



Capital Area Transit System

FINANCIAL STATEMENTS

December 31, 2023 and 2022



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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Capital Area Transit System
Baton Rouge, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Capital Area Transit System (the System), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Capital Area Transit System, as of December 31, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the pension trust fund of the System, which represents 100 percent of the aggregate remaining fund information as of December 31, 2023 and 2022, and the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the pension trust fund of the System, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Capital Area Transit System as of and for the year ended December 31, 2022, were audited by other auditors whose report dated June 27, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information and the GASB-required pension supplementary information, on pages 4-11 and 43-46, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We and another auditor have applied certain limited procedures to the required supplementary 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying schedule of compensation, benefits, and other payments to agency head and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code or Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head and the schedule of expenditures of federal awards 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 July 31, 2024, on our consideration of the System'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's 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 System's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
July 31, 2024

Capital Area Transit System Management's Discussion and Analysis

As financial management of the Capital Area Transit System (the System) we offer readers of these financial statements an overview and analysis of the System's financial activities. This document focuses on the current year's activities of the business-type activity, resulting changes, and currently known facts in comparison with the previous two years of financial information.

Financial Highlights

The System's net position was \$53,398,085, as of December 31, 2023, representing an increase of approximately \$10,922,000, or 25.7%, from that of December 31, 2022. Grant and property tax increases were offset by increases in personnel and depreciation. The net position at December 31, 2022 was \$42,475,663 which was an increase of approximately \$281,000, or approximately 0.6%, from December 31, 2021. Grant and property tax increases were offset by increases in personnel and supplies, fuel, and other bus related expenses.

A substantial portion of the net position is invested in capital assets representing approximately 49% and 46% of total net position for the years ended December 31, 2023 and 2022, respectively.

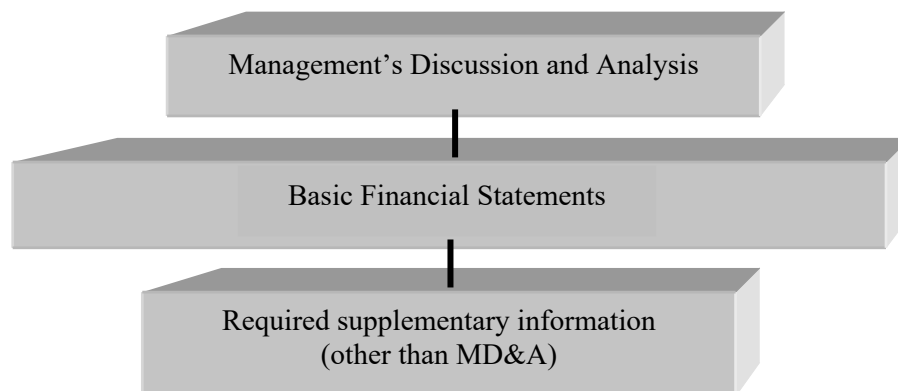
Federal operating subsidy revenue was \$13,008,509, \$10,786,232, and \$6,080,896 for 2023, 2022 and 2021, respectively.

Gain (loss) before capital contributions was \$4,407,237, \$(2,771,390), and \$(3,080,145) for 2023, 2022 and 2021, respectively.

The System implemented GASB 87- *Leases* during the fiscal year 2022. This resulted in the recording of a right-of-use asset and lease liability for approximately \$337,000.

Overview of the Financial Statements

This financial report consists of three parts: management's discussion and analysis (this section), the basic financial statements (including the notes to the financial statements) and required supplementary information.



The financial statements provide both long-term and short-term information about the System's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements required by Governmental Accounting Standards Board (GASB). The System maintains two different funds: a proprietary fund (a business-type activity) and a fiduciary fund.

Capital Area Transit System Management's Discussion and Analysis

The System is a political subdivision of the State of Louisiana which is independently governed by a Board of Commissioners authorized by state statute. For financial statement purposes, the System is determined to be a component unit of the City of Baton Rouge - Parish of East Baton Rouge (City-Parish) under criteria established by GASB Codification Section 2100.

Proprietary Fund. The System has one type of proprietary fund, an enterprise fund, which is used to report the same functions presented as business-type activities; for the System, the fund accounts for all transit activity.

