HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2018

Postlethwaite & Netterville

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Postlethwaite & Netterville

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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

Officers and Trustees
Horsemen's Workers' Compensation Insurance Trust

We have audited the accompanying financial statements of the Horsemen's Workers' Compensation Insurance Trust (the Trust), which comprise the statements of net assets as of December 31, 2018 and 2017, and the related statements of revenues, expenses, and changes in net assets, 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 involves 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 entity'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 entity'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 the Horsemen's Workers' Compensation Insurance Trust as of December 31, 2018 and 2017, 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.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about short-duration insurance contracts on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for planning 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 and 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in the Schedule of Compensation, Benefits and Other Payments to Agency Head on page 14, 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 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 supplementary information has been subjected to the auditing procedures applied in the audits 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 supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 26, 2019, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 26, 2019

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

STATEMENTS OF NET ASSETS
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
Cash	$ 4,313,145	$ 3,286,668
Cash held in claims escrow funds	282,485	217,543
Premiums receivable (less reserve for bad debt of $0 and $29,321 for 2018 and 2017, respectively)	-	60,079
Prepaid excess insurance	303,887	299,669
Excess insurance receivable	113,362	149,260
Other prepaid expenses	47,506	45,932
Due from affiliates, net	647,242	820,416
Total assets	$ 5,707,627	$ 4,879,567

LIABILITIES AND NET ASSETS

	2018	2017
Liabilities:		
Unpaid claims liability	$ 3,192,778	$ 2,543,180
Accounts payable and accrued liabilities	439,624	298,981
Unearned premiums	3,000	6,317
Total liabilities	3,635,402	2,848,478
Net assets	2,072,225	2,031,089
Total liabilities and net assets	$ 5,707,627	$ 4,879,567

The accompanying notes are an integral part of these financial statements.

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Revenue and Other Support		
Purse receipts allocated to workers compensation revenue	$ 878,872	$ 1,040,401
Start premium revenue	2,574,807	2,454,594
Farm premium revenue	300,088	241,418
Interest income	19,725	16,004
Total operating revenues	3,773,492	3,752,417
Expenses		
Claims expense	2,301,442	1,352,454
Excess insurance premiums	505,595	572,869
Claims handling fees	83,791	56,080
Professional fees and contingencies	132,843	123,447
Management fees	688,800	704,100
Other	19,885	22,165
Total operating expenses	3,732,356	2,831,115
CHANGE IN NET ASSETS	41,136	921,302
NET ASSETS - BEGINNING	2,031,089	1,109,787
NET ASSETS - ENDING	$ 2,072,225	$ 2,031,089

The accompanying notes are an integral part of these financial statements.

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 41,136	$ 921,302
Adjustments to reconcile change in net assets to net cash provided by (used in) operations:		
Change in receivables	95,977	58,521
Change in prepaid excess insurance	(4,218)	(12,252)
Change in unpaid claims liability	649,598	(260,841)
Change in other prepaid expenses	(1,574)	(1,813)
Change in accounts payable	140,643	(37,990)
Change in unearned premiums	(3,317)	1,317
Change in due from affiliates	173,174	(123,513)
Net cash provided by operating activities	1,091,419	544,731
Net change in cash	1,091,419	544,731
Cash and cash equivalents, beginning of year	3,504,211	2,959,480
Cash and cash equivalents, end of year	$ 4,595,630	$ 3,504,211
Summary of Cash Balances		
Cash	$ 4,313,145	$ 3,286,668
Cash held in claims escrow funds	282,485	217,543
	$ 4,595,630	$ 3,504,211

The accompanying notes are an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Background and Organization

Horsemen's Workers' Compensation Insurance Trust (the Trust) was established on July 13, 2011, as a trust pursuant to Louisiana Revised Statute 4:251 and 4:252 to administer an insurance program for the purpose of providing workers' compensation insurance coverage and related benefits to members of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. (the Association). The Trust began providing insurance coverage on July 16, 2011, which is considered the date of inception of operations. The Association was formed for the purpose of protecting the interest of the horse owners and trainers, particularly as it relates to their relationships with the owners and managers of race tracks. The purpose of the Trust is to provide workers' compensation insurance certificates of coverage and related benefits for certain workers participating in the horse racing industry and members of the Association. The Trust's objective is to formulate, develop, and administer a program of workers' compensation and loss control programs for the benefit of participants. This includes developing underwriting and rate-setting policies and administering benefits to claimants under the insurance certificates and to purchase excess insurance contracts for the benefit of the Trust.

