
LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2018

RICHARD  CPAS

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2018

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

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Independent Auditors' Report

The Trustees
Louisiana Horsemen's Medical Benefit Trust

We have audited the accompanying financial statements of Louisiana Horsemen's Medical Benefit Trust (the Trust), which comprise the statement of net assets as of December 31, 2018 and the related statements of changes in net assets available for benefits 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 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.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Trust as of December 31, 2018 and the changes in its financial status for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Louisiana Horsemen's Medical Benefit Trust as of December 31, 2017 were audited by other auditors whose report dated June 29, 2018, expressed an unmodified opinion on those statements.

Report on Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2019, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Richard CPAS

Metairie, Louisiana
June 28, 2019

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST
STATEMENTS OF NET ASSETS
DECEMBER 31, 2018 AND 2017

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
Assets		
Cash	\$ 1,730,368	\$ 2,008,926
4% medical benefit receivable	375,277	301,323
Prepaid escrow reserve	35,000	35,000
Investments at fair value	408,656	402,036
Investments - other, at cost	55,844	55,235
Building and equipment, net	<u>73,953</u>	<u>116,247</u>
Total assets	<u>\$ 2,679,098</u>	<u>\$ 2,918,767</u>

<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 37,731	\$ 37,128
Medical claims payable	379,124	406,900
Total Liabilities	<u>416,855</u>	<u>444,028</u>
Net assets available for benefits	<u>\$ 2,262,243</u>	<u>\$ 2,474,739</u>

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

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Additions to net assets attributed to:		
Contributions		
4% Medical benefit revenue	\$ 3,515,958	\$ 3,379,102
Investment and other income		
Investment income	<u>14,611</u>	<u>11,486</u>
Total additions	<u>3,530,569</u>	<u>3,390,588</u>
Reductions to net assets attributed to:		
Medical benefit payments	2,942,169	3,513,471
Administrative expenses	<u>800,896</u>	<u>826,516</u>
Total reductions	<u>3,743,065</u>	<u>4,339,987</u>
Net decrease in net assets	(212,496)	(949,399)
Net assets available for benefits, beginning of year	<u>2,474,739</u>	<u>3,424,138</u>
Net assets available for benefits, end of year	<u>\$ 2,262,243</u>	<u>\$ 2,474,739</u>

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

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. Nature of Activities

General

The Louisiana Horsemen's Medical Benefit Trust (the Trust) was formed to administer funds for the Louisiana Horsemen's Medical Benefit Plan. Louisiana racetracks at which horse races are held are obligated by Louisiana Revised Statute 4:183 to receive and distribute a determined amount, as specified in the statute, in order to provide for hospital and medical benefits and related administrative expenses.

The Louisiana Horsemen's Medical Benefit Plan (the Plan) was established to provide hospital and medical benefits and to pay for the administrative expenses related to providing such benefits for owners, owner/trainers, and trainers licensed to race horses in Louisiana, the employees of the owners, owner/trainers, trainers, and others.

Benefits

Except for employees of the Louisiana Horsemen's Benevolent & Protective Association 1993, Inc. (LAHBPA 1993, Inc.) who meet the eligibility requirements to receive benefits, the Trust shall not provide benefits to any employee of LAHBPA 1993, Inc. In June 2012, the State of Louisiana Legislature approved, and the governor signed House Bill No. 1111 which clarified the hospital and medical benefits provided by the Trust. House Bill No. 1111 amended Louisiana Revised Statute 4:183 to define hospital and medical benefits to include but not be limited to reasonable medical surgical, hospitalization, and physical rehabilitation, and dental and optical services, death benefits, drug and alcohol counseling, and other spiritual, mental, and psychological services provided for the welfare of eligible participants in the Trust. The term "hospital and medical" benefits also includes one-time benevolence payments to persons in the equine industry who are in financial need as a result of serious illness or injury, fire, or natural disaster, including but not limited to hurricane, tornado, or flood.

Under the Plan, to be eligible for Plan benefits, an applicant must be licensed by, and in good standing with the Louisiana State Racing Commission. In addition, an applicant must enroll in the Plan and satisfy various eligibility requirements/conditions for participation. These requirement/conditions vary according to defined classifications. Also, the Plan provides financial assistance with eligible medical and hospital expenses, substance abuse counseling, and on-track chaplaincy. Reference to the Plan agreement should be made for a complete description of the eligible expenses and the dollar limit of coverage related to each eligible expense, together with conditions for assistance when a covered person has other medical and/or hospital insurance, major medical coverage, Medicare, or any other form of medical coverage.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Trust have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

Cash equivalents are all highly liquid investments with maturities of three months or less at date of acquisition.

