LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

FINANCIAL STATEMENTS

JUNE 30, 2020

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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

Board of Managers
Louisiana Sheriffs' Law Enforcement Program

Report on Financial Statements

We have audited the accompanying financial statements of Louisiana Sheriffs' Law Enforcement Program (a quasi-public organization) (the Program) which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Program's preparation and fair presentation of the financial statements 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 Program's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Sheriffs' Law Enforcement Program as of June 30, 2020 and 2019, and the changes in its financial position, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, 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.

The Program has not presented certain historical information related to its insurance activities, including premium and investment revenues, unallocated claim adjustment expenses and other costs, and incurred claims and allocated claim adjustment expenses that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such omitted information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Matters – Supplementary Information

The Schedule of Compensation, Benefits, and Other Payments to Director included on page 23 is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated December 9, 2020, on our consideration of the Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 9, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Management's Discussion and Analysis of the Louisiana Sheriffs' Law Enforcement Program's (the Program) financial performance presents a narrative overview and analysis of the Program's financial activities for the years ended June 30, 2020 and 2019. This document focuses on the current period's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Program's financial statements, which follow this section.

Financial Highlights

- The assets of the Program exceeded its liabilities at June 30, 2020, by $9,283,436 compared to $10,687,788 as of June 30, 2019, which is a 13.14% decrease from the previous year.
- At June 30, 2020, the Program's assets totaled $17,456,485, which consisted primarily of cash and a diversified portfolio of fixed income and equity investments.
- The Program reported earned premiums of $5,439,318 during the year ended June 30, 2020, and a decrease in net position of $1,404,352 compared to earned premiums of $5,177,357 during the year ended June 30, 2019, and an increase in net position of $934,876.
- At the end of the current fiscal year, net position totaled $9,283,436 or 130% of the current year expenses.

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the financial statements, which explain some of the information in the financial statements in more detail.

The basic financial statements of the Program report information about the Program using accounting methods similar to those used by private sector businesses. These statements offer short and long-term financial information about the Program's activities. The Statements of Net Position include all of the Program's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Program's members and creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Program and assessing the liquidity and financial flexibility of the Program. All of the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Program's operations over the year and can be used to determine whether the Program has successfully recovered all its costs through its premium and investment income, profitability and credit worthiness. The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Program's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities.

The preparation of these financial statements requires the utilization of significant estimates, many of which will not be known for many years. Changes in estimates as well as the differences in actual results and estimated amounts will be included in the Statements of Revenues, Expenses and Changes in Net Position as these circumstances become known.

Financial Analysis of the Program

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the Program is in a better financial position as a result of the year's activities. These statements report the net position of the Program and changes in them. The net position (difference between assets and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Program's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, healthcare costs, judicial environment, and new or changed government legislation.

Condensed Statements of Net Position

	June 30, 2020	June 30, 2019
Total assets	$ 17,456,485	$ 17,500,017
Total liabilities	8,173,049	6,812,229
Net position	$ 9,283,436	$ 10,687,788

All of the Program's assets can be used for any lawful purpose consistent with the policies and guidelines established by the Managers of the Program. Total assets decreased over prior year approximately 0.25% and consist primarily of cash, investments and receivables. Total liabilities increased over prior year approximately 20% due primarily to increases in estimated unpaid claims liabilities. Net position decreased approximately 13.14% from the prior year due to an increase in claims losses and related expenses.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30, 2020	Year Ended June 30, 2019
Total operating revenues	$ 5,439,318	$ 5,177,357
Total operating expenses	(7,144,292)	(4,820,213)
Non-operating income	300,622	577,732
Change in net position	($ 1,404,352)	$ 934,876

Financial Analysis of the Program (continued)

Operating revenues increased approximately $262,000 due primarily to the fluctuations in the number of covered members. Total operating expenses increased approximately $2,324,000 due primarily to an increase in claims losses and related expense costs.

The Program's change in net position for 2020 was a decrease of approximately $2,339,000, primarily as a result of the aforementioned increase in claims losses and related expense costs.

In March, 2020, the World Health Organization declared the coronavirus (COVID-19) a global pandemic. The spread of the virus has adversely affected global business activities and has resulted in significant uncertainty in the global economy. The impact of the COVID-19 pandemic continues to evolve and has been marked by rapid changes and developments. The extent to which the COVID-19 pandemic may directly or indirectly impact the Program's financial condition or results of operations cannot be reasonably estimated at this time.

