
HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2017

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2017

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
<u>Financial Statements</u>	
Statements of Net Assets	3
Statements of Revenues, Expenses and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6 – 12
<u>Supplemental Schedule</u>	
Short-Duration Contracts	13
Schedule of Compensation, Benefits, and Other Payments to Agency Head	14
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 <i>Government Auditing Standards</i>	15 - 16



30th Floor, Energy Centre, 1100 Poydras Street – New Orleans, LA 70163
One Galleria Blvd., Suite 2100 – Metairie, LA 70001
504-837-5990 Phone – 504-834-3609 Fax – pncpa.com

A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

Officers and Trustees
Horsemen's Workers' Compensation Insurance Trust

We have audited the accompanying financial statements of the Horsemen's Workers' Compensation Insurance Trust (the "Trust"), which comprise the statements of net assets as of December 31, 2017 and 2016, the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Horsemen's Workers' Compensation Insurance Trust as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplemental Information

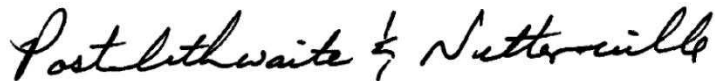
Accounting principles generally accepted in the United States of America require that the information about short-duration insurance contracts on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for planning the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in the Schedule of Compensation, Benefits and Other Payments to Agency Head on page 14, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 29, 2018, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.



Metairie, Louisiana
June 29, 2018

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

STATEMENTS OF NET ASSETS
DECEMBER 31, 2017 AND 2016

	<u>ASSETS</u>	
	2017	2016
Cash	\$ 3,286,668	\$ 2,747,495
Cash held in claims escrow funds	217,543	211,985
Premiums receivable (less reserve for bad debt of \$29,321 for 2017 and 2016)	60,079	2,085
Prepaid excess insurance	299,669	287,417
Excess insurance receivable	149,260	265,775
Other prepaid expenses	45,932	44,119
Due from affiliates, net	820,416	696,903
Total assets	<u>\$ 4,879,567</u>	<u>\$ 4,255,779</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Unpaid claims liability	\$ 2,543,180	\$ 2,804,021
Accounts payable and accrued liabilities	298,981	336,971
Unearned premiums	<u>6,317</u>	<u>5,000</u>
Total liabilities	2,848,478	3,145,992
Net assets	<u>2,031,089</u>	<u>1,109,787</u>
Total liabilities and net assets	<u>\$ 4,879,567</u>	<u>\$ 4,255,779</u>

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

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Additions to net assets attributed to:</u>		
Purse receipts allocated to workers compensation revenue	\$ 1,040,401	\$ 1,085,038
Start premium revenue	2,567,351	2,369,425
Farm premium revenue	128,661	167,435
Interest income	16,004	21,631
Total operating revenues	<u>3,752,417</u>	<u>3,643,529</u>
<u>Reductions to net assets attributed to:</u>		
Claims expense	1,352,454	1,626,149
Excess insurance premiums	572,869	527,444
Claims handling fees	56,080	71,352
Professional fees and contingencies	123,447	133,302
Management fees	704,100	709,200
Other	22,165	36,924
Total operating expenses	<u>2,831,115</u>	<u>3,104,371</u>
<u>CHANGE IN NET ASSETS</u>	921,302	539,158
<u>NET ASSETS - BEGINNING</u>	<u>1,109,787</u>	<u>570,629</u>
<u>NET ASSETS - ENDING</u>	<u>\$ 2,031,089</u>	<u>\$ 1,109,787</u>

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

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 921,302	\$ 539,158
Adjustments to reconcile change in net assets to net cash provided by (used in) operations:		
Change in receivables	58,521	(228,359)
Change in prepaid excess insurance	(12,252)	(13,554)
Change in unpaid claims liability	(260,841)	(314,654)
Change in claims escrow funds	(5,558)	(12,194)
Change in other prepaid expenses	(1,813)	367
Change in accounts payable	(37,990)	73,997
Change in unearned premiums	1,317	(220)
Change in due from affiliates	<u>(123,513)</u>	<u>(69,057)</u>
Net cash provided by (used in) operating activities	<u>539,173</u>	<u>(24,516)</u>
Net change in cash	539,173	(24,516)
Cash and cash equivalents, beginning of year	<u>2,747,495</u>	<u>2,772,011</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,286,668</u></u>	<u><u>\$ 2,747,495</u></u>

