
LOUISIANA HORSEMEN'S PENSION TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

LOUISIANA HORSEMEN'S PENSION TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2017

LOUISIANA HORSEMEN'S PENSION TRUST

TABLE OF CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1
<u>FINANCIAL STATEMENTS</u>	
Statements of Net Assets Available for Benefits	3
Statements of Changes in Net Assets Available for Benefits	4
Statements of Accumulated Plan Benefits	5
Statements of Changes in Accumulated Plan Benefits	6
<u>NOTES TO FINANCIAL STATEMENTS</u>	7
<u>SUPPLEMENTAL SCHEDULES</u>	
Schedule H, Line 4(i) – Schedule of Assets (Held at Year End)	14
Schedule of Compensation, Benefits and Other Payments to Agency Head	16
<u>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></u>	17

Independent Auditors' Report

To the Trustees
Louisiana Horsemen's Pension Trust

Report on the Financial Statements

We have audited the accompanying financial statements of the Louisiana Horsemen's Pension Trust (the Trust), which comprise the statements of net assets available for benefits and accumulated plan benefits as of December 31, 2017 and 2016, and the related statements of changes in net assets available for benefits and changes in accumulated plan benefits 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 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 audits 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, 2017 and 2016, and the changes in its financial status for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information, on page 15, in Schedule H, Line 4(i) – Schedule of Assets, and on page 16, in 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 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 H, Line 4(i) – Schedule of Assets and the Schedule of Compensation, Benefits, and Other Payments to the Agency Head are fairly stated, in all material respects, in 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 29, 2018, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
June 29, 2018

LOUISIANA HORSEMEN'S PENSION TRUST

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 194,584	\$ 153,380
Investments		
Certificates of deposit, at cost	1,495,000	1,591,000
Money market fund, at fair value	215,256	124,510
Common stocks, at fair value	<u>802,634</u>	<u>773,410</u>
Total investments	<u>2,512,890</u>	<u>2,488,920</u>
Accrued interest	1,260	18,139
Due from related parties	464	-
1% Purse receivable	71,659	33,672
Prepaid income taxes	<u>59,090</u>	<u>102,880</u>
	<u>132,473</u>	<u>154,691</u>
Total assets	<u>\$ 2,839,947</u>	<u>\$ 2,796,991</u>

LIABILITIES AND NET ASSETS

Liabilities		
Operating payables	\$ 2,171	\$ 261
Death benefit payable	7,500	7,500
Deferred tax liability	<u>36,000</u>	<u>37,000</u>
Total liabilities	<u>45,671</u>	<u>44,761</u>
Net assets available for benefits	<u>\$ 2,794,276</u>	<u>\$ 2,752,230</u>

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

LOUISIANA HORSEMEN'S PENSION TRUST

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Additions to net assets attributed to:		
Investment income		
Interest and dividends	\$ 55,218	\$ 58,275
Net realized and unrealized gain	<u>14,232</u>	<u>99,112</u>
Total investment income	<u>69,450</u>	<u>157,387</u>
Contributions		
1% Purse	662,047	619,754
Horsemen's Bookkeeper - pony lead fees	<u>3,477</u>	<u>3,565</u>
Total contributions	<u>665,524</u>	<u>623,319</u>
Total additions	<u>734,974</u>	<u>780,706</u>
Reductions to net assets attributed to:		
Payments to participants	520,282	544,194
Death benefit expenses	30,000	64,490
Income tax expense	15,200	697
Administrative expenses	<u>127,446</u>	<u>127,570</u>
Total reductions	<u>692,928</u>	<u>736,951</u>
Change in net assets available for benefits	42,046	43,755
Net assets available for benefits, beginning of year	<u>2,752,230</u>	<u>2,708,475</u>
Net assets available for benefits, end of year	<u>\$ 2,794,276</u>	<u>\$ 2,752,230</u>

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

LOUISIANA HORSEMEN'S PENSION TRUST

STATEMENTS OF ACCUMULATED PLAN BENEFITS
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Present value of accumulated benefits		
Vested benefits:		
Participants currently receiving payments	\$ 3,415,165	\$ 3,755,719
Other participants	<u>3,352,537</u>	<u>3,718,937</u>
	<u>\$ 6,767,702</u>	<u>\$ 7,474,656</u>