Workers' compensation benefits provided by the Trust were previously provided to members of the Association pursuant to insurance policies issued by a third party and reinsured by Horsemen's Insurance Alliance SPC (HIA), which is incorporated in the Cayman Islands as a segregated portfolio Trust and a captive insurer owned by the Association. Effective July 16, 2011, the Trust began providing coverage to members, which were previously provided by a third party insurance policy in conjunction with HIA acting as the reinsurer for a specified amount of covered risks. All claims and other liabilities prior to this date remain the obligation of the third party insurer and HIA.

The Trust is administered by a Board of Trustees who are appointed by the Board of Directors of the Association. The Trust also contracts with the Association to act as the administrator and manager of the Trust and with other parties to perform certain functions to carry out the objectives of the Trust. The Trust and the Association are affiliated through common membership and management control and are considered to be related parties. Although these entities are related parties, their various net assets are available only to each individual entity for their respective operations.

In the event the Trust has excess assets available for a trust year of operations, the Trustees may, at their sole discretion, declare a dividend payable to members meeting eligibility requirements. Such a dividend will be payable only upon determination by the Board of Trustees and any necessary regulatory approvals.

(b) Basis of Accounting

The accompanying financial statements are presented in accordance with U.S. generally accepted accounting principles (GAAP) and prevailing practices within the insurance industry. The Trust utilizes the accrual method of accounting for financial reporting purposes.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenues and Accounts Receivable

The Association is funded by the statutorily dedicated funds described in the Louisiana Revised Statute (La R.S) 4:251 through 252, relative to workers' compensation insurance coverage. Pursuant to La R.S. 4:252 (c)(5), the Association receives 2% of all purses and purse supplements available for purses for any race meets in Louisiana. Of the 2% receipts, the Association may utilize up to one-half of the authorized two percent for the improvement and administration of the Louisiana Horsemen's Pension Trust. During the years ended December 31, 2018 and 2017, 1% of the Association's 2% purse receipts was dedicated to the Trust and recognized as revenues in these financial statements. The remaining 1% of the Association's purse receipts was dedicated to the Louisiana Horsemen's Pension Trust. See Note 2.

The Association's workers' compensation insurance program also generates premium revenue charged based on either the number of race starts or per payroll level if the member is a non-racing farm. The percentage of purse funds received and premiums charged to members on either a per-start or covered payroll basis by the Association were contributed to the Trust and included in revenues in these financial statements.

For Louisiana domiciled participants and participants who meet a Louisiana racing test, coverage is extended while temporarily participating in horse racing and/or training operations. For other participants, coverage is provided while operating at the Louisiana Race Tracks and Louisiana recognized Training Centers. Participants must obtain coverage through the Trust unless the Association declines to provide coverage. In such case, the trainer must provide evidence that other worker's compensation insurance is in place in order to race in Louisiana.

Louisiana domiciled participants and participants who meet a Louisiana racing test pay premiums on a per start fee. There was a $55 charge for in-state races. Participants for out-of-state and out-of-country races are charged a fee of $75 to $90 per start through June 2017. On July 1, 2017 the base premium starts rates increased to $65 in-state, $85 out-of-state, and $105 out-of-country. The base farm rate remained at 12% of farm payroll. Quarter Horse and Thoroughbred farms premiums are based on their estimated annual payroll.

Revenues received from a percentage of purses or on a per-start basis are recognized as revenue by the Trust when the event occurs. Premiums from non-racing farms are recognized as revenues over the term of the coverage agreements as they become earned. This method of premium recognition is considered by management to reasonably represent the periods of risk of loss exposure. Premiums are also subject to verification and any adjustments to premiums or revenues are considered to be a change in estimate and are recognized in the period they become known. The Trust evaluates the collectability of its accounts receivable based on the length of time the receivable is outstanding and historical experience. Accounts receivable are charged against the allowance for uncollectible accounts when they are deemed uncollectible. Acquisition costs associated with new and renewal coverage agreements are deemed immaterial to the financial statements and are expensed when incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Unpaid Claims Liability

The Trust provides workers' compensation coverage to members for claims incurred during the policy period regardless of when the claims are reported to the Trust. The Trust establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. 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. 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. Estimated amounts of excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims.