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

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Background and Organization

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

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

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

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

(b) Basis of Accounting

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

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenues and Accounts Receivable

The Association is funded by the statutorily dedicated funds described in the Louisiana Revised Statute (La R.S.) 4:251 through 252, relative to workers' compensation insurance coverage. Pursuant to La R.S. 4:252 (c)(5), the Association receives 2% of all purses and purse supplements available for purses for any race meets in Louisiana. Of the 2% receipts, the Association may utilize up to one-half of the authorized two percent for the improvement and administration of the Louisiana Horsemen's Pension Trust. During the year ended December 31, 2016, 1.5% of the Association's 2% purse receipts was dedicated to the Trust and recognized as revenues in these financial statements. The remaining 0.5% of the Association's purse receipts was dedicated to the Louisiana Horsemen's Pension Trust. Effective during the year ended December 31, 2017, 1% of the Association's 2% purse receipts was dedicated to the Trust and recognized as revenues in these financial statements. The remaining 1% of the Association's purse receipts was dedicated to the Louisiana Horsemen's Pension Trust which is not a part of these financial statements. See note 2.

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

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

Louisiana domiciled participants and participants who meet a Louisiana racing test pay premiums on a per start fee. There is a \$55 charge for in-state races. Participants for out-of-state and out-of-country races are charged a fee of \$75 to \$90 per start. On July 1, 2017 the base premium starts rates increased to \$65.00 in-state, \$85.00 out-of-state, and \$105.00 out-of-country. The base farm rate remained at 12% of farm payroll. Quarter Horse and Thoroughbred farms are charged based on their estimated annual payroll.

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

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Unpaid Claims Liability

The Trust provides workers' compensation coverage to members for claims incurred during the policy period regardless of when the claims are reported to the Trust. The Trust establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Estimated amounts of excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims.

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

(e) Excess Insurance Contracts

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

(f) Contributed Services

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

(g) Income Tax Status

The Trust is exempt from federal income taxes under Sections 501(c)(4) of the Internal Revenue Code (IRC). The Trust received a favorable response from the Internal Revenue Service (IRS) on January 27, 2016 stating the Trust is exempt from federal income tax under IRC Section 501(c)(4) and the Trust has no unrelated business activities which could be deemed taxable activities. Therefore, no provision for income taxes has been included in the Trust's financial statements.

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Insurance Related Assessments

The Trust's management and legal counsel are evaluating whether the Trust's activities are subject to assessments made by the Louisiana Second Injury Fund and the Office of Workers' Compensation based on benefits paid each year. If the Trust is determined to be subject to these types of loss-based assessments, the Trust intends to recognize these assessments as expense when related claim benefits are incurred rather than paid. The Trust would also be eligible to seek reimbursement for claims cost incurred for claimants which qualify for reimbursement under the Louisiana Second Injury Fund. At December 31, 2017 and 2016, the Trust accrued \$125,000, as potential contingent liabilities associated with these loss-based assessments which are updated as additional information is evaluated. Changes in the accrued liabilities for these assessments are recorded as charges or credits to expense each year.

(i) Statements of Cash Flows

For purposes of the statements of cash flows, the Trust considers cash and cash equivalents to be short-term, highly liquid assets that are readily convertible to known amounts of cash.

(j) Use of Estimates

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

2. RELATED PARTY TRANSACTIONS

The Association provides various management and administrative functions for the benefit of the Trust, including the collection of the Trust's revenues. The Trust incurred management fees to the Association of \$704,100 and \$709,200 during the years ended December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, the Statements of Net Assets included \$820,416 and \$696,903, respectively, net amount due from the Association.

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

3. CLAIMS ESCROW FUNDS

At December 31, 2017 and 2016, the funds held by a third party service provider, which are used to pay out claims, were \$217,543 and \$211,985, respectively.