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

LOUISIANA HORSEMEN'S PENSION TRUST

STATEMENTS OF CHANGES IN ACCUMULATED PLAN BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Present value of		
accumulated benefits at beginning of year	\$ 7,474,656	\$ 7,250,317
Increase (decrease) during the year attributable to:		
Benefits accumulated	116,814	594,571
Benefits paid	(550,282)	(608,684)
Interest rate change	<u>(273,486)</u>	<u>238,452</u>
	<u>(706,954)</u>	<u>224,339</u>
Present value of		
accumulated benefits at end of year	<u>\$ 6,767,702</u>	<u>\$ 7,474,656</u>

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

LOUISIANA HORSEMEN'S PENSION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. Description of the Plan

Organization and Description of the Plan

The purpose of the Louisiana Horsemen's Pension Trust (the Trust) is to provide retirement and other benefits to Trainers who comply with the terms and conditions set forth in its two plans: The Louisiana Horsemen's Pension Plan and the H.B.P.A. Louisiana Division Senior Member Retirement Plan. The benefits are provided to Trainers as members of the Louisiana Horsemen's Benevolent and Protective Association (H.B.P.A.).

The Trust was formed in order to continue to provide retirement and other benefits to qualified Trainers who derive income from the racing, training, and care of thoroughbred racehorses or quarter horses in Louisiana. Benefits shall be paid only from the available funds of the Trust. The Plans are not qualified retirement plans and are not subject to the provisions of the Employee Retirement Income Security Act of 1974.

The H.B.P.A. Louisiana Division Senior Member Retirement Plan covers Trainers that are over sixty years of age and had a defined number of starts for a defined period of racing seasons. There are no death benefit provisions under this plan. Trainers included in this plan remained in this plan when it was frozen with an amendment and restatement dated January 1, 1996. The amended and restated plan, dated January 1, 1996, is known as the Louisiana Horsemen's Pension Plan.

A credited year of training includes a plan year beginning on or after January 1, 1985, during which a Trainer has twelve (12) starts at a licensed Louisiana race track; a plan year beginning on or after January 1, 1996, during which a Trainer has twenty (20) starts at a licensed Louisiana race track; and a plan year beginning on or after January 1, 2000, during which a Trainer has thirty (30) starts at a licensed Louisiana race track and was domiciled in Louisiana for six (6) months during the plan year; a plan year beginning on or after January 1, 2011, during which a trainer has thirty (30) starts at a licensed Louisiana race track of which at least eight (8) starts occur in each of three quarters of the plan year. In addition, for both Plans, the Trainer has filed an application with the Trustees on a form provided.

Retirement benefits begin in the month following retirement or at age 65 or age 70, upon request. The amount of the monthly retirement benefit shall be determined by applying the average total starts for the three (3) years with the most starts from 1985, through the year prior to the year of retirement according to a graduating scale, with a minimum monthly benefit of \$231 and a maximum monthly benefit of \$308. Effective July 1, 2015, the Trustees approved a 10% increase in pension benefits to all participants.

Death and Disability Benefits

Effective January 1, 1996, any Trainer with at least five (5) credited years of training is eligible for a deferred disability retirement benefit to begin at age 65. The monthly disability benefit will be \$15 per credited year of training up to a maximum of \$150 per month. A Trainer who has at least ten (10) credited years of training is also eligible for a death benefit. The Trainer's designated beneficiary shall receive the unused vested pension amount or \$7,500, whichever is greater. The Trust does not provide a death benefit after a Trainer reaches age 80.

LOUISIANA HORSEMEN'S PENSION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Trust have been prepared on the accrual basis of accounting 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.

Investment Valuation and Income Recognition

Common stocks 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. Certificate of deposits are reported at cost which approximates fair value.

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

Contributions

During the 2008 Louisiana Legislative Session, Louisiana Revised Statute 4:251.1 was enacted to provide for the Horsemen's Self-Help Pension Program (Horsemen's Pension Trust). Pursuant to Revised Statute 4:252 (c)(5), the Horsemen's Benevolent and Protective Association may utilize up to one-half of the authorized two percent of total amount of purses and purse supplements available for improving and administering the Horsemen's Pension Trust. Until June 1, 2016, contributions consisted of one-half of the authorized two percent of total amount of purses and purse supplements available. Beginning on June 1, 2016, contributions consisted of one-fourth of the authorized two percent of total amount of purses and purse supplements available. Effective again as of June 1, 2017, contributions reverted to consist of the original one-half of the authorized two percent of the total amount of purses and purse supplements available. In utilizing the funds authorized, not more than seventy-five percent shall be used to directly improve pension benefits and the remainder shall be placed for investment in the pension program's trust fund for the purpose of helping to ensure that said trust fund becomes self-sustaining.

