

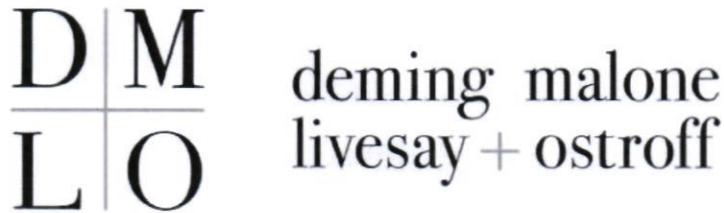
**KENTUCKY ASSOCIATION OF COUNTIES -
ALL LINES FUND**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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.

Olming, Malone, Lussey & Petroff

Louisville, Kentucky
October 23, 2024

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

BALANCE SHEETS
June 30, 2024 and 2023

Assets	2024	2023
Cash and cash equivalents	\$ 14,800,655	\$ 14,500,435
Investments	88,914,961	85,203,785
Investment - County Reinsurance, Limited	1,248,919	1,248,919
Member premiums receivable	59,979,785	48,924,553
Reinsurance receivable	1,791,593	5,083,883
Accrued interest receivable	360,246	258,284
Other	431,534	409,640
Total assets	\$ 167,527,693	\$ 155,629,499
Liabilities and Members' Equity		
Estimated liability for future claims, net of estimated recoveries:		
Reported claims		
Claims incurred but not reported		
	82,357,000	73,182,000
Unallocated loss adjustment expenses	835,000	874,000
Advance premium liability	64,911,480	52,849,617
Unearned reinsurance recoveries		4,558,908
Accounts payable	449,855	383,072
Total liabilities	148,553,335	131,847,597
Members' Equity	18,974,358	23,781,902
Total liabilities and members' equity	\$ 167,527,693	\$ 155,629,499

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues		
Member premiums	\$ 52,947,076	\$ 44,337,945
Investment income	3,043,148	2,499,744
Realized and unrealized gain on investments	<u>5,032,891</u>	<u>1,917,561</u>
Total revenues	<u>61,023,115</u>	<u>48,755,250</u>
Expenses		
Claims expense, net of recoveries		
Reinsurance premiums		
Administration and marketing		
Professional fees		
Management expense		
Total expenses	<u>65,830,659</u>	<u>62,846,237</u>
Change in members' equity	(4,807,544)	(14,090,987)
Members' equity, beginning of year	<u>23,781,902</u>	<u>37,872,889</u>
Members' equity, end of year	<u>\$ 18,974,358</u>	<u>\$ 23,781,902</u>

See Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Cash received from member premiums	—	—
Reinsurance and other recoveries collected	—	—
Cash paid to suppliers	—	—
Claims paid	—	—
Investment income received	—	—
	<u>—</u>	<u>—</u>
Net cash used in operating activities	<u>(974,245)</u>	<u>(5,476,697)</u>
Cash Flows from Investing Activities		
Purchase of investments	(16,294,605)	(22,619,698)
Purchase of software	(47,250)	—
Proceeds from sale and maturities of investments	17,616,320	19,907,250
	<u>1,274,465</u>	<u>(2,712,448)</u>
Net cash provided by (used in) investing activities	<u>1,274,465</u>	<u>(2,712,448)</u>
Net change in cash and cash equivalents	300,220	(8,189,145)
Cash and cash equivalents at beginning of year	<u>14,500,435</u>	<u>22,689,580</u>
Cash and cash equivalents at end of year	<u>\$ 14,800,655</u>	<u>\$ 14,500,435</u>

See Notes to Financial Statements.

