and unrealized gain (loss) on investments	1,917,561	(12,997,237)
Total revenues	48,755,250	32,817,308
Expenses		
Claims expense, net of recoveries		
Reinsurance premiums		
Administration and marketing		
Professional fees		
Management expense		
Total expenses	62,846,237	48,474,691
Change in members' equity	(14,090,987)	(15,657,383)
Members' equity, beginning of year	37,872,889	53,530,272
Members' equity, end of year	\$ 23,781,902	\$ 37,872,889

See Notes to Financial Statements.

	<u>2023</u>	<u>2022</u>
Reconciliation of Change in Members' Equity to Net Cash (Used in) Provided by Operating Activities		
Change in members' equity	<u>\$ (14,090,987)</u>	<u>\$ (15,657,383)</u>
Adjustments to reconcile change in members' equity to net cash (used in) provided by operating activities:		
Realized and unrealized (gain) loss on investments	(1,917,561)	12,997,237
Changes in assets and liabilities:		
Decrease (increase) in:		
Member premiums receivable	(7,834,696)	(1,828,870)
Reinsurance receivable	(5,083,883)	
Accrued interest receivable	(45,884)	14,650
Other	(106,278)	(53,657)
Increase (decrease) in:		
Estimated liability for future claims	10,582,000	3,858,000
Unallocated loss adjustment expenses	(30,000)	(46,000)
Advance premium liability	8,453,455	1,460,420
Unearned reinsurance recoveries	4,558,908	
Accounts payable	<u>38,229</u>	<u>(23,170)</u>
Total adjustments	<u>8,614,290</u>	<u>16,378,610</u>
Net cash (used in) provided by operating activities	<u>\$ (5,476,697)</u>	<u>\$ 721,227</u>

**KENTUCKY ASSOCIATION OF COUNTIES -
ALL LINES FUND**

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business:

The Kentucky Association of Counties - All Lines Fund (Fund) is for the purpose of assisting its participants, as defined by KRS 65.230, to formulate, develop and administer a program of self-insurance or partial self-insurance for the Fund participants to obtain lower costs of various types of insurance coverage, provide excess insurance coverage for the participants, and develop a comprehensive safety program. The Fund arranges to provide necessary administrative and legal services sufficient to meet the participants' obligations under Kentucky Law. All funds or monies held by the Fund are the property of the public agencies or political subdivisions participating in the Fund and the Fund shall be an instrumentality of the participating public agencies and only execute essential governmental functions. It is the intent of the participants in the Fund to create an entity with a pool and use funds contributed by the members against a stated liability or loss to the limits of the financial resources of the Fund as specifically outlined in coverage agreements provided to the various participants. The Fund operates solely for the mutual and exclusive benefit of its members. The Fund's participants consisted of 115 counties and 743 political subdivisions for 2023.

Summary of significant accounting policies:

This summary of significant accounting policies of the Fund is presented to assist in understanding the Fund's financial statements. The financial statements are representations of the Fund's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Method of accounting:

The financial statements of the Fund have been prepared on the accrual basis of accounting.

Cash and cash equivalents:

For purposes of the statements of cash flows, the Fund considers only cash and investments with an original maturity of three months or less to be cash and cash equivalents.

NOTES TO FINANCIAL STATEMENTS

Investments:

The Fund records all investments at fair value. Fair value is established based upon readily determinable market quotations for equity and debt securities. See Note 3 for discussion of fair value measurements.

The Fund has significant investments in mutual funds, common stocks, government securities, and corporate bonds held by Central Bank & Trust Company. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Because of the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the balance sheets.

Allowance for doubtful accounts:

As of June 30, 2023 and 2022, substantially all of the member premiums receivable consist of advance billings on the next year's premiums and are also included in deferred revenue. Any member premiums receivable for the current or prior years are reviewed by management and evaluated for collectability.

No provision for doubtful accounts has been made at June 30, 2023 and 2022, as management considers all amounts fully collectible.

Reinsurance:

The Fund 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 reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks reinsured. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by the reinsurer.

Revenue and expense recognition:

Member premiums revenue is recognized over the period to which the insurance coverage relates. Deferred revenue represents member premiums billed but not yet earned.

Fund expenses for reinsurance premiums and management and marketing fees are expensed ratably over the period of coverage.