Investments

The Trust's investments consist of mutual funds that invest in a range of government and U.S. government agency securities, a certificate of deposit, and an annuity. The mutual funds and annuity are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Certificates of deposit are reported at cost which approximates fair value.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Trust's gains and losses on investments bought and sold as well as held during the year.

Building and Equipment

Building and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, between three and ten years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred, and significant renewals and betterments are capitalized.

Contributions

The Trust is funded exclusively from the statutorily dedicated funds described in Louisiana Revised Statutes 4:183, together with Revised Statute 27:361 (B)(4)(b), relative to slot machines. These funds are referred to in the financial statements as 4% Medical Benefits revenue.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

2. Significant Accounting Policies (continued)

Tax Status

The Trust is exempt from federal income taxes under Section 501 (c) (4) of the Internal Revenue Code ("IRC"). Trust management and the Trust's counsel believe that the Trust is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Trust's financial statements.

The Trust applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, the Trust has reviewed its tax positions and determined there were no outstanding or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities. Therefore, the implementation of this standard has not had a material effect on the Trust.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of additions to and reduction of net assets during the reporting period. Accordingly, actual results may differ from those estimates.

3. Investments

At December 31, 2018 and 2017, investments consist of the following:

	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ 55,844	\$ 55,235
Mutual funds	84,821	84,598
Annuity	323,835	317,438
Total	<u>\$ 464,500</u>	<u>\$ 457,271</u>

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

4. Building and Equipment - Net

At December 31, 2018 and 2017, building and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Buildings	\$ 20,142	\$ 20,142
Computer software	153,050	153,050
Computer hardware	75,207	75,207
Furniture and fixtures	12,112	12,112
Equipment	19,720	19,720
Field office trailers	120,952	120,952
Total cost	<u>✓ \$ 401,183</u>	<u>✓ \$ 401,183</u>
Less: Accumulated depreciation	<u>(327,230)</u>	<u>(284,936)</u>
Building and Equipment, net	<u>\$ 73,953</u>	<u>\$ 116,247</u>

Depreciation expense of \$42,293 and \$45,179 is included in administrative expenses for the years ended December 31, 2018 and 2017, respectively.

4. Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

5. Fair Value Measurements (continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Trust are open-end mutual funds that are registered with the SEC. These funds are required to publish its daily net asset value (NAV) and to transact at that price. The mutual funds held by the Trust are deemed to be actively traded.

Annuity: Valued at fair value by the insurance company by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.

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

The following table sets forth by level, within the fair value hierarchy, the Trust's net assets at fair value as of December 31, 2018 and 2017.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

5. Fair Value Measurements (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2018</u>				
Mutual Fund	\$ 84,821	\$ -	\$ -	\$ 84,821
Annuity	-	-	323,835	323,835
Total	<u>\$ 84,821</u>	<u>\$ -</u>	<u>\$ 323,835</u>	<u>\$ 408,656</u>
 <u>2017</u>				
Mutual Fund	\$ 84,598	\$ -	\$ -	\$ 84,598
Annuity	-	-	317,438	317,438
Total	<u>\$ 84,598</u>	<u>\$ -</u>	<u>\$ 317,438</u>	<u>\$ 402,036</u>

The following table sets forth a summary of changes in the fair value of the Trust's Level 3 assets for the years ended December 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 317,438	\$ 311,733
Unrealized gains related to instruments still held at the reporting date	<u>6,397</u>	<u>5,705</u>
Balance, end of year	<u>\$ 323,835</u>	<u>\$ 317,438</u>

6. Termination of Plan

After advance consultation with the LAHBPA 1993, Inc., the Trustees may terminate the Trust. Upon that termination, the Trustees shall allocate the assets of the Trust as follows: (a) first, to pay any benefits due and owing under the Trust to the then current participants, dependents, and beneficiaries; (b) second, to pay the expenses of terminating the Trust; and (c) third, after consultation with the LAHBPA 1993, Inc., the excess shall be applied to the benefit of the then current participants, dependents, and beneficiaries. In no event, shall any assets of the Trust Fund be paid to, or inure to the benefit of the LAHBPA 1993, Inc. or any member thereof (other than through the payment of benefits in accordance with the Plan or the Agreement).