The System's proprietary fund financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statement of revenues, expenses, and changes in net position.

The statement of net position reports the System's net position. Net position, which is the difference between the System's assets, deferred outflows of resources, and liabilities and deferred inflows of resources, is one way to measure the System's financial health or position. The net position is classified into three categories: net investment in capital assets, restricted, and unrestricted. The System's restricted net position consists of its net pension asset.

Fiduciary Fund. The System has one type of fiduciary fund, a pension trust fund. The fiduciary fund assets are not available to finance transit operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

Basic Financial Statements

The basic financial statements present information for the System as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows.

The statements of net position present the current and long-term portions of assets and liabilities separately. The difference between total assets, deferred outflows, total liabilities, and deferred inflows is net position and may provide a useful indicator of whether the financial position of the System is improving or deteriorating.

The statements of revenues, expenses, and changes in net position present information showing how the System's net position changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The statements of cash flows present information showing how the System's cash changed because of current year operations. The statements of cash flows are prepared using the direct method and include the reconciliation of operating loss to net cash used in operating activities (indirect method).

Capital Area Transit System Management's Discussion and Analysis

Financial Analysis of the System

The table below summarizes the System's net position as of December 31, 2023, 2022 and 2021:

Condensed Statements of Net Position as of December 31, 2023, 2022 and 2021

	2023	2022	2021
Assets			
Current and other assets	\$ 36,696,279	\$ 28,647,183	\$ 28,055,542
Capital assets	28,753,847	20,015,031	20,077,162
Net pension asset	2,609,202	-	4,436,649
Total assets	<u>68,059,328</u>	<u>48,662,214</u>	<u>52,569,353</u>
Deferred outflows - pension related	<u>283,188</u>	<u>2,578,254</u>	<u>1,164,137</u>
Liabilities			
Current liabilities	10,709,193	3,464,488	3,147,790
Non-current liabilities			
Due within one year	1,552,047	2,163,409	2,269,678
Due in more than one year	2,358,478	3,136,908	3,373,518
Total liabilities	<u>14,619,718</u>	<u>8,764,805</u>	<u>8,790,986</u>
Deferred inflows - pension related	<u>324,713</u>	<u>-</u>	<u>2,747,397</u>
Net position			
Net investment in capital assets	28,592,054	19,149,225	18,492,064
Restricted for pension asset	2,609,202	-	4,436,649
Unrestricted	<u>22,196,829</u>	<u>23,326,438</u>	<u>19,266,394</u>
Total net position	<u><u>\$ 53,398,085</u></u>	<u><u>\$ 42,475,663</u></u>	<u><u>\$ 42,195,107</u></u>

The System's total net position increased from \$42,195,107 at December 31, 2021 to \$42,475,663 at December 31, 2022 and increased to \$53,398,085 at December 31, 2023.

There was an increase in net position between 2022/2023. Increased grant revenues were offset by additional personnel costs associated with turnover and increased depreciation expense. There was an increase in net position between 2021/2022. Increased grant revenues were offset by additional personnel costs associated with turnover and increased fuel and repair costs associated with rising inflation. Approximately 49%, 46% and 44% of the System's net position as of December 31, 2023, 2022 and 2021, respectively, reflects investment in capital assets less any outstanding debt (finance purchase) used to acquire those assets (primarily transportation vehicles). The System uses these assets to provide services to the public, consequently these assets are not available for future spending. Although the System's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Capital Area Transit System Management's Discussion and Analysis

The table below summarizes the changes in net position as of December 31, 2023, 2022 and 2021:

Condensed Statements of Changes in Net Position for the years ended December 31, 2023, 2022 and 2021

