

**LOUISIANA THOROUGHBRED BREEDERS
ASSOCIATION**

Audit of Financial Statements

December 31, 2017



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Independent Auditor's Report

To the Board of Directors of
Louisiana Thoroughbred Breeders Association

Report on the Financial Statements

We have audited the accompanying financial statements of Louisiana Thoroughbred Breeders Association (the Association), a non-profit organization, which comprise the statements of assets, liabilities, and net assets - modified cash basis as of December 31, 2017, and the related statements of revenues and expenses - modified cash basis, and changes in net assets - modified cash basis, for the year 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 the modified-cash basis of accounting; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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.

Basis for Qualified Opinion

As discussed in Note 3, the Association has accrued certain revenues related to the publication of *Louisiana Horse Magazine*. If the revenues were not accrued, accounts receivable of \$23,243 would not be recorded and net assets would increase by \$16,725 as of December 31, 2017. Excess revenues over expenses would decrease by \$16,725 for the year ended December 31, 2017.

Qualified Opinion

In our opinion, except for the effects of accruing certain revenues, as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and net assets of the Association as of December 31, 2017, and its related revenues and expenses and changes in net assets for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 18 - 23 is presented for the purpose 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 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, except for the effects of the accrual of certain revenues, as discussed above, the information is fairly stated in all material respects in relation to the financial statements taken as a whole on the basis of accounting described in Note 1. The December 31, 2016 amounts were included for comparative purposes only.

Report on Summarized Comparative Information

We have previously audited the Association's 2016 financial statements, and we expressed a modified audit opinion, due to the accrual of certain revenues consistent with the current year modification, on those audited financial statements in our report dated, June 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018, on our consideration of the Association's internal control over financial reporting and on 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 *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
June 26, 2018

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis
as of December 31, 2017

With Summarized Financial Information as of December 31, 2016

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2017	2016
Assets							
Current Assets							
Cash	\$ 1,477,539	\$ 8,548	\$ -	\$ -	\$ -	\$ 1,486,087	\$ 1,518,885
Restricted Cash	37,300	-	62,666	215,027	2,286,999	2,601,992	2,273,324
Accounts Receivable	23,243	-	-	-	-	23,243	37,345
Grants Receivable	60,000	-	-	-	-	60,000	-
Total Current Assets	1,598,082	8,548	62,666	215,027	2,286,999	4,171,322	3,829,554
Property and Equipment - Net							
Furniture and Equipment	132,573	-	-	-	-	132,573	132,573
Buildings	120,756	-	-	-	-	120,756	120,756
Software	2,421	-	-	-	-	2,421	2,421
Total Property and Equipment	255,750	-	-	-	-	255,750	255,750
Less: Accumulated Depreciation	(174,327)	-	-	-	-	(174,327)	(164,210)
Total Property and Equipment - Net	81,423	-	-	-	-	81,423	91,540
Other Assets							
Restricted Cash	25,150	-	-	-	-	25,150	22,650
Investment - Breeders Sales Company	20,000	-	-	-	-	20,000	20,000
Deposits	600	-	-	-	-	600	600
Total Other Assets	45,750	-	-	-	-	45,750	43,250
Total Assets	\$ 1,725,255	\$ 8,548	\$ 62,666	\$ 215,027	\$ 2,286,999	\$ 4,298,495	\$ 3,964,344

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis (Continued)
as of December 31, 2017

With Summarized Financial Information as of December 31, 2016

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2017	2016
Liabilities and Net Assets							
Current Liabilities							
Deposits - Futurity Races	\$ 37,300	\$ -	\$ -	\$ -	\$ -	\$ 37,300	\$ 46,760
Total Current Liabilities	37,300	-	-	-	-	37,300	46,760
Long-Term Liabilities							
Deposits - Futurity Races	25,150	-	-	-	-	25,150	22,650
Total Long-Term Liabilities	25,150	-	-	-	-	25,150	22,650
Total Liabilities	62,450	-	-	-	-	62,450	69,410
Net Assets							
Restricted - Breeders Awards	-	-	62,666	215,027	2,286,999	2,564,692	2,226,564
Undesignated	1,662,805	8,548	-	-	-	1,671,353	1,668,370
Total Net Assets	1,662,805	8,548	62,666	215,027	2,286,999	4,236,045	3,894,934
Total Liabilities and Net Assets	\$ 1,725,255	\$ 8,548	\$ 62,666	\$ 215,027	\$ 2,286,999	\$ 4,298,495	\$ 3,964,344

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Statement of Revenues and Expenses - Modified Cash Basis
For the Year Ended December 31, 2017

With Summarized Financial Information for the Year Ended December 31, 2016

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2017	2016
Revenues							
Slot Machine Proceeds - 2%	\$ -	\$ -	\$ -	\$ -	\$ 6,487,962	\$ 6,487,962	\$ 6,979,659
10% from Tracks	-	-	-	954,320	-	954,320	1,072,080
LSRC Co-Op	-	-	-	-	700,000	700,000	700,000
Awards - 9.1%	-	-	-	523,173	-	523,173	541,874
Commissions - 2%	522,646	-	-	-	-	522,646	594,933
Awards - Triple Crown Races	-	236,352	-	-	-	236,352	259,334
Fees - 14%	167,249	-	-	-	-	167,249	174,792
Accrediting Fees	111,050	-	-	-	-	111,050	114,950
Publications - Louisiana Horse	92,947	-	-	-	-	92,947	98,773
State Grant	60,000	-	-	-	-	60,000	60,000
Members' Dues	56,720	-	-	-	-	56,720	60,995
SALAM Awards - 8% and 15.1%	-	-	43,126	-	-	43,126	51,958
Nominations	-	41,150	-	-	-	41,150	42,050
Mare and Stallion Registration	29,045	-	-	-	-	29,045	32,405
Stallion Fees	-	17,420	-	-	-	17,420	15,460
Interest Income	7,680	166	-	435	7,294	15,575	4,223
Management Fee Income	11,364	-	-	-	-	11,364	10,242
Slot/OTB Interest Transfer	7,014	-	-	-	-	7,014	3,562
LQHBA Contribution	-	3,500	-	-	-	3,500	-
Website Advertising	2,850	-	-	-	-	2,850	1,290
Finance Charges	1,149	-	-	-	-	1,149	1,039
Miscellaneous	1,111	-	-	-	-	1,111	38,287
Total Revenues	1,070,825	298,588	43,126	1,477,928	7,195,256	10,085,723	10,857,906