	<u>2024</u>	<u>2023</u>
Reconciliation of Change in Members' Equity to Net Cash Used in Operating Activities		
Change in members' equity	\$ (4,807,544)	\$ (14,090,987)
Adjustments to reconcile change in members' equity to net cash used in operating activities:		
Amortization expense	10,500	
Realized and unrealized gain on investments	(5,032,891)	(1,917,561)
Changes in assets and liabilities:		
Decrease (increase) in:		
Member premiums receivable	(11,055,232)	(7,834,696)
Reinsurance receivable	3,292,290	(5,083,883)
Accrued interest receivable	(101,962)	(45,884)
Other	14,856	(106,278)
Increase (decrease) in:		
Estimated liability for future claims	9,175,000	10,582,000
Unallocated loss adjustment expenses	(39,000)	(30,000)
Advance premium liability	12,061,863	8,453,455
Unearned reinsurance recoveries	(4,558,908)	4,558,908
Accounts payable	<u>66,783</u>	<u>38,229</u>
Total adjustments	<u>3,833,299</u>	<u>8,614,290</u>
Net cash used in operating activities	\$ (974,245)	\$ (5,476,697)

**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 116 counties and 753 political subdivisions for 2024.

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.

Fixed assets:

The Fund capitalizes software purchases exceeding \$1,500 with an expected life longer than one year. Software is carried at cost and is included in other assets on the balance sheets. Amortization is computed by the straight-line method over the estimated useful lives of the software. Amortization expense for the years ended June 30, 2024 and 2023 was \$10,500 and \$0, respectively.

Member premiums receivable:

Premiums receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation of allowance for current expected credit losses (CECL) based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance for CECL and a credit to premiums receivable. The allowance for current expected credit losses reflects management's best estimate of probable losses determined on the basis of historical collection experience, known troubled accounts and expectations of current and future economic conditions. As of June 30, 2024, management determined that an allowance for current expected credit losses was not necessary.

As of June 30, 2024 and 2023, substantially all of the member premiums receivable consisted of advance billings on the next year's premiums, which are also included in advance premium liability. All member premiums receivable are reviewed by management and evaluated for collectability.

NOTES TO FINANCIAL STATEMENTS

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.

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, 2024 and 2023.

As of June 30, 2024 and 2023, 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).

NOTES TO FINANCIAL STATEMENTS

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.

Accounting standard adopted in 2023:

On July 1, 2023, the Fund adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan and accounts receivable. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

The Fund adopted ASC 326 using the modified retrospective approach. The Fund did not record a transition adjustment with the adoption of CECL, as it was determined that an allowance for credit losses was not required based on management's analysis.

Subsequent events:

Subsequent events have been evaluated through October 23, 2024, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

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, 2024 consisted of the following:

	<u>Face Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mortgage-backed Securities:			
Federal National Mortgage Association	\$ 2,109,710	\$ 2,130,085	\$ 2,024,325
Federal Home Loan Mortgage Gold Pool	8,035,848	8,198,162	7,354,296
Federal Farm Credit Bank	3,650,000	4,099,063	3,886,288
Fannie Mae Mortgage-Backed Securities Pools	16,057,881	16,967,724	14,304,367
Government National Mortgage Association	646,269	646,269	613,774
Federal Home Loan Bank	7,800,000	7,792,361	7,475,202
Federal Home Loan Mortgage	<u>506,298</u>	<u>504,154</u>	<u>414,343</u>
	<u>38,806,006</u>	<u>40,337,818</u>	<u>36,072,595</u>
U.S. Treasury notes	<u>6,765,000</u>	<u>6,509,210</u>	<u>6,159,446</u>
Corporate bonds	<u>19,405,000</u>	<u>19,365,514</u>	<u>18,629,245</u>
Common stocks		<u>11,983,194</u>	<u>19,298,523</u>
Mutual funds		<u>7,485,576</u>	<u>8,755,152</u>
Total investments		<u>\$85,681,312</u>	<u>\$88,914,961</u>

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	275,000	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	<u>534,943</u>	<u>549,829</u>	<u>460,194</u>
	<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

The aggregate annual maturities of the fair value of investments at June 30, 2024, based upon stated maturity dates are as follows:

Due within one year	\$ 4,286,869
Due after one year through five years	23,377,471
Due after five years through ten years	7,053,532
Due after ten years	26,143,414
Common stocks	19,298,523
Mutual funds	<u>8,755,152</u>
	<u>\$88,914,961</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 both June 30, 2024 and 2023. As of December 31, 2023, the Fund's 1.81% share of the total equity of CRL was approximately \$616,000.