	2023	2022	2021
<u>OPERATING REVENUE</u>			
Charges for services	\$ 1,295,507	\$ 1,148,878	\$ 641,546
Advertising revenue	573,192	614,815	565,288
Total operating revenue	<u>1,868,699</u>	<u>1,763,693</u>	<u>1,206,834</u>
<u>DIRECT OPERATING EXPENSES</u>			
Operating expenses	32,830,742	35,515,677	29,462,131
Depreciation	4,110,862	3,564,624	3,128,340
Total direct operating expenses	<u>36,941,604</u>	<u>39,080,301</u>	<u>32,590,471</u>
<u>LOSS FROM OPERATIONS</u>	(35,072,905)	(37,316,608)	(31,383,637)
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest and other expenses	(21,548)	(39,211)	(58,320)
Interest and other income	371,737	178,469	311,533
Hotel/motel tax	1,632,826	1,654,643	1,712,635
Ad valorem tax revenue	23,292,241	20,899,477	19,636,853
Loss on disposal of capital asset	-	(393,706)	-
Government operating grants:	-		
Federal operating subsidy	13,008,509	10,786,232	6,080,896
Planning and technical study grants	646,412	909,314	69,895
Transfers from Primary Government	550,000	550,000	550,000
	<u>39,480,177</u>	<u>34,545,218</u>	<u>28,303,492</u>
<u>GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS</u>	4,407,273	(2,771,390)	(3,080,145)
<u>CAPITAL CONTRIBUTIONS</u>	6,515,149	3,051,946	2,784,814
<u>INCOME (LOSS) AFTER CAPITAL CONTRIBUTIONS</u>	10,922,422	280,556	(295,331)
<u>NET POSITION, BEGINNING OF YEAR</u>	<u>42,475,663</u>	<u>42,195,107</u>	<u>42,490,438</u>
<u>NET POSITION, END OF YEAR</u>	<u>\$ 53,398,085</u>	<u>\$ 42,475,663</u>	<u>\$ 42,195,107</u>

The System's operating revenues increased approximately \$105,000 or 6% between 2022 and 2023. This was attributable to continued increase in ridership after the COVID-19 pandemic. The System's operating revenues increased approximately \$557,000 or 46% between 2021 and 2022. This was attributable to some recovery from the COVID-19 pandemic which resulted in a reduction in ridership and fares not being charged for a significant portion of 2021.

Capital Area Transit System Management's Discussion and Analysis

Direct operating expenses decreased approximately \$2,139,000 or approximately (5%), from \$39,080,301 to \$37,225,640 between 2022 and 2023. Key factors attributable to this decrease include fewer contractual services costs due to decreased liability costs and tech contracting costs. Direct operating expenses increased approximately \$6,500,000, or approximately 17%, from \$32,590,471 to \$39,080,301 between 2021 and 2022. Key factors attributable to this increase include additional personnel costs associated with higher wages and turnover, and increased bus fuel and supplies caused mainly by inflation.

Non-operating grant revenue increased by approximately \$1.9 million, or 17%, from \$11,695,546 to \$13,654,921 between 2022 and 2023. This is primarily due to continued additional federal operating subsidy received through the CARES Act in 2020 because of the COVID-19 pandemic. Non-operating grant revenue increased by approximately \$5.5 million, or 90%, from \$6,150,791 to \$11,695,546 between 2021 and 2022. This is primarily due to an additional federal operating subsidy received through the CARES Act in 2020 because of the COVID-19 pandemic.

Capital Asset and Debt Administration

The System's capital assets, net of accumulated depreciation and amortization, totaled \$28,753,847, \$20,015,031 and \$20,077,162 as of December 31, 2023, 2022 and 2021, respectively. Capital assets include structures, bus shelters, buses and equipment. Capital asset additions were approximately \$13,083,801, or 46% of the book value of all capital assets in 2023 and \$3,929,000 or approximately 20% of the book value of all capital assets in 2022. Additions in 2023 primarily resulted from the purchase of several buses, vehicles, and capital improvements to HVAC and vehicles. Additions in 2022 primarily resulted from the purchase of three buses, three vehicles, software, and capital improvements to HVAC and vehicles.

At the end of the calendar year 2023, the System had a finance purchase payable outstanding of \$291,937, compared to \$865,806 as of December 31, 2022. This financing is associated with the purchase of certain buses operated within the System's fleet. The decrease in the amount outstanding in 2023 reflects principal payments on the purchase. No new debt was issued during 2023. The System implemented GASB 87 – Leases during 2022. This resulted in the recording of one building lease which included a right-of-use asset of approximately \$337,000 included with capital assets and a lease liability included in long-term liabilities. Long-term debt also includes the System's self-insurance claims payable of \$3,456,795, \$3,228,162, and \$3,300,815 at December 31, 2023, 2022 and 2021, respectively. Claims payable fluctuate as a result of timing of the reporting of claims and the number and dollar amount of claims outstanding.