Benefit Payments

Benefit payments to participants are recorded when due to the participant or beneficiary.

LOUISIANA HORSEMEN'S PENSION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. Significant Accounting Policies (continued)

Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions, for services rendered by the participants prior to the valuation date. Accumulated plan benefits include benefits expected to be paid to (a) retired or vested participants or their beneficiaries and (b) present participants or their beneficiaries. Benefits for retired or vested participants or their beneficiaries are based on the provisions of the Plan in effect at the time of retirement or termination.

The present value of accumulated plan benefits is determined by a Certified Public Accountant and is that amount that results from applying assumptions to adjust the accumulated plan benefits to reflect time value of money between the valuation date and the expected date of payment. The significant assumptions used in the valuation as of December 31, 2017 and 2016 were as follows: the present value was calculated based on an interest rate of 2.64% and 2.26% (the adjusted Federal long-term rate at December 31, 2017 and 2016), and the anticipated life expectancy of age 80 for the participants credited with 10 years of service at December 31, 2017 and 2016.

The valuations are based on the assumption that the plan will continue. Should the Plan terminate, different assumptions and other factors might be applicable in determining the present value of accumulated benefits.

Trust contributions are made and the present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, promised benefit amounts, and trainer demographics all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near future would be material to the financial statements.

This calculation was made for each of the 282 and 287 vested participants eligible for or already receiving retirement benefits in the Louisiana Horsemen's Pension Plan as of December 31, 2017 and 2016, with the exception of those in the discretionary Senior Pension Plan receiving benefits.

Tax Status

The Louisiana Horsemen's Pension Trust files as a taxable trust. 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.

LOUISIANA HORSEMEN'S PENSION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. Significant Accounting Policies (continued)

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosure of contingent assets and liabilities, and the present value of accumulated plan benefits at the date of the financial statements. Accordingly, actual results may differ from those estimates.

Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

3. Investments

Investments consisted of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Certificates of deposit	\$ 1,495,000	\$ 1,591,000
Money market fund	215,256	124,510
Common Stocks	802,634	773,410
Total	<u>\$ 2,512,890</u>	<u>\$ 2,488,920</u>

The following investments represent five percent or more of the Trust's net assets at December 31:

	<u>2017</u>	<u>2016</u>
Merrill Lynch BIF Money Fund	\$ 215,256	\$ 124,510
Goldman Sachs Bank US	\$ -	\$ 200,000
CD Capital One Bank USA	\$ 150,000	\$ -
CD HSBC Bank USA	\$ 150,000	\$ -

LOUISIANA HORSEMEN'S PENSION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

4. Income Taxes

The provisions for income taxes are included in administrative expenses and consist of the following for the years ended December 31:

	2017	2016
Current	\$ 16,200	\$ (25,303)
Deferred	(1,000)	26,000
Total income tax expense	<u>\$ 15,200</u>	<u>\$ 697</u>

At December 31, 2017 and 2016, included in total liabilities is a deferred tax liability of \$36,000 and \$37,000 respectively, relating to the book-tax difference in recognition of investment gains and losses.

The Trust's provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from providing for state income taxes.

5. 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 the 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 PENSION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

5. Fair Value Measurements (continued)

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

The asset's 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, 2017 and 2016.

Money market fund: Valued at the daily closing price as reported by the fund. The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission. This fund is required to publish its daily net asset value (NAV) and to transact at that price. The money market fund is deemed to be actively traded.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

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 Plan 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 the reporting date.

The money market fund and all common stock are considered Level 1 in the fair value hierarchy as of December 31, 2017 and 2016. The following table sets forth common stock investments by industry sector as of December 31:

	<u>2017</u>	<u>2016</u>
Common Stocks		
Basic Materials	\$ 38,391	\$ 120,210
Consumer Goods	223,542	234,408
Financial	111,315	98,330
Healthcare	118,692	111,112
Services	-	35,762
Technology	157,550	173,588
Energy	72,130	-
Communication Services	81,014	-
Total	<u>\$ 802,634</u>	<u>\$ 773,410</u>

LOUISIANA HORSEMEN'S PENSION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

6. Related Party Transactions

During the years ended December 31, 2017 and 2016, included in administrative expenses is \$78,400 and \$80,400 for management fees paid to LAHBPA 1993, Inc. in accordance with the management agreement, respectively. The Executive Director function is performed by an employee of LAHBPA 1993 Inc.