NOTES TO FINANCIAL STATEMENTS

Leases:

The Fund evaluates its contracts at inception to determine if an arrangement is or contains a lease. Operating leases with a duration over 12 months are recorded as operating lease right-of-use (ROU) assets and operating lease liabilities on the balance sheets. The Fund has no leases.

Accounting standard adopted in 2023:

Effective July 1, 2022, the Fund adopted Accounting standard No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheets for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of revenues, expenses and changes in members' equity. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into change in members' equity on a straight-line basis over the lease term.

The Fund elected to adopt the standard using the optional transition method that allows the Fund to apply the new lease standard as of the adoption date and recognize a cumulative effect adjustment to the opening balance of members' equity in the period of adoption, if applicable. As a result, the comparative period presented in the financial statements is in accordance with the former standard, FASB ASC 840. There was no cumulative effect adjustment for the Fund upon adoption.

Note 2. Investments

Investments are carried at fair value as determined based on quoted prices in active markets. Investments held in a trust fund at Central Bank & Trust Company at June 30, 2023 consisted of the following:

	<u>Face Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mortgage-backed Securities:			
Federal National Mortgage Association	\$ 2,688,177	\$ 2,707,321	\$ 2,441,867
Federal Home Loan Mortgage Gold Pool	12,917,441	8,510,016	7,734,251
Federal Farm Credit Bank	2,750,000	3,249,063	2,959,770
Fannie Mae Mortgage-Backed Securities Pools	15,985,048	16,357,232	13,967,374
Government National Mortgage Association	285,666	292,935	264,581
Federal Home Loan Bank	5,250,000	5,243,933	4,812,797
Federal Home Loan Mortgage	534,943	549,829	460,194
	<u>40,411,275</u>	<u>36,910,329</u>	<u>32,640,834</u>
U.S. Treasury notes	<u>8,100,000</u>	<u>8,084,177</u>	<u>7,635,238</u>
Corporate bonds	<u>16,853,000</u>	<u>16,961,299</u>	<u>15,973,233</u>
Common stocks		<u>13,875,690</u>	<u>18,813,709</u>
Mutual funds		<u>9,807,020</u>	<u>10,140,771</u>
Total investments		<u>\$85,638,515</u>	<u>\$85,203,785</u>

NOTES TO FINANCIAL STATEMENTS

Income taxes:

The Fund is exempt from income taxes under Section 115 of the Internal Revenue Code. However, income from certain activities not directly related to the Fund's tax-exempt purpose may be subject to taxation as unrelated business income. Management does not believe that the Fund has unrelated business income for the years ended June 30, 2023 and 2022.

As of June 30, 2023 and 2022, the Fund did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

Estimates:

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

The most significant estimate included in the financial statements is the estimated liability for future claims (see Note 5).

Legal, regulatory and geographic risk:

Legal and regulatory risk is the risk that changes in the legal or regulatory environment in which an insurer operates will occur and create additional losses or expenses not anticipated by the insurer in pricing its products. That is, regulatory initiatives designed to reduce insurer profits or new legal theories may create costs for the insurer beyond those currently recorded in the financial statements. The Fund is exposed to this risk by writing all of its business in Kentucky, thus increasing its exposure to a single jurisdiction. This risk is reduced by underwriting and loss adjusting practices that identify and minimize the adverse impact of this risk.

Geographic risk is the risk that catastrophic losses will occur in one concentrated area where the Fund does business. The Fund mitigates this risk by adhering to specified underwriting practices and by obtaining adequate reinsurance coverage.

Subsequent events:

Subsequent events have been evaluated through October 25, 2023, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

Investments held in a trust fund at Central Bank & Trust Company at June 30, 2022 consisted of the following:

	<u>Face Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mortgage-backed Securities:			
Federal National Mortgage Association	\$ 3,540,799	\$ 2,903,987	\$ 2,729,990
Federal Home Loan Mortgage Gold Pool	6,203,731	6,659,162	5,744,463
Federal Farm Credit Bank	2,500,000	2,500,000	2,291,400
Fannie Mae Mortgage-Backed Securities Pools	18,034,913	18,268,988	16,518,837
Government National Mortgage Association	338,203	346,627	330,975
Federal Home Loan Bank	3,500,000	3,495,808	3,240,030
Federal Home Loan Mortgage	<u>586,878</u>	<u>603,297</u>	<u>533,292</u>
	<u>34,704,524</u>	<u>34,777,869</u>	<u>31,388,987</u>
U.S. Treasury notes	<u>6,445,000</u>	<u>6,416,786</u>	<u>6,162,410</u>
Corporate bonds	<u>12,615,000</u>	<u>14,116,428</u>	<u>13,419,836</u>
Common stocks		<u>16,308,640</u>	<u>18,726,581</u>
Mutual funds		<u>11,503,545</u>	<u>10,875,962</u>
Total investments		<u>\$83,123,268</u>	<u>\$80,573,776</u>