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Statement of Revenues and Expenses - Modified Cash Basis (Continued)
For the Year Ended December 31, 2017

With Summarized Financial Information for the Year Ended December 31, 2016

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2017	2016
Expenses							
Breeders' Awards	-	-	895,845	2,667,500	3,000,114	6,563,459	7,586,790
Stallion Awards	-	-	-	-	901,187	901,187	900,000
Purse Supplements	-	290,679	-	415,062	-	705,741	846,280
Salaries	434,667	-	-	-	-	434,667	432,996
Breeder's Awards - Out of State	-	-	-	-	400,278	400,278	401,263
Out of State Stakes Awards	-	-	-	-	113,405	113,405	217,651
Insurance	70,573	-	-	-	-	70,573	134,150
Research	52,500	-	-	-	-	52,500	55,815
Publication Expense	51,708	-	-	-	-	51,708	39,612
Advertising and Promotion	44,538	1,505	-	-	-	46,043	62,520
Professional Accounting Fees	36,971	-	-	-	-	36,971	33,256
Payroll Taxes	33,960	-	-	-	-	33,960	35,428
Meetings and Banquets	33,254	-	-	-	-	33,254	33,679
Field Inspector	30,000	-	-	-	-	30,000	31,924
Computer Fees	29,347	-	-	-	-	29,347	13,609
Legal	26,235	-	-	-	-	26,235	3,350
PAC	21,250	-	-	-	-	21,250	22,500
Postage and Shipping	17,830	-	-	-	-	17,830	18,140
Pension Expense	16,328	-	-	-	-	16,328	20,299
Office Expense	15,594	-	-	-	-	15,594	14,469
Car Allowance	15,000	-	-	-	-	15,000	15,000
Equipment Rental	12,398	-	-	-	-	12,398	13,700
Travel	11,794	-	-	-	-	11,794	15,597
Contributions	11,050	-	-	-	-	11,050	5,300
Depreciation	10,117	-	-	-	-	10,117	10,526
Trophies	7,089	2,895	-	-	-	9,984	7,196
Pedigree Research	9,598	-	-	-	-	9,598	8,441
Telephone Expense	8,623	-	-	-	-	8,623	12,532
Website/Internet	8,416	-	-	-	-	8,416	36,243
Scholarships	8,000	-	-	-	-	8,000	17,000
Taxes and Licenses	7,935	-	-	-	-	7,935	9,238
Interest Transfers	-	-	-	-	7,139	7,139	3,572
Election Expense	5,915	-	-	-	-	5,915	5,694
Writers and Photographer Fees	5,527	-	-	-	-	5,527	5,191
Printing	5,056	-	-	-	-	5,056	7,173
Dues and Subscriptions	2,874	-	-	-	-	2,874	1,896
Repairs and Maintenance	2,183	-	-	-	-	2,183	4,080
General Accounting	1,597	-	-	-	-	1,597	6,054
Bank Charges	236	110	-	445	285	1,076	1,066
Loss on Disposal of Property, Plant & Equipment	-	-	-	-	-	-	1,235
Bad Debt	-	-	-	-	-	-	896
Miscellaneous	-	-	-	-	-	-	737
Total Expenses	1,048,163	295,189	895,845	3,083,007	4,422,408	9,744,612	11,092,098
Excess (Deficit) Revenues Over Expenses	\$ 22,662	\$ 3,399	\$ (852,719)	\$ (1,605,079)	\$ 2,772,848	\$ 341,111	\$ (234,192)

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Statement of Changes in Net Assets - Modified Cash Basis
For the Year Ended December 31, 2017

With Summarized Financial Information for the Year Ended December 31, 2016

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2017	2016
Net Assets - Beginning of Year	\$ 1,643,035	\$ 25,335	\$ 41,985	\$ 127,962	\$ 2,056,617	\$ 3,894,934	\$ 4,129,126
Excess (Deficit) Revenues Over Expenses	22,662	3,399	(852,719)	(1,605,079)	2,772,848	341,111	(234,192)
Transfer (To) From Other Funds	(2,892)	(20,186)	873,400	1,692,144	(2,542,466)	-	-
Net Assets - End of Year	<u>\$ 1,662,805</u>	<u>\$ 8,548</u>	<u>\$ 62,666</u>	<u>\$ 215,027</u>	<u>\$ 2,286,999</u>	<u>\$ 4,236,045</u>	<u>\$ 3,894,934</u>

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Introduction

The Louisiana Thoroughbred Breeders Association (the Association) is a Louisiana non-profit organization, which seeks to promote and further the thoroughbred breeding industry within the State of Louisiana. The Association is engaged in programs for the encouragement and improvement of the raising and breeding of Louisiana-owned thoroughbred horses including, but not limited to, the payment of breeders' awards to breeders of accredited Louisiana-bred horses and supplementing purses for races written for accredited Louisiana-bred horses. The Association also publishes the *Louisiana Horse Magazine*, the official publication of the Association, on a quarterly basis, as well as the annual *Stallion Register*. In addition, the Association is recognized as the sole official registrar of accredited thoroughbred foals in Louisiana, as provided by Louisiana Revised Statute (R.S.) 4:178.