7. Termination of Plan

In the event the Trust terminates, the net assets shall be allocated as follows: (a) first, to pay any benefits due and owing under the plan to the then current vested participants and beneficiaries; (b) second, to pay the expenses of terminating the Trust; (c) third, to pay benefits to participants and beneficiaries who were not previously vested (but who shall be deemed vested upon termination of the Trust) and (d) fourth, with respect to any excess, to all participants and beneficiaries in such manner as the Trustees shall determine.

8. Risks and Uncertainties

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities 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 90.08% and 79.38% of total additions to plan assets during the years ended December 31, 2017 and 2016, respectively.

The Trust maintains cash in bank accounts in excess of insured limits periodically. 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 29, 2018, and determined no item requires disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

LOUISIANA HORSEMEN'S PENSION TRUST

SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT YEAR END)
DECEMBER 31, 2017

Plan Number: 001

Employer I.D. #72-6154124

(a)	(b) Identity of issuer, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
	<u>Cash</u>		\$ 194,584	\$ 194,584
	<u>Investments</u>			
	<u>Certificates of Deposit</u>			
		Maturity date of December 4, 2018		
	CIT Bank	2.000%, 100,000 shares	100,000	100,000
		Maturity date of October 4, 2018		
	Synchrony Bank	2.100%, 75,000 shares	75,000	75,000
		Maturity date of September 16, 2020		
	Barclays Bank	2.200%, 100,000 shares	100,000	100,000
		Maturity date of September 16, 2019		
	Capital One Bank	1.950%, 100,000 shares	100,000	100,000
		Maturity date of October 28, 2020		
	Capital One Bank	2.250%, 120,000 shares	120,000	120,000
		Maturity Date of May, 10, 2022		
	Capital One Bank	2.300%, 150,000 shares	150,000	150,000
		Maturity Date of May 2, 2023		
	HSBC Bank USA	2.500%, 150,000 shares	150,000	150,000
		Maturity date of May 22, 2020		
	BMW Bank of North America	1.950%, 100,000 shares	100,000	100,000
		Maturity date of June 8, 2021		
	Discover Bank	1.500%, 75,000 shares	75,000	75,000
		Maturity date of October 1, 2019		
	Comenity Bank	2.150%, 100,000 shares	100,000	100,000
		Maturity date of December 9, 2020		
	Sallie Mae Bank	2.200%, 125,000 shares	125,000	125,000
		Maturity date of August 15, 2018		
	American Express Centurion Bank	1.950%, 100,000 shares	100,000	100,000
		Maturity date of October 29, 2019		
	Sallie Mae Bank	2.200%, 100,000 shares	100,000	100,000
		Maturity date of September 14, 2021		
	Comenity Bank	1.650%, 100,000 shares	100,000	100,000
	Total Certificates of Deposit		<u>1,495,000</u>	<u>1,495,000</u>

(continued)

LOUISIANA HORSEMEN'S PENSION TRUST

SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT YEAR END)

DECEMBER 31, 2017

Plan Number: 001

Employer I.D. #72-6154124

(a)	(b) Identity of issuer, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
<u>Investments</u>				
<u>Money Market Funds</u>				
	Merrill Lynch BIF Money Fund	215,256 shares	\$ 215,256	\$ 215,256
	Total Money Market Funds		<u>215,256</u>	<u>215,256</u>
<u>Common Stocks</u>				
	Anadarko Pete Corp	504 shares	\$ 35,881	\$ 27,034
	Apple Inc	308 shares	4,461	52,124
	Brighthouse	88 shares	4,648	5,161
	Centurylink Inc SHS	1,909 shares	57,937	31,841
	Cisco Systems	1,300 shares	24,563	49,790
	Diageo PLC	400 shares	42,969	58,412
	Edgewell Pers Care Co	244 shares	17,420	14,491
	Energizer HLDGS Inc	355 shares	8,765	17,033
	Exxon Mobile Corp	459 shares	33,241	38,391
	Ford Motor Co	3,075 shares	47,505	38,407
	JP Morgan Chase & CO	535 shares	22,974	57,213
	Kinder Morgan Inc	9 shares	287	163
	Metlife Inc COM	968 shares	38,232	48,942
	Medtronic Inc Com	463 shares	35,036	37,387
	Merck and Co Inc SHS	621 shares	21,975	34,944
	Newell Rubbermaid Inc	1,027 shares	12,418	31,734
	Occidental Pete Corp Cal	610 shares	47,208	44,932
	Pfizer Inc	1,280 shares	34,919	46,362
	Procter & Gamble Co	480 shares	33,277	44,102
	Qualcomm Inc	603 shares	33,239	38,604
	TJX Cos Inc	476 shares	33,325	36,395
	Verizon Communications	929 shares	44,496	49,172
	Total Common Stocks		<u>634,776</u>	<u>802,634</u>
	Total Investments		<u>\$ 2,345,032</u>	<u>\$ 2,512,890</u>
	Total Assets Held at Year End		<u>\$ 2,539,616</u>	<u>\$ 2,707,474</u>

See independent auditor's report.