The aggregate annual maturities of the fair value of investments at June 30, 2023, based upon stated maturity dates are as follows:

Due within one year	\$ 2,574,734
Due after one year through five years	17,863,535
Due after five years through ten years	9,952,338
Due after ten years	25,858,698
Common stocks	18,813,709
Mutual funds	<u>10,140,771</u>
	<u>\$85,203,785</u>

The Fund is an equity member of County Reinsurance, Limited (CRL), which is the Fund's reinsurance provider. The Fund's equity in CRL is based on capital contributions to CRL plus an allocation of CRL's earnings. Upon the termination of the Fund's membership in CRL, the Fund can request a repayment of its original capital contributions plus its portion of CRL's earnings during its membership, which is paid out over five years or sooner, granted at the discretion of CRL's Board of Directors. The investment in CRL is recorded at cost equal to the Fund's capital contributions to date of \$1,248,919 as of June 30, 2023 and 2022, respectively. As of December 31, 2022, the Fund's 1.81% share of the total equity of CRL was approximately \$847,000.

NOTES TO FINANCIAL STATEMENTS

Note 3. Fair Value Measurements

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access.
- Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active or inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

All assets have been valued using a market approach. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2023 and 2022.

Common stock and mutual funds – valued at the unadjusted quoted market price as of the financial statement date.

Corporate bonds, U.S. Treasury notes and mortgage-backed securities – valued at the quoted market prices for similar assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fund believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTES TO FINANCIAL STATEMENTS

The following tables set forth, by level, within the fair value hierarchy, the Fund's assets at fair value as of June 30, 2023 and 2022:

	June 30, 2023		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mortgage-backed securities		\$32,640,834	\$32,640,834
		7,635,238	7,635,238
Corporate bonds		15,973,233	15,973,233
Common stocks:			
Basic materials	\$ 769,443		769,443
Consumer goods	4,499,328		4,499,328
Financial	2,159,642		2,159,642
Healthcare	2,226,666		2,226,666
Industrial goods	3,591,169		3,591,169
Services	1,343,862		1,343,862
Utilities	341,302		341,302
Technology	3,882,297		3,882,297
Mutual funds:			
International fund	6,244,246		6,244,246
Mid cap fund	2,440,597		2,440,597
Small cap fund	<u>1,455,928</u>		<u>1,455,928</u>
Total assets at fair value	<u>\$28,954,480</u>	<u>\$56,249,305</u>	<u>\$85,203,785</u>
	June 30, 2022		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mortgage-backed securities		\$31,388,987	\$31,388,987
U.S. Treasury notes		6,162,410	6,162,410
Corporate bonds		13,419,836	13,419,836
Common stocks:			
Basic materials	\$ 1,017,349		1,017,349
Consumer goods	4,290,026		4,290,026
Financial	1,682,639		1,682,639
Healthcare	3,228,376		3,228,376
Industrial goods	2,242,739		2,242,739
Services	1,467,576		1,467,576
Utilities	435,885		435,885
Technology	4,361,992		4,361,991
Mutual funds:			
International fund	7,407,093		7,407,094
Mid cap fund	2,129,993		2,129,993
Small cap fund	<u>1,338,875</u>		<u>1,338,875</u>
Total assets at fair value	<u>\$29,602,543</u>	<u>\$50,971,233</u>	<u>\$80,573,776</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Other Assets

Other assets consist of the following:

	<u>2023</u>	<u>2022</u>
Prepaid administrative fees	\$289,163	\$176,707
Related party receivable	<u>120,477</u>	<u>126,655</u>
	<u>\$409,640</u>	<u>\$303,362</u>

Note 5. Estimated Liability for Future Claims

Under Kentucky Law, the Fund is required to pay all valid claims against its members.

The estimated liability for future claims, net of estimated recoveries for reinsurance, deductibles and subrogation was determined by Fund management as a result of consultation with the Fund's actuary, Oliver Wyman Actuarial Consulting, Inc. for the years ended June 30, 2023 and 2022.