The Association's principal office is located at the Fair Grounds Racetrack in New Orleans. The Board of Directors can also maintain branch offices; currently there are branch offices in Opelousas and Shreveport, at Evangeline Downs and Louisiana Downs, respectively. The Association has approximately 1,000 members and is under the management and supervision of its Board of Directors. The Board of Directors is composed of 13 members, elected by the Association's membership. The Secretary-Treasurer is a full-time employee of the Association and serves as the executive director of the Association, subject to the direction and instruction of the Board of Directors, and manages the daily operations of the Association.

Note 1. Summary of Significant Accounting Policies

Basis of Accounting

The Association's policy is to prepare its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. That basis differs from accounting principles generally accepted in the United States of America primarily because certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when incurred.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Presentation

Management of the Association believes that it would be more beneficial to the users of the Association's financial statements to report on a modified cash basis of accounting, which is a basis of accounting not in accordance with accounting principles generally accepted in the United States of America.

To observe the limitations and restrictions placed on the use of available resources, the accounts of the Association are presented separately under fund captions that indicate the source of revenues and their availability for expenditure. These sources and uses are more fully described in Note 2.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Inter-fund transfers are used by the Association to support the activities of other funds. Operating funds are unrestricted and are used to support the activities of any other program that needs cash flow. Slot Machine funds are restricted and are required to be used to support the payment of breeder's awards to the breeders of Louisiana bred accredited horses running in accredited Louisiana bred, SALAM, and other races, as described in Note 2. Accordingly, the Association records inter-fund transactions to and from the individual funds at December 31, 2017.

Total Columns - Overview

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting - a comprehensive basis of accounting other than generally accepted accounting principles.

Note 2. Sources and Uses of Funds

As mentioned in Note 1, to observe the limitations and restrictions placed on the use of available resources, the accounts of the Association are presented in accordance with the specific activity or objective of the fund sources. A brief description of each fund source follows:

Operating Funds

The Operating Funds are used for operating purposes on which there are no restrictions, except the budgetary control provisions provided by the budget adopted by the Board of Directors. The revenues of the Operating Funds include:

14% License Fee - To assist the Association in its promotion of the industry, R.S. 4:218 provides that the Association receives 14% of the 1.5% license fee collected by the Louisiana State Racing Commission from off-track wagering facilities. The Association uses these receipts to promote the thoroughbred breeding industry and to pay breeders' awards on thoroughbred races.

Commissions 2% - As provided by R.S. 4:165(C), each licensee conducting race meetings shall withhold 2% of the total supplemental purse to be paid to the Association. The amounts withheld from the supplemental purses shall be paid to the Association for operating and administrative expenses.

Other Operating Funds - The Association records interest earned on investments, membership dues, accrediting fees, and miscellaneous revenues when received.

Louisiana Horse Funds - The Louisiana Horse Funds are generated from the activities of the *Louisiana Horse Magazine*, the official publication of the Association, as well as the annual *Stallion Register*.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Note 2. Sources and Uses of Funds (Continued)

Louisiana Champions Day Funds

R.S. 4:202 authorizes the Association to hold a special day of racing devoted solely to Louisiana-bred horses, for the purpose of focusing national attention on and enhancing the horse breeding industry in the state. As provided by the legislature, seven thoroughbred and three quarter horse races are included on the same racing program. For the year ended December 31, 2017, the racing program on Louisiana Champions Day included one additional thoroughbred race which was underwritten by the host racing association.

Louisiana Champions Day purses shall be determined by the Association after consultation with the Louisiana Quarter Horse Breeders Association. Louisiana Champions Day races are funded through purses offered by participating racing associations, the appropriate breeders association, corporate contributions, funds from the Triple Crown races, and up to \$200,000 from the 9.1% funds from off-track wagering [R.S. 4:217(B)(2)(a)].

Awards - Triple Crown Races revenue represents all fees from pari-mutuel wagering on races held on the same day as the running of the Kentucky Derby, the Preakness, and the Belmont Stakes races. These funds are paid to the Association as provided by R.S. 4:203 and are required to be placed in an interest-bearing account known as the "Louisiana Champions Day Account". During the year ended December 31, 2017, the Association received \$236,352 of Triple Crown Race Funds. These receipts were used, in full, to supplement Louisiana Champions Day purses.

SALAM Races Funds

As provided by R.S. 4:184, each racing association shall offer one special accredited Louisiana-bred maiden (SALAM) thoroughbred race, each thoroughbred racing day of each race meeting, if sufficient horses are available. The Executive Committee of the Association shall specify the type, age, distance, and purse of each SALAM race.

Of the commissions earned by the racing association hosting each SALAM race, R.S. 4:184(B)(1) provides that the Association receives 8%. In addition, the Association receives 15.1% of the commission on wagers made at off-track wagering facilities on each SALAM race.

The Association is obligated to use the above funds for payment of breeders' awards in accordance with a distribution formula established by the executive committee of the Association. Accordingly, the Association pays an award equal to 18% of the earned purse to the breeders of an accredited Louisiana-bred horse finishing first, second, or third in the SALAM races.

