

**LOUISIANA HORSEMEN'S BENEVOLENT
and PROTECTIVE ASSOCIATION 1993, INC.
HORSEMEN'S BOOKKEEPER ACCOUNT
March 31, 1999**

Audit of Financial Statements

**March 31, 1999
and
March 31, 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date APR 13 1999

CONTENTS

Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 8
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	9 - 11



Board of Directors
Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.
Horsemen's Bookkeeper Account

Independent Auditor's Report

We have audited the accompanying statements of financial position of the **Horsemen's Bookkeeper Account (Bookkeeper)** of the **LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC.** (a nonprofit organization) as of March 31, 1999 and 1998, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the **Bookkeeper's** management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Horsemen's Bookkeeper Account** of the **LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC.** as of March 31, 1999 and 1998, and the changes in its net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 1999, on our consideration of the **Horsemen's Bookkeeper Account** of the **LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC.**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Sabate, Sekit, Rongje, Nard

A Professional Accounting Corporation

July 6, 1999

**LOUISIANA HORSEMEN'S BENEVOLENT
and PROTECTIVE ASSOCIATION 1993, INC.
HORSEMEN'S BOOKKEEPER ACCOUNT
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	March 31,	
	1999	1998
Cash and Cash Equivalents	\$ 10,796,156	\$ 9,934,699
Due from Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.	238,396	238,222
Investment in Certificate of Deposit	100,000	100,000
 Total Assets	 \$ 11,134,552	 \$ 10,272,921

LIABILITIES AND NET ASSETS

LIABILITIES		
Due to Horsemen	\$ 11,134,552	\$ 10,272,921
NET ASSETS		
	-	-
 Total Liabilities and Net Assets	 \$ 11,134,552	 \$ 10,272,921

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

**LOUISIANA HORSEMEN'S BENEVOLENT
and PROTECTIVE ASSOCIATION 1993, INC.
HORSEMEN'S BOOKKEEPER ACCOUNT
STATEMENTS OF ACTIVITIES**

	For The Years Ended March 31,	
	1999	1998
REVENUES		
Purses	\$ 44,880,616	\$ 40,634,592
Owner/Trainer Deposits	9,624,265	8,530,187
Louisiana Quarterhorse Breeders Association - Video Poker Funds	905,313	894,218
Pony Lead Fees	189,393	267,156
Interest Earned	187,285	187,368
	<u>55,786,872</u>	<u>50,513,521</u>
EXPENSES		
Program Services:		
Owner/Trainer Distributions	50,681,169	45,659,243
Jockey Payroll/Jockey Guild	4,448,774	4,135,489
2% Commissions - LTBA/LQHBA Breeder Awards	270,890	252,421
LHBPA - Pony Lead Fees - 1993, Inc.	149,935	231,677
LHBPA - Interest Earned - 1993, Inc.	185,132	185,834
LHBPA - Pony Lead Fees - Horsemen's Pension Trust	31,566	32,299
LHBPA - Jockey Payroll Administrative Fee - 1993, Inc.	6,495	6,604
LHBPA - Pony Lead Fees - PAC Contributions	7,892	3,179
LHBPA - Other - 1993, Inc.	4,373	5,241
Bank Charges	646	1,534
	<u>55,786,872</u>	<u>50,513,521</u>
INCREASE IN NET ASSETS	-	-
NET ASSETS, BEGINNING OF YEAR	-	-
NET ASSETS, END OF YEAR	\$ -	\$ -

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

**LOUISIANA HORSEMEN'S BENEVOLENT
and PROTECTIVE ASSOCIATION 1993, INC.
HORSEMEN'S BOOKKEEPER ACCOUNT
STATEMENTS OF CASH FLOWS**

	For The Years Ended	
	March 31,	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ -	\$ -
Adjustments to Reconcile Increase in Net Assets to		
Net Cash Provided by (Used in) Operating Activities:		
(Increase) in Due from LHBPA	(174)	(1,534)
Increase in Due to Horsemen	861,631	-
Net Cash Provided by (Used in) Operating		
Activities	861,457	(1,534)
NET INCREASE (DECREASE) IN CASH AND		
CASH EQUIVALENTS	861,457	(1,534)
CASH AND CASH EQUIVALENTS, BEGINNING OF		
YEAR	9,934,699	9,936,233
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 10,796,156	\$ 9,934,699

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

**LOUISIANA HORSEMEN'S BENEVOLENT
and PROTECTIVE ASSOCIATION 1993, INC.
HORSEMEN'S BOOKKEEPER ACCOUNT
NOTES TO FINANCIAL STATEMENTS**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND OPERATIONS

The **LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.** is a non-profit organization which has been recognized as an authorized representative that shall represent member and other horsemen racing at licensed race meetings held in the state of Louisiana for the purpose of but not limited to negotiating contracts for such horsemen with all racing associations licensed by the state of Louisiana, relative to purses, hospitalization, medical benefits, conditions, and all other matters of interest and concern to such horsemen.

At each race meeting conducted in the state of Louisiana pursuant to the provisions of the Louisiana State Racing Commission, there shall be a bookkeeper for the collection, disbursement, and investment of monies belonging to horsemen licensed at such a race meeting who shall be known as the **Horsemen's Bookkeeper**. The **Horsemen's Bookkeeper** shall be bonded, selected, and employed by the authorized representative of horsemen racing in the state of Louisiana, the **LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC.**

Each association conducting a race meeting shall provide a separate office for the **Horsemen's Bookkeeper** who shall keep a separate bank account for the horsemen's monies to be known as the "**Horsemen's Bookkeeper Account**".