This estimate is based upon various factors such as loss control efforts, claim trends and historical claims information. To the extent that claims information varies from the estimate, the statements of revenues, expenses and changes in members' equity reflect adjustments in the year they occur.

For the years ended June 30, 2023 and 2022, the liability was discounted at 0%, based upon an estimate of the Fund's yield on its investments and expected claims payment patterns as developed by the actuary. The loss payment pattern used could vary significantly from actual, which would have a direct effect on the liability for estimated claims. The liability, without consideration for the time value of money for 2023 and 2022, respectively, was approximately \$73,182,000 and \$62,600,000.

The Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities, net of recoveries, for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Unpaid claims and claim adjustment expenses at beginning of year		
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year and increases in provision for insured events of prior years, net of recoveries		
Payments:		
Claim and claim adjustment expenses paid attributable to insured events of current and prior years, net of recoveries collected		
Unpaid claims and claim adjustment expenses at end of year	<u>\$ 73,182,000</u>	<u>\$ 62,600,000</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Unallocated Loss Adjustment Expenses

An estimated liability for future expenses of handling prior year claims has been determined by management and the Fund's actuary as of June 30, 2023 and 2022, and recorded as unallocated loss adjustment expenses.

Note 7. Concentration of Credit Risk

The Fund maintains its cash accounts at various banks in Kentucky. Accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2023, the uninsured cash balances totaled approximately \$15,000,000.

Note 8. Related Party Transactions

The Fund is under a Program Administration Agreement with KACo in which the Fund reimburses KACo for certain management and administrative expenses. Total fees for the years ended June 30, 2023 and 2022 were \$1,697,987 and \$1,608,923, respectively. As of June 30, 2023 and 2022, the Fund had prepaid administrative fees of \$293,363 and \$179,727, respectively.

The Fund is under a Program Administration Agreement with KACo in which the Fund pays KACo for certain management services. The fee is based on 2% of earned premiums collected. For of the years ended June 30, 2023 and 2022, the agreement included a base management fee of \$300,350 and \$306,400, respectively, in addition to the 2% of earned premiums collected. Total fees for the years ended June 30, 2023 and 2022 were \$1,193,126 and \$1,213,630, respectively. The Fund had payables of \$4,201 and \$3,020 to KACo for the management fee at June 30, 2023 and 2022, respectively.

The Fund has a licensing agreement with KACo that requires the Fund to pay a royalty to KACo in return for the use of KACo's name and logo. For each of the years ended June 30, 2023 and 2022, the royalty was a fixed amount of \$1,000.

KACo established the Kentucky Association of Counties Program Guaranty Fund. The purpose of the Guaranty Fund is to make available, on an as needed basis, financial support to the various programs sponsored by and operating under service agreements with KACo, which includes the Fund. The Guaranty Fund receives contributions from KACo and certain of its programs. The Fund did not make any contributions to the Guaranty Fund for the years ended June 30, 2023 and 2022.

NOTES TO FINANCIAL STATEMENTS

KACo established the KACo Finance Corporation. The purpose of the Finance Corporation is to create a statewide bond pool system to allow counties and eligible subdivisions to issue bonds carrying an AA rating. As of June 30, 2023 and 2022, the Fund has purchased \$2,280,000 of bonds of the KACo Finance Corporation, which are held in trust at Central Bank & Trust Company.

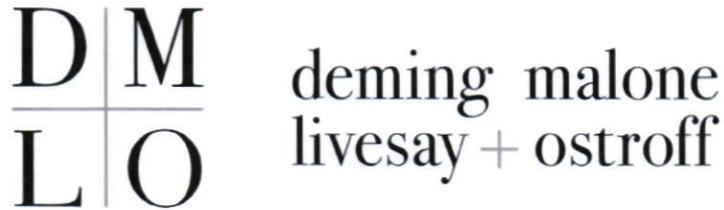
The Fund had receivables of \$120,477 and \$126,655 from the Kentucky Association of Counties - Workers Compensation at June 30, 2023 and 2022, respectively, for reimbursable expenses.