Adjustments to claims liabilities are charged or credited to claims expense in the periods in which they are made. The carrying amount of liabilities for claims losses and claims expense are not discounted for the present value of future payments in the financial statements.

(e) Excess Insurance Contracts

The Trust enters into excess insurance agreements to reduce its exposure to large losses on insured events. Excess insurance provides for recovery of a portion of losses from third-party insurers, although it does not discharge the primary liability of the Trust as the direct insurer of the insured risks under the coverage agreement. The Trust does not report insured risks as liabilities unless management determines it is probable that those risks will not be covered by the insurers.

(f) Contributed Services

A portion of the Trust's functions are conducted by unpaid volunteer trustees and officers. The value of this contributed time is not reflected in the accompanying financial statements since it is not susceptible to objective measurement or valuation.

(g) Income Tax Status

The Trust is exempt from federal income taxes under Sections 501(c)(4) of the Internal Revenue Code (IRC). The Trust has no unrelated business activities which could be deemed taxable activities. Therefore, no provision for income taxes has been included in the Trust's financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Insurance Related Assessments

The Trust's management and legal counsel are evaluating whether the Trust's activities are subject to assessments made by the Louisiana Second Injury Fund and the Office of Workers' Compensation based on benefits paid each year. If the Trust is determined to be subject to these types of loss-based assessments, the Trust intends to recognize these assessments as expense when related claim benefits are incurred rather than paid. The Trust would also be eligible to seek reimbursement for claims cost incurred for claimants which qualify for reimbursement under the Louisiana Second Injury Fund. At December 31, 2018 and 2017, the Trust accrued $125,000, as potential contingent liabilities associated with these loss-based assessments which is continually updated as additional information is evaluated. Changes in the accrued liabilities for these assessments are recorded as charges or credits to expense each year.

(i) Statements of Cash Flows

For purposes of the statements of cash flows, the Trust considers cash and cash equivalents to be short-term, highly liquid assets that are readily convertible to known amounts of cash. The Trust also applies Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* and combines unrestricted and restricted cash for purposes of the statements of cash flows.

(j) Use of Estimates

Management of the Trust 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 and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

2. RELATED PARTY TRANSACTIONS

The Association provides various management and administrative functions for the benefit of the Trust, including the collection of the Trust's revenues. The Trust incurred management fees to the Association of $688,800 and $704,100 during the years ended December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, the Statements of Net Assets included $647,242 and $820,416, respectively, of net amounts due from the Association.

As previously described in Note 1, the Trust's purpose is to provide benefits for members of the Association and is dependent on the Association to contribute revenues to the Trust, which are statutorily derived. In June 2016, the Association's Board increased the revenues to the Trust for a period of one year beginning on June 1, 2016 and ending May 31, 2017. The adjusted distribution provided one and a half percent (1.5%) dedicated to HWCIT and one half percent (0.50%) dedicated to Pension. Effective June 1, 2017, the revenue dedicated to the Trust and Pension were revised to one percent (1.00%) to each. The Trust's viability is dependent on the Association for operating revenues, management services, and funding any cash flow needs.

3. CLAIMS ESCROW FUNDS

At December 31, 2018 and 2017, the funds held by a third party service provider, which are restricted and used to pay out claims, were $282,485 and $217,543, respectively.

4. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The following represents changes in the Trust's aggregate unpaid claims liabilities for the years ended December 31, 2018 and 2017, net of amounts insured by excess insurers as described in Note 5:

	2018	2017
Balance – beginning, net	$ 2,543,180	$ 2,804,021
Net incurred related to:		
Current year	2,634,573	1,528,571
Prior years	(333,131)	(176,117)
Total incurred	2,301,442	1,352,454
Net paid related to:		
Current year	792,579	453,516
Prior years	859,265	1,159,779
Total paid	1,651,844	1,613,295
Balance – ending, net	$ 3,192,778	$ 2,543,180

The Trust engages an independent consulting actuary to advise on the necessary level of reserves for losses and loss-adjustment expenses. During 2018, the Trust experienced overall favorable development of approximately $333,000 on unpaid claims liabilities established in prior years. During 2017, the Trust experienced overall favorable development of approximately $176,000.