Requests for Information

This financial report is designed to provide our members, investors, and creditors with a general overview of the Program's finances, as well as demonstrate accountability for funds the Program receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Sheriffs' Law Enforcement Program, 1175 Nicholson Drive, Baton Rouge, LA 70802 or 225-343-8402.

LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

ASSETS

	2020	2019
Cash and cash equivalents	$ 2,065,003	$ 2,811,384
Investments	15,263,060	14,563,706
Total cash and investments	17,328,063	17,375,090
Premiums receivable from members	103,422	124,927
Member deductibles receivable	25,000	-
	128,422	124,927
Total assets	$ 17,456,485	$ 17,500,017

LIABILITIES

	2020	2019
Liabilities:		
Unpaid claims liability	$ 7,155,000	$ 5,890,000
Deposits held for others	1,014,535	916,382
Accounts payable and accrued expenses	-	2,404
Due to Louisiana Sheriffs' Association	3,514	3,443
Total liabilities	8,173,049	6,812,229
Net position, unrestricted	9,283,436	10,687,788
Total liabilities and net position	$ 17,456,485	$ 17,500,017

See accompanying notes to these financial statements.

LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Premium income	$ 5,439,318	$ 5,177,357
OPERATING EXPENSES		
Claim losses and claims adjustment expenses	5,201,750	2,999,803
Excess insurance premiums	1,655,137	1,601,219
Louisiana Sheriffs' Association administration fees	105,086	107,610
Other general and administrative expenses	182,319	111,581
Total operating expenses	7,144,292	4,820,213
OPERATING INCOME (LOSS)	(1,704,974)	357,144
NON-OPERATING INCOME		
Investment income - net	300,622	577,732
CHANGE IN NET POSITION	(1,404,352)	934,876
NET POSITION - BEGINNING OF YEAR	10,687,788	9,752,912
NET POSITION - END OF YEAR	$ 9,283,436	$ 10,687,788

See accompanying notes to these financial statements.

LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from:		
Member premiums collected	$ 5,461,473	$ 5,153,316
Member deductibles and other reimbursements collected	59,573	327,675
Excess reinsurance	88,590	3,396,724
Deposits held for others	1,000,000	985,948
Cash paid for:		
Service providers	(290,388)	(220,050)
Excess insurance premiums	(1,655,137)	(1,601,219)
Claims and claims expenses	(4,109,913)	(7,719,202)
Deposits held for others	(901,847)	(874,373)
Net cash used in operating activities	(347,649)	(551,181)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	478,112	621,377
Proceeds from the sale and maturity of investments	1,853,615	3,826,588
Purchases of investments	(2,730,459)	(3,803,425)
Net cash provided by (used in) investing activities	(398,732)	644,540
NET CHANGE IN CASH	(746,381)	93,359
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,811,384	2,718,025
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,065,003	$ 2,811,384
Reconciliation of change in net position to net cash used in operating activities:		
Change in net position:	$ (1,404,352)	$ 934,876
Investment income	(478,112)	(621,377)
Net change in fair value of investments	177,490	43,645
Operating income (loss)	(1,704,974)	357,144
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Change in receivables	(3,495)	50,959
Change in unpaid claims liability	1,265,000	(1,070,000)
Change in deposits held for others	98,153	111,575
Change in accounts payable and accrued expenses	(2,333)	(859)
Net cash used in operating activities	$ (347,649)	$ (551,181)

See accompanying notes to these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

The Louisiana Sheriffs' Law Enforcement Program (the Program), and its related Articles of Association were created pursuant to the provisions of Louisiana R.S. 13:5571-5575 so that participating Louisiana Sheriffs could self-insure against public liability for their acts and acts of their deputies, employees, agents and officers. The daily operations of the Program are controlled by the Board of Managers, consisting of eight Sheriffs elected by a majority vote of the Sheriffs in each Congressional District. Managers are elected for staggered terms of four years and may be re-elected to any number of successive terms.

The Program's insurance administration is performed by a third party administrator, whose duties consist of development of the self-insurance fund, billing and collecting, securing excess or reinsurance coverage, adjudicating claims and other services as directed by the Board of Managers. The Louisiana Sheriffs' Association (LSA) provides bookkeeping support as well as other general administrative functions for the Program.