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.

NOTES TO FINANCIAL STATEMENTS

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, 2024 and 2023.

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.

The following tables set forth, by level, within the fair value hierarchy, the Fund's assets at fair value as of June 30, 2024 and 2023:

	June 30, 2024		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mortgage-backed securities		\$36,072,595	\$36,072,592
U.S. Treasury notes		6,159,446	6,159,446
Corporate bonds		18,629,245	18,629,245
Common stocks:			
Basic materials	\$ 592,921		592,921
Consumer goods	4,596,537		4,596,537
Financial	2,237,273		2,237,273
Healthcare	1,941,665		1,941,665
Industrial goods	3,964,331		3,964,331
Services	1,560,957		1,560,957
Utilities	527,566		527,566
Technology	3,877,273		3,877,273
Mutual funds:			
International fund	4,538,674		4,538,674
Mid cap fund	2,522,501		2,522,501
Small cap fund	<u>1,693,977</u>		<u>1,693,977</u>
Total assets at fair value	<u>\$28,053,675</u>	<u>\$60,861,286</u>	<u>\$88,914,961</u>

NOTES TO FINANCIAL STATEMENTS

	June 30, 2023		
	Level 1	Level 2	Total
Mortgage-backed securities		\$32,640,834	\$32,640,834
U.S. Treasury notes		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	1,455,928		1,455,928
Total assets at fair value	<u>\$28,954,480</u>	<u>\$56,249,305</u>	<u>\$85,203,785</u>

Note 4. Other Assets

Other assets consist of the following:

	2024	2023
Prepaid administrative fees	\$297,721	\$289,163
Software, net of accumulated amortization	36,750	
Related party receivable	<u>97,063</u>	<u>120,477</u>
	<u>\$431,534</u>	<u>\$409,640</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, Pinnacles Actuarial Resources, Inc. and Oliver Wyman Actuarial Consulting, Inc. for the years ended June 30, 2024 and 2023, respectively.

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.

NOTES TO FINANCIAL STATEMENTS

For both of the years ended June 30, 2024 and 2023, the liability was discounted 0%, based upon an estimate of the Fund's yield on its investments and expected claims 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 2024 and 2023, respectively, was approximately \$82,357,000 and \$73,182,000.

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, 2024 and 2023:

	<u>2024</u>	<u>2023</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>\$ 82,357,000</u>	<u>\$ 73,182,000</u>

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, 2024 and 2023, 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, 2024, the uninsured cash balances totaled approximately \$14,800,000.

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, 2024 and 2023 were \$1,693,625 and \$1,697,987, respectively. As of June 30, 2024 and 2023, the Fund had prepaid administrative fees of \$305,225 and \$293,363, respectively.

NOTES TO FINANCIAL STATEMENTS

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 each of the years ended June 30, 2024 and 2023, the agreement included a base management fee of \$354,120 and \$300,350, respectively, in addition to the 2% of earned premiums collected. Total fees for the years ended June 30, 2024 and 2023 were \$1,419,411 and \$1,193,126, respectively. The Fund had payables of \$7,504 and \$4,201 to KACo for the management fee at June 30, 2024 and 2023, 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, 2024 and 2023, the royalty was a fixed amount of \$1,000.