In the opinion of the Trust's management, the reserve estimates are adequate to cover the estimated ultimate liability for the losses and loss-adjustment expenses at December 31, 2018. Consistent with most companies with similar insurance operations, the Trust's reserve for losses and loss-adjustment expenses is ultimately based on management's reasonable expectations of the future events. It is reasonably possible that the expectations associated with these amounts could change in the near term (i.e. within one year) and that the effect of such changes could be material to the financial statements. The Trust does not discount its reserves for losses and loss-adjustment expenses.

The Trust's reserves for loss and loss adjustment expenses represent the estimated cost of all reported and unreported loss and loss adjustment expenses incurred and unpaid at any given point in time based on known facts and circumstances. The Trust estimates its reserves for loss and loss adjustment expenses using case valuations and actuarial analysis.

The Trust utilizes a combination of generally accepted and standard actuarial methods including paid and incurred loss development factor approaches, expected loss ratio methods and other paid and incurred approaches to estimate its reserves for loss and loss adjustment expenses. Embedded within these actuarial methods are loss development assumptions selected by either a review of the Trust's specific loss development history, industry loss development characteristics, or a combination of both depending on the maturity of the loss experience to date.

4. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY (continued)

Loss development factors are a key assumption underlying many of the actuarial methods utilized. Loss development factors are the ratio of losses at successive evaluations for a defined group of claims (e.g., accident year, accident quarter, etc.). Loss development factors may be dependent on a number of elements, including frequency and severity of claims, length of time to achieve ultimate settlement of claims, case reserving practices, projected inflation of medical costs and wages, judicial determinations and existing laws and regulations. The predictive ability of loss development factors is dependent on consistent underwriting, claims handling, and inflation, among other factors, and predictable legislatively and judicially imposed legal requirements.

The Trust only writes workers' compensation insurance. The incurred claims information below also includes the cumulative number of claims reported in each accident year. The number of claims reported are aggregated on a per claimant basis and are included to help measure claim frequency.

The following is information about the incurred and paid claims for the year ended December 31, 2018, net of reinsurance, as well as cumulative claim frequency and the total of incurred but not reported liabilities plus expected development on reported claims included within the net incurred claims amounts.

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Excess Insurance
As of December 31, 2018

Accident Year	Incurred claims and allocated claim adjustment expenses, net of reinsurance	Cumulative Paid	Incurred but not reported plus expected development on reported claims	Cumulative number of claims reported
2011	$ 693,070	$ 686,209	$ 6,862	177
2012	1,605,541	1,586,241	19,301	159
2013	1,828,227	1,743,697	39,435	114
2014	1,948,033	1,788,558	97,772	89
2015	1,551,173	1,397,659	119,570	91
2016	1,860,372	1,477,899	234,156	108
2017	1,397,486	852,955	468,914	81
2018	2,634,673	792,579	1,137,403	86
	$ 13,518,575	$ 10,325,797		

Liabilities for claims and allocated claims adjustment expenses, net of excess insurance	$ 3,192,778

5. EXCESS INSURANCE COVERAGE

The Trust purchases specific and aggregate excess insurance policies from New York Marine and General Insurance Trust to limit the Trust's losses in excess of specified limits. The Trust's specific excess policy limited the Trust's losses to the retention amount for any single occurrence, up to a maximum benefit. The Fund's aggregate excess coverage provided protection against losses in the aggregate, subject to a minimum retention by the Trust.

The specific excess insurance obtained since inception provides coverage for each and every accident in excess of a $400,000 retention amount retained by the Trust for years prior to 2015. During 2015, the specific retention amount was increased to $500,000 for 2015 and subsequent years. The specific excess insurance provides coverage for all statutory benefits owed to the claimant under the Trust's coverage agreement.