The Program is affiliated through common membership and management control with the LSA. Although these entities are related parties, their respective assets and net positions are available only to the individual entity for its operations. Governmental Accounting Standards Program (GASB) Statement 14, as amended by Statement 61, establishes criteria for determining the governmental reporting entity and component units that should be included within a reporting entity. Under provisions of this Statement, the Program is considered a primary government, since it is a special purpose government that has a separately appointed governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 61, fiscally independent means that the Program may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Program also has no component units, defined by the standards as other legally separate organizations for which the Board of Managers are financially accountable. There are no other primary governments with which the Program has a significant relationship. The Program is not considered a component unit of any other entity.

(b) Basis of Accounting

The financial statements of the Program have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under Governmental Accounting Standards Statement (GASB) 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements.*

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Accounting *(continued)*

The Program is a proprietary fund type and is presented as a business type activity. Proprietary fund types are used to account for governmental activities that are similar to those found in the private sector where the determination of operating income and changes in net position are necessary or useful for sound financial administration. GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis of accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Since the business of the Program is essentially that of an insurance enterprise having a business cycle greater than one year, the statements of net position are not presented in a classified format.

(c) Investments

Investments are reported at estimated fair value. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized and unrealized gains and losses on investments recorded at fair value are included in net investment income.

(d) Operating / Non-operating Revenues and Expenses

Operating revenues consist of member premiums as these revenues are generated from the Program's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses which are ancillary to the Program's statutory purpose are classified as non-operating.

(e) Premium Income and Receivable

Premiums are recognized as income over the term of the policies as they become earned on a pro-rata basis. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known. The costs associated with new and renewal contracts as acquisition costs are immaterial to the financial statements and are expensed when incurred.

Premium and member deductible receivables are comprised of amounts due from members and are considered to be fully collectible by management; therefore, no reserve for bad debts has been established.

(f) Statement of Cash Flows

For the purposes of the statements of cash flows, cash includes cash in demand deposit accounts with banks and money market funds.

1. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(g) Excess Insurance

The Program uses excess insurance to reduce its exposure to large losses on insured events. The Program does not report risks covered by excess insurance as liabilities unless it is probable that those risks will not be covered by excess insurance carriers.

(h) Unpaid Claims Liability

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount, particularly for coverages such as public liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The carrying amount of liabilities for claims losses and claims expenses is presented at the estimated claim amounts after discounting for present value in the financial statements in Note 3.

(i) Income Taxes

The Program is exempt from federal income taxes under Sections 7701 and 115(1) of the Internal Revenue Code.

(j) Use of Estimates

Management of the Program has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its insurance liabilities, fair values of investments and accruals. If future experience differs materially from these estimates and assumptions, the financial statements could be affected.

2. RELATED PARTY TRANSACTIONS

LSA provides services related to the general administrative functions of the Program, as well as rental of office space on a month-to-month basis. The fees for these services are based on a percentage of the Program's collected monthly premiums from members. Total fees were approximately $105,000 and $108,000 for the years ended June 30, 2020 and 2019, respectively.

The Program provides insurance coverage for sheriffs making up the Program's Board of Managers.

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The following represents changes in the Program's aggregate unpaid claims liabilities for the years ended June 30, 2020 and 2019:

	2020	2019
Liability for unpaid losses at beginning of year	$ 5,890,000	$6,960,000
Net incurred related to:		
Current year claims	2,808,086	1,850,111
Prior year claims	183,217	(938,108)
Loss adjustment expenses	2,210,447	2,087,800
Total incurred	5,201,750	2,999,803
Net paid related to:		
Current year claims	172,344	129,532
Prior year claims	1,553,959	1,852,471
Loss adjustment expenses	2,210,447	2,087,800
Total paid	3,936,750	4,069,803
Liability for unpaid losses at end of year	$ 7,155,000	$5,890,000

The Program experienced overall unfavorable development on unpaid claims liabilities established in prior years during the fiscal year ended June 30, 2020, and overall favorable development on upaid claims liabilities established in prior years during the fiscal year ended June 30, 2019. In establishing reserves, management considers facts currently known, historical claims information, industry average loss data, and the present state of laws and coverage litigation. However, the process of establishing loss reserves is a complex and imprecise science that reflects significant judgmental factors. Management believes that the aggregate loss reserves at June 30, 2020, are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through June 30, 2020, will not vary from the above estimates, and such difference could be significant.