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

NOTES TO FINANCIAL STATEMENTS

4. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The following represents changes in the Trust's aggregate unpaid claims liabilities for the years ended December 31, 2017 and 2016, net of amounts insured by excess insurers as described in Note 5:

	<u>2017</u>	<u>2016</u>
Balance – beginning, net	\$ 2,804,021	\$ 3,118,675
Net incurred related to:		
Current year	1,528,571	2,058,834
Prior years	(176,117)	(432,685)
Total incurred	<u>1,352,454</u>	<u>1,626,149</u>
Net paid related to:		
Current year	453,516	659,293
Prior years	<u>1,159,779</u>	<u>1,281,510</u>
Total paid	<u>1,613,295</u>	<u>1,940,803</u>
Balance – ending, net	<u>\$ 2,543,180</u>	<u>\$ 2,804,021</u>

The Trust engages an independent consulting actuary to advise on the necessary level of reserves for losses and loss-adjustment expenses. During 2017, the Trust experienced overall favorable development of approximately \$176,000 on unpaid claims liabilities established in prior years. During 2016, the Trust experienced overall favorable development of approximately \$432,000.

In the opinion of the Trust's management, the reserve estimates are adequate to cover the estimated ultimate liability for the losses and loss-adjustment expenses at December 31, 2017. Consistent with most companies with similar insurance operations, the Trust's reserve for losses and loss-adjustment expenses is ultimately based on management's reasonable expectations of the future events. It is reasonably possible that the expectations associated with these amounts could change in the near term (i.e. within one year) and that the effect of such changes could be material to the financial statements. The Trust does not discount its reserves for losses and loss-adjustment expenses.

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

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

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

NOTES TO FINANCIAL STATEMENTS

4. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY (continued)

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

The Trust does not have any material changes to the actuarial methodologies utilized since year-end 2016 to disclose. The Trust only writes workers' compensation insurance. The incurred claims information below also includes the cumulative number of claims reported in each accident year. The number of claims reported are aggregated on a per claimant basis and are included to help measure claim frequency.

The following is information about the incurred and paid claims for the year ended December 31, 2017, net of reinsurance, as well as cumulative claim frequency and the total of incurred but not reported liabilities plus expected development on reported claims included within the net incurred claims amounts.

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Excess Insurance
As of December 31, 2017

Accident Year	Incurred claims and allocated claim adjustment expenses, net of reinsurance	Cumulative Paid	Incurred but not reported plus expected development on reported claims	Cumulative number of claims reported
2011	\$700,027	\$686,209	\$13,820	177
2012	1,645,004	1,585,373	59,632	159
2013	1,849,709	1,705,234	84,203	114
2014	2,047,031	1,795,799	156,140	89
2015	1,594,611	1,343,040	183,488	91
2016	1,952,183	1,204,785	488,789	108
2017	1,528,571	453,516	917,339	79
	<u>\$11,317,136</u>	<u>\$8,773,956</u>		
Liabilities for claims and allocated claims adjustment expenses, net of excess insurance				
		<u>\$2,543,180</u>		

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

NOTES TO FINANCIAL STATEMENTS

5. EXCESS INSURANCE COVERAGE

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

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

The aggregate insurance excess insurance provides for coverage of aggregate losses for the coverage periods ending July 1, 2017 and July 1, 2018, exceeding 212% and 312% of earned normal premium, respectively, which is estimated to be an aggregate attachment point of \$4,200,000. The aggregate excess insurance agreement for the period ending July 1, 2018, provides for \$3,000,000 of coverage above this attachment point.

As of December 31, 2017 and 2016, the Trust included amounts receivable from the excess insurer of \$149,260 and \$265,775, respectively. The Trust also presented its loss reserve liability in Note 4 net of unpaid losses incurred in excess of the Trusts retention levels. The ultimate amount of losses in excess of the Trust's retention has not been determined but case reserves were estimated to be approximately \$1.9 million at December 31, 2017.