At all times the **Horsemen's Bookkeeper Account** shall have on deposit funds sufficient to cover all monies due horsemen with regard to daily purses, jockey fees, stakes, handicaps, rewards, claims, deposits, monies, if any, for horsemen's medical and hospital benefit programs, and any pony lead fees.

Except for interest earned on the investment of monies in the **Horsemen's Bookkeeper Account**, and that portion of a pony lead fee as authorized and assessed by the representative of horsemen in the state to provide retirement benefits to horsemen and to pay its administrative and operating costs, withdrawals from the account shall be only for those purposes provided in the above paragraph.

The interest earned on the investment of monies in the **Horsemen's Bookkeeper Account** and that portion of a pony lead fee as provided for above shall be collected by the **Horsemen's Bookkeeper** and paid, in due course, to the **LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC.**

**LOUISIANA HORSEMEN'S BENEVOLENT
and PROTECTIVE ASSOCIATION 1993, INC.
HORSEMEN'S BOOKKEEPER ACCOUNT
NOTES TO FINANCIAL STATEMENTS**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ORGANIZATION AND OPERATIONS (Continued)

After first paying the expenses and other charges necessary to operate the offices of the **Horsemen's Bookkeeper**, the interest earned on the investment of monies in the **Horsemen's Bookkeeper Account** by the **LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION, INC.** shall be used by it for the benefit of horsemen racing in the state.

The account shall at all times be subject to audit by the legislative auditor or by a certified public accountant approved by the legislative auditor, the expenses of such audit to be paid by the **LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC.**

BASIS OF PRESENTATION

The **Bookkeeper** has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 requires reporting information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Restrictions are based upon donor stipulations. Due to the nature of the **Bookkeeper's** operations, net assets are always expected to be non-existent, therefore, a balance of zero.

CASH EQUIVALENTS

For reporting purposes, the **Horsemen's Bookkeeper Account** considers all highly liquid debt instruments with a maturity of three months or less to be considered cash equivalents.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LOUISIANA HORSEMEN'S BENEVOLENT
and PROTECTIVE ASSOCIATION 1993, INC.
HORSEMEN'S BOOKKEEPER ACCOUNT
NOTES TO FINANCIAL STATEMENTS**

NOTE B

2% COMMISSIONS - LTBA/LQHBA BREEDER AWARDS

As prescribed by state law, each licensee conducting race meetings, for which supplements for purses are provided, shall withhold two percent of the total supplemental purses. These funds are forwarded, by the licensee, to the **Horsemen's Bookkeeper**, who in turn disburses these exact funds to the Louisiana Thoroughbred Breeders Association (LTBA) and the Louisiana Quarter Horse Breeders Association (LQHBA).

NOTE C

RELATED PARTY TRANSACTIONS

During the course of its operations, the **Bookkeeper** has loaned funds to the **LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC.** There are no set terms for repayment of these funds.

NOTE D

CONCENTRATION OF RISK

At March 31, 1999 and 1998, the **Bookkeeper** had funds deposited in financial institutions in excess of the \$100,000 FDIC guaranteed limits.

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

Board of Directors

Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.

Horsemen's Bookkeeper Account

We have audited the financial statements of the **Horsemen's Bookkeeper Account** of the **LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC.** (a nonprofit organization) for the year ended March 31, 1999, and have issued our report thereon dated July 6, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the **Horsemen's Bookkeeper Account** of the **LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC.**'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements 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 that there were no instances of noncompliance that are required to be reported herein under *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit we considered **Horsemen's Bookkeeper Account** of the **LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, INC.**'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on

the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the **Horsemen's Bookkeeper Account** of the **LOUISIANA HORSEMEN'S BENEVOLENT and PROTECTIVE ASSOCIATION 1993, Inc.**'s ability to record, process summarize, and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are presented below.

Financial Reporting

While cash flow reports that detail the categorized sum total of the cash received and cash disbursed, can be run for each Horsemen's Bookkeeper at each licensed race track, neither a combined general ledger nor combined financial statements are being prepared on a timely basis.

We recommend that the current cash flow reports be used for generating a combined general ledger on a monthly basis. Such a ledger will provide a reporting format that will allow management to evaluate the consistency of receipt and disbursement codings by the Bookkeepers. This ledger will also enable management to evaluate on a timely basis the completeness of the activity within the **Horsemen's Bookkeepers' Accounts**.

Segregation of Duties

The individual serving as the Horsemen's Bookkeeper at each race track has sole responsibility of

- 1) receiving and distributing to the horsemen's accounts purse money received from the race track,
- 2) receiving and distributing to the horsemen's accounts monies received from the horsemen, and
- 3) initiating and authorizing the disbursement of funds out of the horsemen's accounts.

We recommend that the possibility of removing at least one of these responsibilities from the Bookkeeper be explored. In addition, we recommend that management perform procedures that include inspection of the receipt allocations and cash disbursements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider all of the reportable conditions described above to be material weaknesses.

This report is intended for the information of the Bookkeeper's management and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Fabrite, Akut, Longie, Haxel

A Professional Accounting Corporation

July 6, 1999