The unpaid liability related to legal defense of cases was estimated to be approximately $491,000 and $463,000 as of June 30, 2020 and 2019, respectively, and is included in the total unpaid claims liability. For the defense of a substantial portion of its claims files, the Program has entered into a fixed monthly retainer fee arrangement with its primary legal defense firm. The fixed retainer fees are included in loss adjustment expenses above, but are not included in amounts recoverable under the Program's excess insurance contracts.

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY (continued)

The Program provides risk coverage to members on a claims-made basis. The Program's claims payable have been discounted at June 30, 2020 and 2019, based on the Program's anticipated payout patterns and a discount rate assumption of 5.0% as of June 30, 2020 and 2019, which management expects to approximate the investment earnings over the payout period. The effect of the reserve discounts was approximately $778,000 and $628,000 at June 30, 2020 and 2019, respectively.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Program is required by GASB 72, *Fair Value Measurement and Application*, to categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are described below:

- Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 – quoted prices for similar assets or liabilities in active markets or identical or similar assets or liabilities in inactive markets that are observable for the asset or liability.
- Level 3 - inputs are unobservable and significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the program's assets at fair value as of June 30, 2020 and 2019:

June 30, 2020:

	Level 1	Level 2	Total
Negotiable certificates of deposit	$ 490,713	$ -	$ 490,713
Mutual funds - equities	6,069,251	-	6,069,251
Mutual funds - bonds	4,486,220	-	4,486,220
Investments at fair value	$ 11,046,184	$ -	11,046,184
External investment pool, at net asset value			4,216,876
Total Investments			$ 15,263,060

June 30, 2019:

	Level 1	Level 2	Total
Mutual funds - equities	6,257,117	-	6,257,117
Mutual funds - bonds	4,156,359	-	4,156,359
Investments at fair value	$ 10,413,476	$ -	10,413,476
External investment pool, at net asset value			4,150,230
Total Investments			$ 14,563,706

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

At June 30, 2020 and 2019, investment securities and cash and cash equivalents consisted of the following:

June 30, 2020	Cost	Estimated Fair Value	Percentage of Investments	Standard & Poors/ Moody's Rating	Weighted-Average Maturity (Years)
Negotiable certificates of deposit	490,000	490,713	3.22%	Not rated	0.33
Mutual funds - equities	5,751,514	6,069,251	39.76%	Not rated	(1)
Mutual funds - bond	4,596,516	4,486,220	29.39%	Not rated	(1)
LAMP	4,216,876	4,216,876	27.63%	AAAm	
Subtotal - investments	15,054,906	15,263,060	100.00%		
Money market funds	224,205	224,205		Not rated	
Cash demand deposit	1,840,798	1,840,798			
Subtotal - amount reported as cash	2,065,003	2,065,003			
Total cash and investments	$17,119,909	$17,328,063			

(1) Weighted-average maturity is not applicable to investments in mutual funds.

June 30, 2019	Cost	Estimated Fair Value	Percentage of Investments	Standard & Poors/ Moody's Rating	Weighted-Average Maturity (Years)
Mutual funds - equities	5,780,948	6,257,117	42.96%	Not rated	(1)
Mutual funds - bond	4,229,576	4,156,359	28.54%	Not rated	(1)
LAMP	4,150,230	4,150,230	28.50%	AAAm	
Subtotal - investments	14,160,754	14,563,706	100.00%		
Money market funds	656,008	656,008		Not rated	
Cash demand deposit	2,155,376	2,155,376			
Subtotal - amount reported as cash	2,811,384	2,811,384			
Total cash and investments	$16,972,138	$17,375,090			

(1) Weighted-average maturity is not applicable to investments in mutual funds.

At June 30, 2020 and 2019, the Program had cash equivalents totaling $224,205 and $656,008, respectively, which are held in investment brokerage accounts. This balance represents investments in money market funds that, because of their relative liquidity, are reported as cash equivalents on the statements of net position.