As mentioned in Note 1, SALAM breeders awards are funded primarily through Slot Machine funds. For the year ended December 31, 2017, \$873,400 was transferred out of Slot Machine Funds and into SALAM funds to support the payment of breeders awards.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Note 2. Sources and Uses of Funds (Continued)

Other Races Funds

Other races include accredited Louisiana Bred and OTB - Open Races. An Accredited Louisiana-Bred Race is one that is written exclusively for accredited Louisiana-bred horses. An OTB - Open Race is any race other than one written exclusively for accredited Louisiana-bred horses. R.S. 4:217(B)(2)(a) provides that 9.1% of the commissions collected by the off-track betting facilities, throughout the state, that are designated for purse supplements (except for SALAM and Triple Crown races) are to be remitted to the Association. The Association is obligated to use these funds to supplement purses for allowance, handicap, and stakes races for accredited Louisiana-bred horses and to pay breeders' awards to breeders of accredited Louisiana-bred horses finishing first, second, and third in OTB - Open Races at any track in Louisiana.

As provided by R.S. 4:177, each racing association authorized to conduct race meets shall pay the equivalent of 10% of the winner's share of the purse of each OTB - Open Race won by an accredited Louisiana-bred horse. The Association uses these funds together with the 9.1% funds from above to pay breeders' awards to breeders of accredited Louisiana-bred horses finishing first, second, and third in OTB - Open Races at any track in Louisiana. The maximum award paid by the Association from the combined funds was 18% of the earned purse. The maximum award paid by the Association on Other Races is based on a purse of \$200,000. However, the racing association funds are not capped by the \$200,000 purse limitation and the Association may receive and transfer a higher amount from the racing association authorized to conduct race meets to the breeders of the accredited Louisiana-bred horse finishing first, second, or third in an open race.

Over and above the purse supplements mentioned above, R.S. 4:217(B)(2)(e) provides that the Association can use up to \$200,000 of the 9.1% funds, per year, to supplement purses on Louisiana Champions Day.

Finally, the Association is transferring the interest earned on these funds to the general operation of the Association. This transfer assists in covering administrative costs incurred in maintaining the breeders' awards program.

As mentioned in Note 1, breeders awards to Louisiana bred accredited horses of other races are primarily funded through Slot Machine funds. For the year ended December 31, 2017, \$1,692,144 was transferred out of Slot Machine Funds into Other Races funds to support the payment of breeders awards.

Slot Machine Funds

As prescribed by Louisiana R.S. 27:362(B)(4)(b), each licensed eligible facility shall pay a fixed percentage of 2% of the annual net slot machine proceeds received from slot machine gaming operations at the licensed eligible facility to the Association. The Executive Committee of the Association shall distribute such amount, according to a schedule or formula and within a time period, which shall be established by the Committee, for special breeder awards to the breeders of accredited Louisiana-bred horses.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Note 2. Sources and Uses of Funds (Continued)

Slot Machine Funds (Continued)

The Association pays out of state awards annually for any accredited Louisiana-bred horse finishing first, second, or third at an accredited racetrack outside of Louisiana. The individual award amounts are calculated based on the percentage of winnings for that horse compared to the total winnings of all accredited Louisiana-bred horses racing out of state. The breeder receives their pro rata share annually of an amount determined by the Board of Directors of the Association. For 2017, the total paid was \$400,278.

Out of state stake race awards are paid quarterly at an amount determined by the Executive Committee of the Association. In 2017, the amount paid by the Association was \$113,405.

Slot machine funds are also used to support the payment of breeders' awards for Louisiana accredited horses finishing first, second, or third in Louisiana-bred races. For the year ended December 31, 2017, approximately \$3,000,000 of Slot machine funds were used to support payment of the breeders' awards for Louisiana accredited horses finishing first, second, or third in Louisiana-bred races. The maximum award paid by the Association from the combined funds was 18% of the earned purse.

Stallion Awards are paid annually, usually in August of each year. The individual stallion award paid to the stallion nominator is based on a stallion's progeny finishing first, second or third in an allowance, handicap or stakes race in Louisiana or in a handicap or stakes race outside of Louisiana. The stallion award is the stallion's pro rata share of an amount determined by the executive committee of the Association. For the year ended December 31, 2017 the total amount paid by the Association for Stallion Awards was \$901,187.

As mentioned in Note 1, the Association is allowed to use Slot machine funds to support the payment of breeders awards to the breeders of accredited Louisiana bred horses running in SALAM and other races. The Association funded these awards through inter-fund transfers totaling \$2,542,466 for the year ended December 31, 2017.

Finally, the Association is transferring the interest earned on these funds to the general operation of the Association. This transfer assists in covering administrative costs incurred in maintaining the breeders' awards program.

Video Draw Poker Device Purse Supplement Funds

As enacted by Louisiana Revised Statute 33:4862.23(B), monies in the Video Draw Poker Device Purse Supplement Fund shall be annually appropriated to the Department of Economic Development, Louisiana State Racing Commission, and shall be allocated by the commission.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Note 2. Sources and Uses of Funds (Continued)

Video Draw Poker Device Purse Supplement Funds (Continued)

Two-thirds of the funds appropriated by the commission shall be allocated and provided to the licensed racing associations in the state that conduct live horse racing. These funds are appropriated based on how the number of thoroughbred race days each association conducted for the preceding year bears in proportion to the total number of thoroughbred race days conducted statewide for the preceding year. Such funds shall be used solely to supplement purses in accordance with a schedule or formula established by the purse committee of the Association on Louisiana-bred thoroughbred races scheduled for purses.

Due to the fact that the Association is not in receipt of these funds, but rather the licensed racing associations that conduct live horse racing, and because the Association does not disburse these funds, but rather provides direction to the licensed racing associations on which purses for Louisiana-bred thoroughbred races will be supplemented, the financial activities of the Association do not reflect the receipts and disbursements of the licensed racing associations that conduct live horse racing.