LOUISIANA HORSEMEN'S PENSION 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>	<u>Amount</u>
Salary	\$ 115,972
Benefits - insurance	6,412
Per diem	161
Registration fees	150
Conference travel	759

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

See independent auditor's 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 Pension 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 Pension Trust (the Trust), which comprise the statements of net assets available for benefits and accumulated plan benefits as of December 31, 2017, and the related statements of changes in net assets available for benefits and changes in accumulated plan benefits for the years 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 Louisiana Horsemen's Pension 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 Louisiana Horsemen's Pension 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 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 Louisiana Horsemen's Pension 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.

Postlethwaite & Netterville

Metairie, Louisiana
June 29, 2018

LOUISIANA HORSEMEN'S PENSION TRUST
STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

LOUISIANA HORSEMEN'S PENSION TRUST
STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2017

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To Board of Directors of Louisiana Horsemen's Pension Trust
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Louisiana Horsemen's Pension Trust (Pension Trust or the Entity) and the Louisiana Legislative Auditor (LLA) (the specified parties) 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 below either for the purpose for which this report has been requested or for any other purpose.

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.

Pension 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 or state purchasing rules and regulations; and (5) documentation required to be maintained for all bids and price quotes.

Not applicable – no purchases are made through Pension Trust.

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

Pension Trust does not have written policies and procedures regarding disbursements.

Written Policies and Procedures (continued)

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

Pension Trust 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 – Pension 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

Pension Trust 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 – Pension 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

Pension Trust does not have written policies and procedures regarding travel and expense reimbursements. The Entity did not have any travel and expense reimbursements during the year ended December 31, 2017.

- 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 the Trust's board meetings. Our procedures noted that the Pension Trust board met once in 2017.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and other major funds. 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.

Pension Trust 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.

Bank Reconciliations

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

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:

- 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;

A member of management prepares the bank reconciliations which are then reviewed by the outside CPA firm engaged by Pension Trust. 50 out of 60 bank reconciliations tested did not have evidence of review.

Bank Reconciliations (continued)

- 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.

2 out of the 5 year-end bank reconciliations tested had reconciling items outstanding for more than 6 months as of the end of the fiscal period. Management was unable to provide documentation reflecting that it had researched these reconciling items.

Collections

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

No exceptions noted.

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). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each cash collection location selected:

- a. Obtain existing 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 a board member or an outside party) and 3) not required to share the same cash register or drawer.

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 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.

Collections (continued)

- 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 Pension Trust 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 Pension Trust 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.

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, reasonableness of cash collections based on licenses issued) by a person who is not responsible for collections.

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

Disbursements – Other General

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.

Disbursements – Other General (continued)

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the Entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

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

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order (P.O.), or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Pension Trust does not utilize a requisition/purchase order system or obtain receiving reports due to the nature of the business. Invoices were approved by someone other than the person initiating.

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.

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

Disbursements – Other General (continued)

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; however, the stamp is used only with his or her written approval. 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 as the Pension Trust does not have credit cards/debit cards/fuel cards/P-cards.

Travel and Expense Reimbursement

Procedures 17 through 19 are not applicable as the Pension Trust did not have travel and expense reimbursements in the current year.

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.

No exceptions 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 or the Louisiana Legislative Auditor). 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. Formal written contracts support the service arrangements and amounts paid.

Contracts (continued)

- 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:

The two contracts selected were not subject to the Louisiana Public Bid Law or Procurement Code.

- 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.

Pension Trust 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.

Of the two contracts tested, we noted one contract, originally executed in 2012, had been amended, as permitted by the original contract. The amendments were approved by the Board and totaled \$36,800.

- 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.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law.

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

Payroll and Personnel

Procedures 22 through 25 are not applicable as Pension Trust does not have any employees.

Ethics

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

Debt Service

Procedures 28 through 30 are not applicable as Pension Trust 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.

No misappropriation of public funds or assets based on inquiry of management.

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.

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

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.

We were not engaged to perform, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusions, 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

Metairie, Louisiana
June 29, 2018