4. **CASH, CASH EQUIVALENTS AND INVESTMENTS** (continued)

At June 30, 2020 and 2019, the Program has investments totaling $4,216,876 and $4,150,230, respectively, that are invested in Louisiana Asset Management Pool (LAMP), an external investment pool. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares. This investment pool is classified as an external investment pool in the fair value hierarchy table above. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

At June 30, 2020 and 2019, the Program has investments in various mutual funds totaling $10,555,471 and $10,413,476, respectively. These mutual funds invest in securities in a variety of industries. Approximately 47% of the Program's mutual funds are invested in fixed income securities, approximately 28% in U.S. equity securities and approximately 25% in non-U.S. equity and other securities at June 30, 2020.

Custodial Credit Risk

For cash and cash equivalents (demand deposit accounts and money market funds), custodial credit risk is the risk that in the event of financial institution failure, the Program's deposits may not be returned to them. The Program has no custodial credit risk with respect to demand deposit accounts at June 30, 2020. The Program's investments in money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Program will not be able to recover the value of its investments that are in the possession of an outside party. At June 30, 2020 and 2019, the Program's investments are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by a counterparty.

LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will be unable to meet its obligations. The Program minimizes this risk by adhering to an investment strategy designed to achieve a conservative risk/return characteristic by investing in diversified mutual funds.

Concentration of Credit Risk

Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Program's investment in a single issuer. LAMP's pooled investments are excluded from the 5% disclosure requirement.

At June 30, 2020 and 2019, there were no investments in any one issuer that represented 5% or more of total investments, which do not consider diversified mutual funds as a single issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the estimated fair value of an investment. The Program measures the weighted-average maturities of the total fixed income securities, individual securities, as well as categories of securities held by the Program.

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 43 days at June 30, 2020.

Net investment income for the years ended June 30, 2020 and 2019, consisted of the following:

	2020	2019
Interest and dividend income	$ 292,803	$ 349,191
Realized gains	185,309	272,186
Unrealized losses arising during the year – net	(177,490)	(43,645)
	$ 300,622	$ 577,732

5. EXCESS INSURANCE POLICY COVERAGE

Effective September 1, 2005 through June 30, 2020, the Program has obtained excess insurance coverage from Princeton Excess & Surplus Lines Insurance Company, which is rated as A+ Superior by A.M. Best Company (as of July 17, 2020, the last date rated). Effective July 1, 2020, the Program changed excess insurance coverage carriers from Princeton Excess & Surplus Lines Insurance Company to Old Republic Insurance Group. For the last five policy years, the Program has specific excess coverage as follows:

Period	Per Occurrence Retention	Per Occurrence Limit	Corridor	Aggregate Ceded Limit
7/1/14-15	$ 100,000	$ 1,000,000	$ 350,000	$ 10,000,000
7/1/15-16	100,000	1,000,000	350,000	10,000,000
7/1/16-17	100,000	1,000,000	450,000	10,000,000
7/1/17-18	100,000	1,000,000	450,000	10,000,000
7/1/18-19	100,000	1,000,000	450,000	10,000,000
7/1/19-20	100,000	1,000,000	600,000	10,000,000

Participating members may elect to purchase specific excess of loss coverage limits of $900,000, $1,900,000, or $2,900,000. The specific excess of loss insurance policy has a $10,000,000 aggregate limit for all members.

For prior years, the Program also obtained specific excess insurance coverage with differing specific and aggregate loss limits from other excess insurance carriers.

The Program does not have such risk of loss related to specific excess coverage limits which members may elect to purchase for their own benefit. The Program evaluates the financial condition of its excess carriers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the excess carrier to minimize its exposure to significant losses from excess carrier insolvencies.

During the years ended June 30, 2020 and 2019, the Program received excess reimbursements in the amount of approximately $89,000 and $3,400,000, respectively.

6. DEPOSITS HELD FOR OTHERS

The Program provides bookkeeping and other general administrative services for one parish sheriffs group who operates a self-funded insurance program. The Program does not bear insurance risk for this group and, accordingly, excludes the activity of this group from premiums and claims expense. The group deposits funds with the Program, and the Program disburses the funds according to the group's financial obligations. The Program is paid an administrative fee for these services, which is included as a reduction of other general and administrative expenses in the Statements of Revenues, Expenses and Changes in Net Position. At June 30, 2020 and 2019, deposits held by the Program for this group totaled $1,014,535 and $916,382, respectively.

7. CONTINGENCIES

During the normal course of business, the Program becomes involved in various insurance-related claims and legal actions. Management of the Program establishes estimated liabilities for reported and unreported contingencies. Management believes that the outcome of claims and any related legal proceedings will be provided for by the estimated insurance liabilities and will not have a material adverse effect on the Program's financial position or results of operations.