Financial Outlook

On April 21, 2012, the voters of the municipalities of Baton Rouge and Baker approved a 10.6 mill ad valorem tax. This tax was renewed in 2021 for 10 years. Taxes collected for 2023 are approximately \$21.4 million and are expected to be consistent in 2024. Taxes to be collected will be net of the collection fee of 4.5% and required contributions to state pension plans. This dedicated revenue source provides budgetary stability to the System and serves as a primary source of revenues to support operations and provide the local matching funds as required under the Federal grant terms. Without the approval of the voters this would have a significant impact on the System and the services it provides.

Contacting the System's Management

This financial report is designed to provide the community, the Metropolitan Council of the City-Parish, and other interested parties with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the System at (225) 389-8920.

BASIC FINANCIAL STATEMENTS

Capital Area Transit System Statements of Net Position

December 31,	2023	2022 (restated)
Assets		
Current assets		
Cash and cash equivalents	\$ 1,639,569	\$ 3,614,651
Accounts receivable	475,612	193,634
Ad valorem tax receivable, net	21,531,176	19,750,895
Due from other governments	11,565,148	4,071,545
Prepaid expenses	557,720	82,758
Inventories	927,054	933,700
Total current assets	36,696,279	28,647,183
Noncurrent assets		
Capital assets, net of accumulated depreciation and amortization	28,753,847	20,015,031
Net pension asset	2,609,202	-
Total noncurrent assets	31,363,049	20,015,031
Total Assets	68,059,328	48,662,214
Deferred Outflows of Resources - Pension related	283,188	2,578,254
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	10,002,965	3,464,488
Accrued compensated absences	706,228	740,213
Claims payable and related liabilities	1,168,476	759,814
Lease liability	91,634	89,513
Finance purchase	291,937	573,869
Total Current Liabilities	12,261,240	5,627,897
Non-Current Liabilities		
Claims payable and related liabilities, less current portion	2,288,319	2,468,348
Net pension liability	-	214,830
Lease liability, less current portion	70,159	161,793
Finance purchase, less current portion	-	291,937
Total non-current liabilities	2,358,478	3,136,908
Total Liabilities	14,619,718	8,764,805
Deferred Inflows of Resources - Pension Related	324,713	-
Net Position		
Net investment in capital assets	28,592,054	19,149,225
Restricted for pension obligations	2,609,202	-
Unrestricted	22,196,829	23,326,438
Total Net Position	\$ 53,398,085	\$ 42,475,663

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

Capital Area Transit System

Statements of Revenues, Expenditures, and Changes in Net Position

<i>For the years ended December 31,</i>	2023	2022 (restated)
Operating revenues		
Charges for services	\$ 1,295,507	1,148,878
Advertising revenue	573,192	614,815
Total operating revenues	1,868,699	1,763,693
Direct Operating Expenses		
Personnel services and fringe benefits	19,885,850	19,687,803
Retirement contributions to other plans	651,509	629,824
Supplies, fuel and other bus related expenses	7,999,655	9,222,734
Contractual services and liability costs	4,220,987	5,960,661
Depreciation and amortization costs	4,110,862	3,564,624
Miscellaneous	72,741	14,655
Total operating expenses	36,941,604	39,080,301
Loss from operations	(35,072,905)	(37,316,608)
Nonoperating revenues (expenses)		
Interest expense	(21,548)	(39,211)
Interest income	132,398	36,118
Other revenue	239,339	142,351
Hotel/motel tax	1,632,826	1,654,643
Ad valorem tax revenue	23,292,241	20,899,477
Loss on disposal of capital asset	-	(393,706)
Government operating grants:		
Federal operating subsidy	13,008,509	10,786,232
Planning and technical study grants	646,412	909,314
Operating Transfers from primary government	550,000	550,000
Total nonoperating revenues	39,480,177	34,545,218
Gain (loss) before capital contributions	4,407,273	(2,771,390)
Capital contributions	6,515,149	3,051,946
Income after capital contributions	10,922,422	280,556
Net Position, Beginning of Year	42,475,663	41,664,639
Restatement, as of December 31, 2021	-	530,468
Net Position, Beginning of Year, Restated	42,475,663	42,195,107
Net Position, End of Year	\$ 53,398,085	\$ 42,475,663

The accompanying notes are an integral part of these statements.