Note 3. Trade Receivables

Although using the modified cash basis of accounting, as mentioned in Note 1, the Association records trade receivables related to advertisements in its publication of the *Louisiana Horse Magazine* as well as its annual *Stallion Register*. Trade receivables are carried at original invoice amount. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. Credit is extended to those who are members of the Association.

Note 4. Property and Equipment

Property and equipment are recorded at cost. The Association capitalizes all equipment and improvements with a cost greater than \$500. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets which extends periods ranging from 3 to 40 years. When property and equipment are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included within the results of operations. Depreciation expense totaled \$10,117 for the year ended December 31, 2017.

Note 5. Advertising Expenses

The Association expenses costs incurred in advertising and promoting the mission and services of the Association as they are paid. Advertising and promotional type expenses totaled \$46,043 for the year ended December 31, 2017.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Note 6. Restricted Cash

Funds received as nominations for thoroughbreds to run in races scheduled in future years are accumulated until the races are run, with the funds distributed to the horseman's bookkeeper for distribution to the winning thoroughbred owner(s). Any interest earned on these funds is considered to be operating revenue of the Association. As of December 31, 2017, the Association's deposits held for futurity races are classified accordingly: \$37,300 for the 2018 futurity, in current liabilities, and \$25,150 for the 2019 futurity, in non-current liabilities.

Funds on deposit for SALAM Races, Other Races, and Slot Machine proceeds are restricted according to their limited use as prescribed by Louisiana Revised Statutes and as described fully within Note 2.

Note 7. Functional Classification of Expenses

The Association reports expenses in its statement of revenues and expenses - modified cash basis in the natural expense categories. Financial Accounting Standards requires disclosure of expenses between the functional classifications of program and support. Program services, totaling \$8,740,288 include payments of breeders' awards, stallion awards, purse supplements, and the Louisiana Champions Day, and account for approximately 91% of the Association's expenditures. Approximately 9% of expenses are for supporting activities, totaling \$1,004,324 and include membership development and management and general expenditures.

Note 8. Defined Contribution Pension Plan

During the year ended December 31, 2017, the Association funded the 2016 required contribution of \$16,328, which is reflected as pension expense in the statement of revenues and expense – modified cash basis.

As of January 1, 2017, the Association is no longer participating in the safe harbor provision, thus discontinuing the employer contribution to the Plan.

Note 9. Related Party Transactions

Breeders' Sales Company of Louisiana, Inc. - Unaudited

Breeders' Sales Company of Louisiana, Inc. (the Corporation) is a C-Corporation which is wholly owned by the Association. The purpose of the Corporation is to promote the sale of thoroughbred horses, in order to further fulfill the objective and purpose of the Association as listed in the Articles of Incorporation of said Association. It was formed by the Association's Board of Directors in 1988, in alignment with the mission of the Association.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Note 9. Related Party Transactions (Continued)

Breeders' Sales Company of Louisiana, Inc. - Unaudited (Continued)

The Association has not consolidated the Corporation based upon its assessment of significance to the reporting entity.

The Association's investment is stated at cost, in accordance with the modified cash basis of accounting. If the financial statements were prepared using generally accepted accounting principles, the total equity of this company would approximate \$68,999, at December 31, 2017.

Other Related Party Transactions

All Board Members are required to be members of the Association and thus are active in breeding accredited Louisiana-bred horses. As such, the Board Members can earn breeder's awards, as discussed in Note 2, and advertise in the *Louisiana Horse Magazine*. During the year ended December 31, 2017, the members of the Board of Directors had related party transactions with the Association as follows:

A total of approximately \$1,100,000 was paid to board members during 2017 in the form of breeders' and stallion awards.

Included within accounts receivable of *Louisiana Horse Magazine* is \$8,430 that is owed by various directors as of December 31, 2017. Amounts subsequently paid by directors as of March 31, 2018 totaled \$2,620.

Note 10. Concentration of Credit Risk

The Association maintains its cash deposits in accounts at various financial institutions which, at times during the year, may exceed the federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. At December 31, 2017, these excess balances approximated \$1,000,000.

Note 11. Commitments

The Association has executed an independent contractor's agreement for a Field Inspector. The contract is in effect through February 28, 2019 with consideration in the amount of \$30,000 annually.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Note 12. Income Taxes

The Association is a not-for-profit organization exempt from income tax under Section 501(c)(6) of the United States Internal Revenue Code.

The Association believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Note 13. Subsequent Events

The Association completed its subsequent events review through June 26, 2018, the date on which the financial statements were available to be issued. There were no events that required adjustments to, or disclosures in, the financial statements. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Supplementary Information