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

6. SUBSEQUENT EVENTS

Management has evaluated events through the date that the financial statements were available to be issued, June 29, 2018, and determined that there were no events that required additional disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

SHORT-DURATION CONTRACTS

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

Accident Year	2011	2012	2013	2014	2015	2016	2017	Incurred but not reported plus expected development on reported claims	Cumulative number of claims reported
2011	\$ 1,132,083	\$ 908,584	\$ 789,785	\$ 777,509	\$ 750,754	\$ 714,609	\$ 700,027	\$ 13,820	177
2012		2,075,737	1,987,329	1,845,713	1,814,422	1,716,578	1,645,004	59,632	159
2013			1,852,228	1,635,334	1,707,955	1,629,730	1,849,709	84,203	114
2014				2,066,056	2,336,140	1,967,750	2,047,031	156,140	89
2015					1,797,516	1,777,634	1,594,611	183,488	91
2016						2,048,280	1,952,183	488,789	108
2017							1,528,571	917,339	79
							<u>11,317,136</u>		

Cumulative Paid Claims & Allocated Claim Adjustment Expenses, Net of Excess Insurance

For The Years Ended December 31,

Accident Year	2011	2012	2013	2014	2015	2016	2017
2011	\$ 190,262	\$ 484,435	\$ 580,082	\$ 605,932	\$ 605,932	\$ 686,209	\$ 686,209
2012		605,844	1,257,622	1,467,942	1,579,850	1,584,806	1,585,373
2013			428,434	823,044	1,242,482	1,389,682	1,705,234
2014				500,380	1,360,414	1,637,406	1,795,799
2015					352,540	1,103,715	1,343,040
2016						659,293	1,204,785
2017							453,516
						Total	<u>\$ 8,773,956</u>
Liabilities for claims and allocated claims adjustment expenses, net of excess insurance							<u>\$ 2,543,180</u>

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

**SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2017**

Agency Head Name: Edwin Fenasci, Executive Director

<u>Purpose</u>	
Salary	\$ 115,972
Benefits - insurance	6,412
Per diem	161
Registration fees	150
Conference travel	759

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

See independent auditors' report.

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

Officers and Trustees
Horsemen's Workers' Compensation Insurance Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Horsemen's Workers' Compensation Insurance Trust (the "Trust"), which comprise the statements of net assets as of December 31, 2017, and the related statements of revenue, expenses and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Metairie, Louisiana
June 29, 2018

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST

LOUISIANA LEGISLATIVE AUDITOR – STATEWIDE
AGREED-UPON PROCEDURES REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

TABLE OF CONTENTS

	<u>Page</u>
Independent Accountants' Report on Applying Agreed-Upon Procedures	1
Schedule A: Agreed-Upon Procedures Performed and Associated Findings	2 - 11



30th Floor, Energy Centre, 1100 Poydras Street — New Orleans, LA 70163
One Galleria Blvd., Suite 2100 — Metairie, LA 70001
504-837-5990 Phone — 504-834-3609 Fax — pncpa.com

A Professional Accounting Corporation

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated in Schedule A, which were agreed to by Horsemen's Workers' Compensation Insurance Trust (the Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 29, 2018

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
DECEMBER 31, 2017

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "*no exception noted*". If not, then a description of the exception ensues.

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.

HWCIT does not prepare a budget.

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

Not applicable – no purchases are made through HWCIT.

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

HWCIT does not have written policies and procedures regarding disbursements.

- d) ***Receipts***, including receiving, recording, and preparing deposits

HWCIT does not have written policies and procedures regarding receipts.

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

Not applicable – HWCIT does not have any employees.

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

HWCIT does not have written policies and procedures regarding contracting.

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

Not applicable – HWCIT does not have any credit cards.

**HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
DECEMBER 31, 2017**

Schedule A

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

HWCIT does not have written policies and procedures regarding travel and expense reimbursements.

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

Not applicable – this does not apply to nonprofits.

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

Not applicable – this does not apply to nonprofits.

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.

No charter or legislation dictates the frequency of HWCIT's board meetings. Board meetings for HWCIT are on an as needed basis. Our procedures noted that HWCIT met seven times in 2017.

- b) Report whether the minutes referenced are including 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.

HWCIT does not prepare a budget; therefore, no budget to actual comparisons are discussed at the board meetings.

- 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.

No exceptions noted.

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
DECEMBER 31, 2017

Schedule A

Bank Reconciliations

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

A listing of bank accounts was provided and included a total of two bank accounts. No exceptions noted.

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 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

From the listing provided, P&N obtained both accounts and obtained the bank reconciliations for each of the twelve months ending December 31, 2017, resulting in twenty-four bank reconciliations obtained and subjected to the below procedures.

- a) Bank reconciliations have been prepared;

No exceptions noted.