The aggregate excess insurance provides for coverage of aggregate losses for the coverage periods ending July 1, 2018, and July 1, 2019, exceeding 312% and 336% of earned normal premium, respectively, which is estimated to be an aggregate attachment point of $4,200,000 and $5,000,000, respectively. The aggregate excess insurance agreement for the period ending July 1, 2019, provides for $3,000,000 of coverage above this attachment point.

As of December 31, 2018 and 2017, the Trust included amounts receivable from the excess insurer of $113,362 and $149,260, respectively. The Trust also presented its loss reserve liability in Note 4 net of unpaid losses incurred in excess of the Trusts retention levels. The ultimate amount of losses in excess of the Trust's retention has not been determined but case reserves were estimated to be approximately $1.2 million and $1.9 million at December 31, 2018 and 2017, respectively.

The excess insurance contracts do not relieve the Trust from its obligations to claimants. The Trust remains liable to claimants for the portion insured to the extent that the excess insurer does not meet the obligations assumed under the excess insurance agreement. Failure of the excess insurers to honor their obligation could result in losses to the Trust.

6. SUBSEQUENT EVENTS

Management has evaluated events through the date that the financial statements were available to be issued, June 26, 2019, and determined that there were no events that required additional disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

SHORT-DURATION CONTRACTS

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Excess Insurance
For The Years Ended December 31,

Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	Incurred but not reported plus expected development on reported claims	Cumulative number of claims reported
2011	$ 1,132,083	$ 908,584	$ 789,785	$ 777,509	$ 750,754	$ 714,609	$ 700,027	$ 693,070	$ 6,862	177
2012		2,075,737	1,987,329	1,845,713	1,814,422	1,716,578	1,645,004	1,605,541	19,301	159
2013			1,852,228	1,635,334	1,707,955	1,629,730	1,849,709	1,828,227	39,435	114
2014				2,066,056	2,336,140	1,967,750	2,047,031	1,948,033	97,772	89
2015					1,797,516	1,777,634	1,594,611	1,551,173	119,570	91
2016						2,048,280	1,952,183	1,860,372	234,156	108
2017							1,528,571	1,397,486	468,914	81
2018								2,634,673	1,137,403	86
								$ 13,518,575		

Cumulative Paid Claims & Allocated Claim Adjustment Expenses, Net of Excess Insurance
For The Years Ended December 31,

Accident Year	2011	2012	2013	2014	2015	2016	2017	2018
2011	$ 190,262	$ 484,435	$ 580,082	$ 605,932	$ 605,932	$ 686,209	$ 686,209	$ 686,209
2012		605,844	1,257,622	1,467,942	1,579,850	1,584,806	1,585,373	1,586,241
2013			428,434	823,044	1,242,482	1,389,682	1,705,234	1,743,697
2014				500,380	1,360,414	1,637,406	1,795,799	1,788,558
2015					352,540	1,103,715	1,343,040	1,397,659
2016						659,293	1,204,785	1,477,899
2017							453,516	852,955
								792,579
							Total	$ 10,325,797
Liabilites for claims and allocated claims adjustment expenses, net of excess insurance								$ 3,192,778

See independent auditors' report.

SUPPLEMENTARY INFORMATION

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD FOR THE YEAR ENDED DECEMBER 31, 2018

Agency Head Name: Edwin Fenasci, Executive Director

Purpose		
Salary	$	121,762
Benefits - insurance		6,970
Per diem		141
Registration fees		292
Conference travel		891

Note: The governing body of the Horsemen's Workers' Compensation Insurance Trust is the Board of Trustees. The Trustees are appointed by the Board of Directors of LAHBPA 1993, Inc. The Executive Director of LAHBPA 1993, Inc. is the individual responsible for and monitors all activities of the LAHBPA 1993, Inc. and its related organizations including the Horsemen's Workers' Compensation Insurance Trust. The Horsemen's Workers' Compensation Insurance Trust does not have any employees. This schedule reflects the compensation, benefits and other payments made to the Executive Director by LAHBPA 1993, Inc.

See independent auditors' report.