Schedule I
Statements of Revenues and Expenses
Operating

	For the Years Ended	
	December 31,	
	2017	2016
Revenues		
Commissions - 2%	\$ 522,646	\$ 594,933
Fees - 14%	167,249	174,792
Accrediting Fees	111,050	114,950
Publications - Louisiana Horse	92,947	98,773
State Grant	60,000	60,000
Members' Dues	56,720	60,995
Mare and Stallion Registration	29,045	32,405
Management Fee Income	11,364	10,242
Interest and Dividend Income	7,680	367
Slot/OTB Interest Transfer	7,014	3,562
Website Advertising	2,850	1,290
Finance Charges	1,149	1,039
Miscellaneous	1,111	5,965
Total Revenues	1,070,825	1,159,313
Expenses		
Salaries	434,667	432,996
Insurance	70,573	134,150
Research	52,500	55,815
Publication Expense	51,708	39,612
Advertising and Promotion	44,538	58,918
Professional Accounting Fees	36,971	33,256
Payroll Taxes	33,960	35,428
Meetings and Banquets	33,254	23,753
Field Inspector	30,000	31,924
Computer Expense	29,347	13,609
Legal	26,235	3,350
PAC	21,250	22,500
Postage and Shipping	17,830	18,140
Pension Expense	16,328	20,299
Office Expense	15,594	14,469
Car Allowance	15,000	15,000
Equipment Rental	12,398	13,700
Travel	11,794	15,597
Contributions	11,050	5,300
Depreciation	10,117	10,526
Pedigree Research	9,598	8,441
Telephone Expense	8,623	12,532
Website/Internet	8,416	36,243
Scholarships	8,000	17,000
Taxes and Licenses	7,935	9,238
Trophies	7,089	7,196
Election Expense	5,915	5,694
Writer and Photographer Fees	5,527	5,191
Printing	5,056	7,173
Dues and Subscriptions	2,874	1,896
Repairs and Maintenance	2,183	4,080
General Accounting	1,597	6,054
Bank Charges	236	751
Loss on Disposal of Property, Plant & Equipment	-	1,235
Bad Debt	-	896
Miscellaneous	-	737
Total Expenses	1,048,163	1,122,699
Excess Revenues Over Expenses	\$ 22,662	\$ 36,614

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Supplementary Information

Schedule II
Statements of Revenues and Expenses
Louisiana Champions Day

	For the Years Ended December 31,	
	2017	2016
Revenues		
Awards - Triple Crown Races	\$ 236,352	\$ 259,334
Nominations	41,150	42,050
Stallion Fees	17,420	15,460
LQHBA Contribution	3,500	-
Interest Income	166	148
	298,588	316,992
Expenses		
Purses Paid Out	290,679	313,901
Trophies	2,895	-
Advertising and Promotion	1,505	3,602
Bank Charges	110	13
Meetings and Banquets	-	9,926
	295,189	327,442
Excess (Deficit) Revenues Over Expenses	\$ 3,399	\$ (10,450)

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Supplementary Information

Schedule III
Statements of Revenues and Expenses
SALAM

	For the Years Ended December 31,	
	<u>2017</u>	<u>2016</u>
Revenues		
SALAM Awards - 8% and 15.1%	\$ 43,126	\$ 51,958
Miscellaneous	-	32,322
	<hr/>	<hr/>
Total Revenues	43,126	84,280
	<hr/>	<hr/>
Expenses		
Breeders' Awards	895,845	1,094,987
	<hr/>	<hr/>
Total Expenses	895,845	1,094,987
	<hr/>	<hr/>
Deficit Revenues Over Expenses	<u>\$ (852,719)</u>	<u>\$ (1,010,707)</u>

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Supplementary Information

Schedule IV
Statements of Revenues and Expenses
Other Races

	For the Years Ended	
	December 31,	
	2017	2016
Revenues		
10% from Tracks	\$ 954,320	\$ 1,072,080
Awards - 9.1%	523,173	541,874
Interest Income	435	139
	1,477,928	1,614,093
Expenses		
Breeders' Awards	2,667,500	3,093,933
Purse Supplements	415,062	532,379
Bank Charges	445	195
Interest Transfers	-	-
	3,083,007	3,626,507
Deficit Revenues Over Expenses	\$ (1,605,079)	\$ (2,012,414)

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Supplementary Information

Schedule V
Statements of Revenues and Expenses
Slot Machine

	For the Years Ended December 31,	
	2017	2016
Revenues		
Slot Machine Proceeds - Delta Downs	\$ 3,245,810	\$ 3,511,871
Slot Machine Proceeds - Evangeline Downs	1,531,190	1,856,767
Slot Machine Proceeds - Louisiana Downs	879,140	774,617
Slot Machine Proceeds - Fair Grounds	831,822	836,404
Louisiana State Racing Commission Co Op	700,000	700,000
Interest Income	7,294	3,569
	7,195,256	7,683,228
Expenses		
Breeders' Awards - LA Bred	3,000,114	3,397,870
Stallion Awards	901,187	900,000
Breeders' Awards - Out of State	400,278	401,263
Out of State Stakes Awards	113,405	217,651
Transfer of Interest	7,139	3,572
Bank Charges	285	107
	4,422,408	4,920,463
Excess Revenues Over Expenses	\$ 2,772,848	\$ 2,762,765