Note 9. Reinsurance Receivable

Reinsurance receivable includes amounts that are recoverable from the Fund's reinsurance providers, pursuant to various reinsurance agreements, on claims paid by the Fund as of June 30, 2023 in excess of defined retention limits. The Fund has collected a significant portion of the reinsurance receivable subsequent to June 30, 2023, and per management's evaluation of the reinsurers' creditworthiness, the reinsurance agreements, and an evaluation of reimbursable paid claims, a receivable was recorded as of June 30, 2023.

Note 10. Unearned Reinsurance

Unearned reinsurance recoveries is the amount received in advance by the Fund from its reinsurance providers for amounts that will be due from the reinsurance providers under various reinsurance agreements for claims to be paid, in excess of defined retention limits, by the Fund arising from a tornado event that occurred in December 2021. As the Fund pays claims covered by reinsurance, the unearned reinsurance will be recognized as reinsurance recoveries in the statement of income, expense and change in members' equity.



Independent Auditors' Report On Supplementary Information

To the Board of Trustees
Kentucky Association of Counties - All Lines Fund
Frankfort, Kentucky

We have audited the financial statements of Kentucky Association of Counties – All Lines Fund as of and for the years ended June 30, 2023 and 2022, and our report thereon dated October 25, 2023, which expressed an unmodified opinion on those financial statements appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The ten-year claims development information on page 17, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Deming, Malone, Livesay & Ostroff

Louisville, Kentucky
October 25, 2023

KENTUCKY ASSOCIATION OF COUNTIES - ALL LINES FUND

TEN-YEAR CLAIMS DEVELOPMENT INFORMATION

Fiscal and Policy Year Ended (In Thousands of Dollars)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1. Premiums and investment revenue:										
Earned	\$37,405	\$38,400	\$38,584	\$39,088	\$40,185	\$40,911	\$41,093	\$42,940	\$42,842	\$44,338
Ceded	(7,724)	(7,584)	(8,956)	(7,390)	(9,828)	(9,338)	(9,335)	(2,239)	790	9,313
Net earned	29,681	30,816	29,628	31,698	30,357	31,573	31,757	40,701	43,632	35,025
2. Unallocated expenses	14,770	14,524	15,605	16,226	16,642	16,626	14,823	13,620	14,771	17,605
3. Estimated losses and expenses, end of policy year:										
Incurred	23,438	26,405	20,960	20,530	24,670	24,096	25,664	28,276	58,300	58,300
Ceded	(1,276)	(3,818)		(105)	(1,707)	(704)	(606)	(243)	(26,110)	(14,438)
Net incurred	22,162	22,587	20,960	20,425	22,963	23,392	25,058	28,034	32,190	43,615
4. Net paid (cumulative) as of:										
End of policy year	6,098	5,999	5,708	5,627	7,522	6,787	7,788	7,079	9,653	13,293
One year later	10,362	9,631	10,015	10,469	14,870	11,851	11,780	13,611	17,665	
Two years later	12,364	13,548	13,321	13,375	18,283	15,253	15,742	17,533		
Three years later	14,361	15,028	15,274	16,281	20,744	18,329	18,564			
Four years later	15,213	16,127	16,381	19,021	22,852	20,719				
Five years later	15,585	16,620	16,799	20,517	24,478					
Six years later	16,135	16,872	17,307	21,185						
Seven years later	16,284	16,988	17,902							
Eight years later	16,647	17,044								
Nine years later	16,667									
* 5. Reestimated ceded losses and expenses	5,061	3,028	972	3,311	2,539	6,643	595	4,409	29,630	14,438
6. Reestimated net incurred losses and expenses:										
End of policy year	22,162	22,587	20,960	20,425	22,963	23,392	25,058	28,034	32,190	43,615
One year later	21,078	20,661	20,859	20,435	25,122	24,780	23,247	26,828	34,228	
Two years later	19,529	20,184	20,413	20,805	25,416	24,401	24,954	27,690		
Three years later	18,679	19,700	20,076	21,896	26,321	24,200	24,227			
Four years later	18,070	18,581	19,551	22,993	26,958	24,104				
Five years later	17,220	18,031	19,197	23,059	26,230					
Six years later	17,355	17,904	18,865	23,220						
Seven years later	17,222	17,725	18,670							
Eight years later	17,191	17,573								
Nine years later	17,082									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	(5,080)	(5,014)	(2,290)	2,795	3,267	713	(831)	(344)	2,038	

* Includes paid loss and ALAE plus nominal case reserves excess of retention (does not include a provision for IBNR)