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

Officers and Trustees
Horsemen's Workers' Compensation Insurance Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Horsemen's Workers' Compensation Insurance Trust (the "Trust"), which comprise the statements of net assets as of December 31, 2018, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Postlethwaite & Netterville

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust'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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 26, 2019

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

LOUISIANA LEGISLATIVE AUDITOR – STATEWIDE AGREED-UPON PROCEDURES REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

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A Professional Accounting Corporation

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Members of the
Horsemen's Workers' Compensation Insurance Trust and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated in Schedule A, which were agreed to by Horsemen's Workers' Compensation Insurance Trust (the Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 26, 2019

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
DECEMBER 31, 2018

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read *"no exception noted"*. If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity" is indicated.

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

   a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

   HWCIT does not prepare a budget.

   b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

   Not applicable – no applicable purchases are made through HWCIT.

   c) ***Disbursements***, including processing, reviewing, and approving

   HWCIT implemented written policies and procedures regarding disbursements.

   d) ***Receipts***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

   HWCIT implemented written policies and procedures regarding receipts.

   e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

   Not applicable – HWCIT does not have any employees.

   f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

   HWCIT implemented written policies and procedures regarding contracting.

g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

Not applicable – HWCIT does not have any credit cards.

h) ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

HWCIT implemented written policies and procedures regarding travel and expense reimbursements.

i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Not applicable – this does not apply to HWCIT

j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Not applicable – this does not apply to HWCIT.

Board (or Finance Committee, if applicable)

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

   Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

   a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

   Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

   b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

   Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

   c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

   Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Collections

4. Obtain a listing of <u>deposit sites</u> for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

   Since there are no cash collections handled directly by the Entity, the procedures related to cash collections are not applicable.

5. For each deposit site selected, obtain a listing of <u>collection locations</u> and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

   a) Employees that are responsible for cash collections do not share cash drawers/registers.

      Not applicable based on above explanation.

   b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

      Not applicable based on above explanation.

   c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

      Not applicable based on above explanation.

   d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

      Not applicable based on above explanation.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

   Not applicable based on above explanation.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

    a) Observe that receipts are sequentially pre-numbered.

       Not applicable based on above explanation.

    b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

       Not applicable based on above explanation.

    c) Trace the deposit slip total to the actual deposit per the bank statement.

       Not applicable based on above explanation.

    d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100).

       Not applicable based on above explanation.

    e) Trace the actual deposit per the bank statement to the general ledger.

       Not applicable based on above explanation.

Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

   The listing of locations that process payments for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

   The listing contained one location which was selected and performed the procedures below.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

   The listing of employees involved with non-payroll purchasing and payment functions for the payment processing location selected in procedure #8 was provided. No exceptions were noted as a result of performing this procedure.

   Inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

   a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

      No exceptions noted.

   b) At least two employees are involved in processing and approving payments to vendors.

      No exceptions noted.

   c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

      The person processing payments was not prohibited from adding / modifying vendor files. The same employee is responsible for periodic review of vendor files.

   d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

      The signed checks are given to the individual responsible for processing payments.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

    A listing of non-payroll disbursements for the payment processing location selected in procedures #8 was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.

    From the listings provided, we randomly selected 5 disbursements and performed the procedures below.

    a) Observe that the disbursement matched the related original invoice/billing statement.

       No exceptions noted.

b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

    Procedure is not applicable to HWCIT as the entity does not have any of the above listed cards .

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

    See above.

    a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

       See above.

    b) Observe that finance charges and late fees were not assessed on the selected statements.

       See above.

13. Using the monthly statements or combined statements selected under #12 above, <u>excluding fuel cards</u>, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

    See above.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

    a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

       Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

    b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

       Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

    c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

       Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

    d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

       Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

    Procedures 16-19 are not applicable as HWCIT does not have any employees.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

    See above.

    a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.).

       See above.

b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

See above.

c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

See above.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.:

See above.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

See above.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Procedure is not applicable as HWCIT does not have any employees.

b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Procedure is not applicable as HWCIT does not have any employees.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Procedure is not applicable as HWCIT does not have any debt service agreements.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

    Procedure is not applicable as HWCIT does not have any debt service agreements.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

    Not applicable. The entity did not report any misappropriations of public funds or assets.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Corrective Action

34. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

Management acknowledges that the established internal policies and controls of the organization were documented and implemented during the current year. The polices are currently in the process of being formally adopted by the Trustees. Management will take into consideration the other areas identified in this report in order to strengthen their procedures as necessary.