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

7. Related Party Transactions

During the years ended December 31, 2018 and 2017, general and administrative expenses included \$720,000 and \$739,200, respectively, for management fees paid to LAHBPA 1993, Inc. in accordance with the management agreement. The Executive Director function is performed by an employee of LAHBPA 1993 Inc.

8. Risks and Uncertainties

The Trust invests in various investments. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term, and that such change could materially affect the amounts reported in the statement of net assets available for benefits.

9. Concentration

Contributions received from purse and purse supplements as reported on the Statements of Changes in Net Assets Available for Benefits represent 99.59% and 99.66% of total additions to plan assets during the years ended December 31, 2018 and 2017, respectively.

The Trust periodically maintains cash in bank accounts in excess of insured limits. The Trust has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

10. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 28, 2019, and determined no item requires disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

LOUISIANA HORSEMEN'S MEDICAL BENEFIT 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

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 121,762
Benefits - insurance	6,970
Per diem	141
Registration fees	292
Conference travel	891

The Executive Director function is performed by an employee of LAHBPA 1993 Inc., a related entity. The Louisiana Horsemen's Medical Benefit Trust does not have any employees.

See independent auditor's report

OTHER REPORT



**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**

To the Trustees
Louisiana Horsemen's Medical Benefit 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 Louisiana Horsemen's Medical Benefit Trust (the Trust), which comprise the statements of net assets as of December 31, 2018, and the related statements of changes in net assets available for benefits for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Horsemen's Medical Benefit 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Horsemen's Medical Benefit 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 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 weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weakness may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Horsemen's Medical Benefit Trust's financial statements are free of material misstatements, 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.

Richard CPAS

Metairie, Louisiana
June 28, 2019

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST
NEW ORLEANS, LOUISIANA

LOUISIANA LEGISLATIVE AUDITOR – STATEWIDE
AGREED-UPON PROCEDURES REPORT

DECEMBER 31, 2018



LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

**LOUISIANA LEGISLATIVE AUDITOR – STATEWIDE
AGREED-UPON PROCEDURES REPORT**

DECEMBER 31, 2018

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Independent Accountant's Report
On Applying Agreed-Upon Procedures

The Trustees
Louisiana Horsemen's Medical Benefit Trust
New Orleans, Louisiana

We have performed the procedures enumerated in Schedule A, which were agreed to by the Louisiana Horsemen's Medical Benefit Trust (the Trust) 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 Trust'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 in the attached Schedule A 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.

This report is intended solely for the use of management of the Trust and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Richard CPAS

Metairie, Louisiana
June 28, 2019

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

LOUISIANA LEGISLATIVE AUDITOR – STATEWIDE
AGREED-UPON PROCEDURES REPORT
DECEMBER 31, 2018

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 and bold. If the item being subjected to the procedures is positively identified or present than the results will read “no exception noted”. If not, then a description of the exception ensues.

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.

The Louisiana Horsemen's Medical Benefit Trust 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.

The Trust implemented written policies and procedures regarding Purchasing.

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

The Trust implemented written policies and procedures regarding Disbursements.

- d) *Receipts/Collections*, 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).

The Trust implemented written policies and procedures regarding Receipts/Collections.

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

Not applicable – The Trust 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.

The Trust implemented written policies and procedures regarding Contracting.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

**LOUISIANA LEGISLATIVE AUDITOR – STATEWIDE
AGREED-UPON PROCEDURES REPORT
DECEMBER 31, 2018**

Written Policies and Procedures (continued)

- 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, required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Not applicable – The Trust 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.

The Trust implemented written policies and procedures regarding Travel and Expense reimbursement.

- 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 procedure does not apply to the Trust.

- 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 procedure does not apply to the Trust.

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:

We performed the procedures above and noted no exceptions.

- 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);

We performed the procedures above and noted no exceptions.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

LOUISIANA LEGISLATIVE AUDITOR – STATEWIDE
AGREED-UPON PROCEDURES REPORT
DECEMBER 31, 2018

Bank Reconciliations (continued)

- 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

We performed the procedures above and noted no exceptions.

- 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.

For one bank account tested, management was unable to provide documentation that it had researched reconciling items in excess of 12 months.

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.