- 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

No exceptions noted.

- 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.

Not applicable – There were no reconciling items that have been outstanding for more than 6 months after the end of the fiscal period.

Collections

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

A listing of cash collection locations was provided and included only one cash collection location. No exceptions were noted as a result of performing this procedure.

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
DECEMBER 31, 2017

Schedule A

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 5 locations). **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.

No exceptions noted.

- 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.

We performed the procedures above and noted that the entity has no written documentation stating that 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.

We performed the procedures above and noted that HWCIT does not maintain daily collection logs or other similar documentation and written policies and procedures do not require such documentation. Therefore, for the one week tested, no daily collection log or other similar documentation was provided and we were unable to determine the number of days from collection to deposit.

- 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.

We performed the procedures above and noted that HWCIT does not maintain sequentially numbered receipts, system reports, or other daily collection documentation supporting cash collections. Therefore, for the one week tested, no daily collections documentation supporting cash collections was provided.

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
DECEMBER 31, 2017

Schedule A

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 of receipt number sequences, etc.) by a person who is not responsible for collections.

We performed the procedures above and noted that HWCIT has no written documentation regarding a process specifically defined to determine completeness of all collections.

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.

The listing of beginning and ending check ranges for all bank accounts was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.

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:

We randomly selected 25 disbursements and performed the procedures below.

- 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.

None of the items tested were initiated using a requisition/purchase order system. HWCIT does not utilize a requisition/purchase order system or electronic equivalent due to the nature of its operations.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

None of the items tested were initiated using a requisition/purchase order system. HWCIT does not utilize a requisition/purchase order system or electronic equivalent due to the nature of its operations.

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
DECEMBER 31, 2017

Schedule A

- c) Payments for purchases were not processed without an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

HWCIT does not utilize a requisition/purchase order system or obtain receiving reports due to the nature of the business. No exceptions noted for invoice approval.

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.

HWCIT does not utilize a requisition/purchase order system, and there are no written policies and procedures requiring such a system. HWCIT personnel responsible for processing/preparing payments can also set up vendors in the purchasing/disbursement system.

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.

No exceptions noted

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.

No exceptions noted

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.

Signature stamps are not maintained under control of authorized signers. Signed checks are not maintained and controlled by the authorized signer until mailed.

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

Procedures 14 through 16 are not applicable HWCIT does not have credit cards/debit cards/fuel cards/P-Cards.

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.

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
DECEMBER 31, 2017

Schedule A

We obtained a listing of all travel related expense reimbursement transactions. No exceptions were noted as a result of performing this procedure.

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.

HWCIT does not have written policies and procedures related to travel and expense reimbursement.

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.

HWCIT does not have written policies and procedures related to travel and expense reimbursement. HWCIT's policy is to use the standard rates published by the Internal Revenue Service (IRS) not the GSA rates. Only one person received reimbursements.

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased.
 - 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)

No exceptions noted

- 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.

No exceptions noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
DECEMBER 31, 2017

Schedule A

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.

A listing of general ledger activity for all in effect during the fiscal period was provided. No exceptions were noted as a result of performing this procedure. Only two vendors were noted.

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.

No exceptions noted.

- 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 (bid law) 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)

Not applicable.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Not applicable. HWCIT did not solicit quotes for the contracts tested.

- 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.

No amendments noted. Not applicable.

- 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.

No exceptions noted.

**HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
DECEMBER 31, 2017**

Schedule A

- 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).

Not applicable. Board approval not required by policy or law.

Payroll and Personnel

Procedure 22 through 25 are not applicable as HWCIT does not have any employees.

Ethics (excluding nonprofits)

Procedures 26 and 27 are not applicable as HWCIT is a nonprofit.

Debt Service

Procedures 28 through 30 are not applicable as HWCIT is a nonprofit.

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.

Not applicable. The entity did not report any 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.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

The notice is posted on the premises and the website. No exceptions noted.

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

No exceptions noted.

**HORSEMEN'S WORKERS' COMPENSATION INSURANCE TRUST
AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS
DECEMBER 31, 2017**

Schedule A

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 are undocumented and is in the process of developing a written policies and procedures manual. During this exercise, management will take into consideration the other areas identified in this report in order to strengthen their policies and procedures as necessary.