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Supplementary Information

Schedule VI
Comparison of Budget to Actual
Operating

	For the Year Ended December 31, 2017		Favorable (Unfavorable)
	Budget	Actual	Variance
Revenues			
Commissions - 2%	\$ 600,000	\$ 522,646	\$ (77,354)
Fees - 14%	175,000	167,249	(7,751)
Publications- Louisiana Horse	100,000	92,947	(7,053)
Accrediting Fees	75,000	111,050	36,050
Members' Dues	75,000	56,720	(18,280)
State Grant	60,000	60,000	-
Mare & Stallion Registration	35,000	29,045	(5,955)
Management Fee Income	12,000	11,364	(636)
Interest and Slot/OTB Interest Transfer	10,000	14,694	4,694
Miscellaneous	3,500	1,111	(2,389)
Finance Charges	1,500	1,149	(351)
Website Advertising	-	2,850	2,850
Total Revenues	1,147,000	1,070,825	(76,175)
Expenses			
Salaries	455,000	434,667	20,333
Insurance	90,000	91,823	(1,823)
Research	75,000	52,500	22,500
Advertising and Promotion	55,000	44,538	10,462
Computer Expense	45,000	29,347	15,653
Publication Expense	45,000	51,708	(6,708)
Payroll Taxes	34,944	33,960	984
Professional and General Accounting Fees	32,500	38,568	(6,068)
Field Inspector	30,000	30,000	-
Meetings and Banquets	25,000	33,254	(8,254)
Postage and Shipping	17,500	17,830	(330)
Travel	17,500	11,794	5,706
Pension Expense	16,205	16,328	(123)
Office Expense	15,500	15,594	(94)
Car Allowance	15,000	15,000	-
Equipment Rental	12,000	12,398	(398)
Telephone Expense	11,750	8,623	3,127
Pedigree Research	11,000	9,598	1,402
Scholarships	10,000	8,000	2,000
Contributions	10,000	11,050	(1,050)
Taxes and Licenses	9,500	7,935	1,565
Trophies	8,500	7,089	1,411
Printing	7,750	5,056	2,694
Legal	7,500	26,235	(18,735)
Election Expense	5,500	5,915	(415)
Writer and Photographer Fees	5,000	5,527	(527)
Depreciation	4,300	10,117	(5,817)
Dues and Subscriptions	2,500	2,874	(374)
Repairs and Maintenance	2,500	2,183	317
Bank Charges	1,000	236	764
Bad Debt	1,000	-	1,000
Website/Internet	-	8,416	(8,416)
Total Expenses	1,078,949	1,048,163	30,786
Excess Revenues Over Expenses	\$ 68,051	\$ 22,662	\$ (45,389)

**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**

Independent Auditor's Report

To the Board of Directors of
Louisiana Thoroughbred Breeders Association

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 Louisiana Thoroughbred Breeders Association (The Association), a non-profit organization, which collectively comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2017, and the related statements of revenues and expenses - modified cash basis and changes in net assets - modified cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association'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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
June 26, 2018

Independent Auditor's Report on the Supplementary Information

To the Board of Directors of
Louisiana Thoroughbred Breeders Association

We have audited the modified cash basis financial statements of the Louisiana Thoroughbred Breeders Association (the Association) as of and for the year ended December 31, 2017, and have issued our report thereon, dated June 26, 2018, which contained a modified opinion related to the accrual of certain revenues on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to June 26, 2018.

The accompanying schedule of compensation, benefits, and other benefits to the Association's agency head 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 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.



A Professional Accounting Corporation

Metairie, LA
June 26, 2018

**Louisiana Thoroughbred Breeders Association
Supplementary Information**

**Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2017**

Agency Head

Roger Heitzmann, Executive Director

Purpose	Amount
Salary	\$0
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

* No compensation, reimbursements nor benefits were paid to the agency head from public funds.

AGREED-UPON PROCEDURES REPORT
Louisiana Thoroughbred Breeders Association

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2017 - December 31, 2017

To the Board of Directors
Louisiana Thoroughbred Breeders Association
New Orleans, Louisiana
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Louisiana Thoroughbred Breeders Association (the Association) 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, 2017 through December 31, 2017. The Association'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 and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the 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.
 - c) ***Disbursements***, including processing, reviewing, and approving.
 - c) ***Receipts***, including receiving, recording, and preparing deposits.

- d) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- e) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- f) **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.
- g) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- h) **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. Note: Ethics requirements are not applicable to nonprofits.
- i) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: LaPorte obtained the entity's written policies and procedures, noting these policies and procedures addressed each of the financial/ business functions listed above.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g., approval of contracts and disbursements) for at least one meeting during the fiscal period

Results: LaPorte obtained the Board of Directors' minutes for the fiscal period and noted that the Board of Directors met regularly, in accordance with the Association's bylaws, to review financial data, approve purchases, etc.; noting that budget to actual reports were reviewed by the board at these regularly-held meetings.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Results: LaPorte obtained a listing of bank accounts from management and management's representation that the listing was complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than five accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Results: LaPorte selected one-third of the entity's bank accounts to perform procedures 4.a. through 4.c. Bank reconciliations have been prepared, including evidence of management review for all accounts from January 2017 through December 2017. Management reviews reconciling items on a monthly basis to determine when these items should be remitted to the state.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Results: LaPorte obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than five locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each cash collection location selected:
 - a) Obtain existing written documentation (e.g., insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

- b) Obtain existing written documentation (e.g., sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Results: LaPorte selected all of the entity's cash collection locations and performed procedures 6.a. through 6.c., as there was only one collection site. LaPorte noted that the individual responsible for depositing cash is bonded. We obtained the written policies and procedures over cash collections and reconciliations. We noted that the individual who collects cash is not responsible for depositing cash. For the highest dollar week of cash collections, we noted that deposits were made within 1 day of collection.

- 7. Obtain existing written documentation (e.g., policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

Results: LaPorte obtained the entity's written procedures over cash collections. The individual who collects cash is not responsible for depositing cash.

Disbursements - General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

- 8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Results: LaPorte obtained a listing of disbursements and management's representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g., purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

Results: Using the disbursement population from number 8, LaPorte selected 25 disbursements and performed procedures 9.a. through 9.c. The Association does not initiate purchases using a requisition/ purchase order system or an equivalent electronic system that separates initiation from approval functions; however, all payments were processed with approved invoice prior to payment by a person other than the individual who initiated the transaction.

10. Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Results: LaPorte noted that the person responsible for processing payments does not add vendors to the system for payment.

11. Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Results: LaPorte noted that the individuals with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Results: LaPorte noted that the supply of blank check stock is maintained in a locked location, with access restricted to those persons who do not have signatory authority.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Results: LaPorte noted that the Association does not use a signature stamp or machine. All checks are manually signed by authorized signatories.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

Results: LaPorte obtained a listing of active credit cards and management's representation that the listing is complete. The Association does not have bank debit cards, fuel cards, or P-cards.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation 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.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Results: LaPorte obtained the monthly statements for all credits card and performed procedures 15.a. and 15.b. listed above, as there were less than 10 cards in total. We noted that for the largest month selected for testing, all statements were properly reviewed and approved by an individual other than the card holder prior to payment. There were no finance charges or late fees assessed on the statements tested.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e., each of the 10 cards should have one month of transactions subject to testing).
- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased).
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization).
 - b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e., transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
 - c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., cash advances or non-business purchases, regardless of whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Results: LaPorte obtained supporting documentation for all credit cards for the month with the highest charges and performed the procedures 16.a. through 16.c. All purchases were properly supported by supporting receipts and invoices, in compliance with bid law, and for the Association's business/ public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Results: LaPorte obtained a listing of all travel and related expense reimbursements, by person, during the fiscal period and management's representation that the population is complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Results: LaPorte obtained the Association's written policies and procedures related to travel and expense reimbursements. We noted that the per diem and mileage rates used were in line with the GSA established rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose. (Note: For meal charges, there should also be documentation of the individuals participating.)
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).
 - c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
 - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: LaPorte selected the three persons who incurred the most travel costs during the fiscal period and performed procedures 19.a. through 19.d. All transactions were made in accordance with the Association's written policies, properly approved, and supported by original, itemized receipts. There were no exceptions to the requirements of Article 7, Section 14 of the Louisiana Constitution.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Results: LaPorte obtained a listing of contracts and management's representation that the listing is complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g., Lawrason Act or Home Rule Charter).

Results: LaPorte obtained the three contracts for vendors with the largest payments during the fiscal period and performed procedures 21.a. through 21.e, as the Association only has three contracts in total for the fiscal period tested. We noted that all contracts are approved by the board at regularly scheduled meetings, per review of the board minutes. All contracts were in compliance with bid law, as applicable. We selected the largest payment for each vendor and agreed amounts to the underlying contract and invoice without exception. There were no amendments to contracts during the fiscal period

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Results: LaPorte obtained a listing of employees with their related salaries and obtained management's representation that the listing was complete. Compensation was made in accordance with the terms and conditions of the employment contract for all five individuals selected and there were no changes to hourly rates during the fiscal year.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether 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.)
- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Results: LaPorte obtained attendance and leave records for all employees, randomly selected a period in which leave was taken by at least one employee, and performed procedures 23.a. through 23.c. for one-third of the number of employees, as there are fewer than 25 employees at the Association. We noted that leave is tracked for all employees of the Association and approved by the Executive Director. As all employees are salaried, attendance records were not maintained for employees.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Results: LaPorte noted that there were no terminations during the fiscal period and obtained management's representation that this information is complete and accurate.

25. Obtain supporting documentation (e.g., cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Results: LaPorte noted that the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Results: This is not applicable to the Association as it is a nonprofit entity.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Results: This is not applicable to the Association as it is a nonprofit entity.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Results: This is not applicable to the Association as it is a nonprofit entity. The Association has no outstanding debt.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Results: This is not applicable to the Association as it is a nonprofit entity. The Association has no outstanding debt.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Results: This is not applicable to the Association as it is a nonprofit entity. The Association has no outstanding debt.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: To management's knowledge, there have been no misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: LaPorte noted that the Association has posted on its premises and website the notice required by R.S. 24:523.1.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Results: LaPorte noted no exceptions regarding management's representations in the procedures performed above.

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 control and compliance areas identified in the Statewide Agreed-Upon Procedures, 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.



A Professional Accounting Corporation

Metairie, LA
June 26, 2018

Louisiana Thoroughbred Breeders Association

P.O. Box 24650 New Orleans, Louisiana 70184 | www.louisianabred.com | 1.800.772.1195 | 504.947.4676 | fax: 504.943.2149

June 26, 2018

LaPorte, APAC
111 Veterans Boulevard, Suite 600
Metairie, LA 70005

Dear Sirs:

Following are our responses to the exceptions noted in your report on the Louisiana Legislative Auditor's Statewide Agreed Upon Procedures performed for fiscal year ended December 31, 2017.

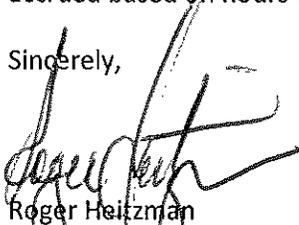
Payroll and Personnel:

Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Results: LaPorte obtained attendance and leave records for all employees, randomly selected a period in which leave was taken by at least one employee, and performed procedures 23.a. through 23.c. for one-third of the number of employees, as there are fewer than 25 employees at the Association. We noted that leave is tracked for all employees of the Association and approved by the Executive Director. As all employees are salaried, attendance records were not maintained for employees.

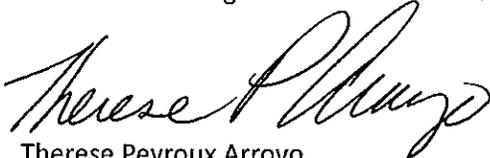
Response: Management feels that with a small staff tracking attendance is not a prudent use of time or resources as all employees are salaried. Management tracks and approves paid time off (PTO) to ensure that PTO taken does not exceed the allowable limit for the fiscal period. Paid time off is renewed at the start of each calendar year and is lost if not used during the fiscal period. Paid time off earned is not accrued based on hours worked.

Sincerely,



Roger Heitzman
Executive Director

Louisiana Thoroughbred Breeder's Association



Therese Peyroux Arroyo
Comptroller

Louisiana Thoroughbred Breeder's Association

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TRACKS

Delta Downs, Inc. | Evangeline Downs, Inc. | Fair Grounds Corporation | Louisiana Downs, Inc.