In March, 2020, the World Health Organization declared the coronavirus (COVID-19) a global pandemic. The spread of the virus has adversely affected global business activities and has resulted in significant uncertainty in the global economy. The impact of the COVID-19 pandemic continues to evolve and has been marked by rapid changes and developments. The extent to which the COVID-19 pandemic may directly or indirectly impact the Program's financial condition or results of operations cannot be reasonably estimated at this time.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available to be issued, December 9, 2020, and determined that no additional disclosures were necessary. No additional events occurring after this date have been evaluated for inclusion in the financial statements.

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A Professional Accounting Corporation

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

Board of Managers
Louisiana Sheriffs' Law Enforcement Program
Baton Rouge, Louisiana

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 the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Louisiana Sheriffs' Law Enforcement Program, which comprise the statement of net position as of and for the year ended June 30, 2020, and the related statement of revenues, expenses, and changes in position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Sheriffs' Law Enforcement Program's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Sheriffs' Law Enforcement Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Louisiana Sheriffs' Law Enforcement Program's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness [2020-1]. Our responsibility under current audit standards requires us to communicate this issue to the Board of Managers.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Sheriffs' Law Enforcement Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

Management's response to the material weakness identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit management's response and, accordingly, we express no opinion on it.

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 do not provide an opinion on the effectiveness of the Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 9, 2020

LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDITORS' RESULTS

(1) The auditors' report expressed an unqualified opinion on the financial statements of the Louisiana Sheriffs' Law Enforcement Program (the Program) as of June 30, 2020, and for the year then ended.

(2) There is a significant deficiency relating to the audit of the financial statements, which is reported in section B on this schedule. This significant deficiency is considered a material weakness [2020-1].

B. FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2020-1 Design of Internal Control Over Financial Reporting

Condition: As part of the audit process, the auditors have assisted management in drafting the financial statements and related notes for year-end financial reporting. Additionally, the auditor has proposed adjusting journal entries to adjust the books and records of the Program, and these adjustments have been reviewed and accepted by management. In the auditors' judgment, the number and magnitude of adjustments proposed, either individually or in the aggregate, indicate matters that do have a significant effect on the Program's financial reporting process. This matter is a material weakness as defined by auditing standards.

Criteria: Internal controls over financial reporting should be adequately designed to enable the Program to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America.

Effect: Significant adjusting journal entries were proposed to allow the financial statements to accurately reflect the Program's financial position, operations and cash flows.

Recommendation: Small entities with few internal accounting personnel or resources typically have difficulty establishing formal internal control procedures to ensure accurate financial reporting. While cost effectiveness certainly needs to be considered, we recommend that management evaluate the need to strengthen internal controls by hiring additional resources to mitigate its financial reporting risk.

Management's response: Management understands and concurs with the finding. Management will work closely with the auditor to further understand the risks and consider the need to dedicate additional resources for the documentation of internal controls and preparation of our financial statements.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020

MATERIAL WEAKNESS

2019-1 Design of Internal Control Over Financial Reporting

Condition: As part of the audit process, the auditors have assisted management in drafting the financial statements and related notes for year-end financial reporting. Additionally, the auditor has proposed adjusting journal entries to adjust the books and records of the Program, and these adjustments have been reviewed and accepted by management. In the auditors' judgment, the number and magnitude of adjustments proposed, either individually or in the aggregate, indicate matters that do have a significant effect on the Program's financial reporting process. This matter is a material weakness as defined by auditing standards.

Recommendation: Small entities with few internal accounting personnel or resources typically have difficulty establishing formal internal control procedures to ensure accurate financial reporting. While cost effectiveness certainly needs to be considered, we recommend that management evaluate the need to set up controls by hiring additional resources to mitigate its financial reporting risk.

Current status: This matter is a repeated finding. See finding 2020-1.

LOUISIANA SHERIFFS' LAW ENFORCEMENT PROGRAM

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO DIRECTOR
YEAR ENDED JUNE 30, 2020

Louisiana Sheriff's Law Enforcement Program

Schedule of Compensation, Benefits and Other Payments to Director

Year Ended: June 30, 2020

Director Name: Randy Maxwell

Purpose	**Amount**
Salary	$ 97,000
Travel	754