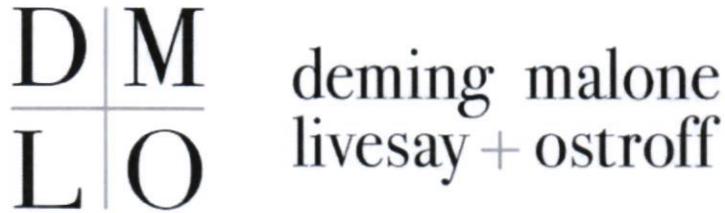
KACo established the Kentucky Association of Counties Program Guaranty Fund. The purpose of the Guaranty Fund is to make available, on an as needed basis, financial support to the various programs sponsored by and operating under service agreements with KACo, which includes the Fund. The Guaranty Fund 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, 2024 and 2023.

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, 2024 and 2023, 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 \$97,063 and \$120,477 from the Kentucky Association of Counties - Workers Compensation at June 30, 2024 and 2023, 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, 2024 and 2023 in excess of defined retention limits. The Fund records these receivables as the insurance adjusters approve them. Per management's evaluation of the reinsurers' creditworthiness, the reinsurance agreements, and an evaluation of reimbursable paid claims, receivables are recorded as of June 30, 2024 and 2023.



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, 2024 and 2023, and our report thereon dated October 23, 2024, 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 23, 2024

KENTUCKY ASSOCIATION OF COUNTIES - ALL LINES FUND

TEN-YEAR CLAIMS DEVELOPMENT INFORMATION

Fiscal and Policy Year Ended (In Thousands of Dollars)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
1. Premiums and investment revenue:										
Earned	\$38,400	\$38,584	\$39,088	\$40,185	\$40,911	\$41,093	\$42,940	\$42,842	\$44,338	\$52,947
Ceded	7,584	8,956	7,390	9,828	9,338	9,335	6,099	6,822	9,313	20,780
Net earned	30,816	29,628	31,698	30,357	31,573	31,758	36,841	36,020	35,025	32,167
2. Unallocated expenses	14,524	15,605	16,226	16,642	16,524	15,439	14,793	14,737	17,606	30,037
3. Estimated losses and expenses, end of policy year:										
Incurred	26,405	20,960	20,530	24,670	24,096	25,664	28,277	58,300	58,053	43,583
Ceded	(3,818)		(105)	(1,707)	(704)	(606)	(243)	(26,110)	(14,438)	(1,146)
Net incurred	22,587	20,960	20,425	22,963	23,392	25,058	28,034	32,190	43,615	42,437
4. Net paid (cumulative) as of:										
End of policy year	5,999	5,708	5,627	7,522	6,787	7,788	7,079	9,653	13,293	10,617
One year later	9,631	10,015	10,469	14,870	11,851	11,780	13,611	17,665	20,979	
Two years later	13,548	13,321	13,375	18,283	15,253	15,742	17,533	22,162		
Three years later	15,028	15,274	16,281	20,744	18,329	18,564	20,325			
Four years later	16,127	16,127	19,021	22,852	20,719	20,997				
Five years later	16,620	16,799	20,517	24,478	21,898					
Six years later	16,872	17,307	21,185	25,080						
Seven years later	16,988	17,902	21,538							
Eight years later	17,044	18,073								
Nine years later	17,048									
* 5. Reestimated ceded losses and expenses	3,028	972	3,311	2,539	6,643	595	4,409	29,630	14,438	1,146
6. Reestimated net incurred losses and expenses:										
End of policy year	22,587	20,960	20,425	22,963	23,392	25,058	28,034	32,190	43,615	42,437
One year later	20,661	20,859	20,435	25,122	24,780	23,247	26,828	34,228	41,291	
Two years later	20,184	20,413	20,805	25,416	24,401	24,954	27,960	33,360		
Three years later	19,700	20,076	21,896	26,321	24,200	24,227	28,185			
Four years later	18,581	19,551	22,993	26,958	24,104	24,270				
Five years later	18,031	19,197	23,059	26,320	24,128					
Six years later	17,904	18,865	23,220	26,259						
Seven years later	17,725	18,670	23,322							
Eight years later	17,573	18,498								
Nine years later	17,537									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	(5,050)	(2,462)	2,897	3,296	736	(788)	151	1,170	(2,324)	

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