Capital Area Transit System Statements of Cash Flows

<i>For the years ended December 31,</i>	2023	2022
Cash Flows From Operating Activities		
Receipts from customers	\$ 987,189	\$ 1,180,819
Receipts from other sources	573,192	614,815
Payments to suppliers and others	(5,968,248)	(15,072,687)
Payments for employees and payroll taxing agencies	(20,775,597)	(19,844,732)
Net cash used in operating activities	(25,183,464)	(33,121,785)
Cash Flows from Non-capital Financing Activities		
Operating subsidies received from other governments	6,161,318	10,547,886
Ad valorem taxes	21,511,960	19,197,621
Hotel/motel tax	1,632,826	1,654,643
Other revenue	239,339	142,351
Operating transfers from primary government	550,000	550,000
Net cash provided by non-capital financing activities	30,095,443	32,092,501
Cash Flows from Capital and Related Financing Activities		
Capital contributions received	6,515,149	3,051,946
Payments on finance purchase	(573,869)	(719,292)
Payments on lease	(89,513)	(86,081)
Acquisition of capital asset	(12,849,678)	(3,591,965)
Proceeds from the sale of capital assets	-	33,153
Interest paid on capital debt and lease	(21,548)	(39,211)
Net cash flows used in capital and related financing activities	(7,019,459)	(1,351,450)
Cash Flows from Investing Activities		
Interest received	132,398	36,118
Net cash provided by investing activities	132,398	36,118
Net Decrease in Cash and Cash Equivalents	(1,975,082)	(2,344,616)
Cash and Cash Equivalents — Beginning of year	3,614,651	5,959,267
Cash and Cash Equivalents — End of year	\$ 1,639,569	\$ 3,614,651

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

Capital Area Transit System Statements of Cash Flows

<i>For the years ended December 31,</i>	2023	2022
Reconciliation of Loss from Operations to		
Net Cash Used in Operating activities		
Loss from operations	\$ (35,072,905)	\$ (37,316,608)
Adjustments to reconcile loss from operations		
to net cash used in operating activities:		
Depreciation and amortization	4,110,862	3,564,624
Bad debt expense	26,340	11,420
Retirement contributions to other plans	651,509	629,824
Change in accounts receivable	(308,318)	31,941
Change in prepaid expenses	(474,962)	97,226
Change in inventory	6,647	(227,328)
Change in net pension asset (liability)	(3,475,541)	4,021,655
Change in deferred outflows	2,295,066	(1,414,117)
change in deferred inflows	324,713	(2,747,397)
Change accounts payable and accrued expenses	6,538,477	316,698
Change in compensated absences	(33,985)	(17,070)
Change in provisions for claims liability	228,633	(72,653)
Net Cash Used in Operating Activities	\$ (25,183,464)	\$ (33,121,785)
Non-cash capital activities:		
Acquisition of right-of-use lease assets	\$ -	\$ (337,388)

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

Capital Area Transit System
Schedule of Fiduciary Net Position - Pension Trust Fund

<i>December 31,</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 1,087,615	\$ 895,956
Contributions receivable	3,495	63,640
Investments:		
Certificate of deposit	-	250,173
Equities	15,278,980	12,445,412
Fixed income	4,020,603	3,821,717
Annuities	1,457,218	719,035
Total Assets	21,847,911	18,195,933
Liabilities		
Contributions payable	-	6,626
Total liabilities	-	6,626
Net position	\$ 21,847,911	\$ 18,189,307

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

Capital Area Transit System
Schedule Changes in Fiduciary Net Position - Pension Trust Fund

<i>For the years ended December 31,</i>	2023	2022
Additions		
Contributions:		
Employer contributions	\$ 826,766	\$ 763,693
Employee contributions	707,447	676,786
Total contributions	1,534,213	1,440,479
Investment income:		
Interest and dividend income	344,220	277,812
Class action settlements	-	381
Net change in fair value	2,978,565	(3,292,034)
	3,322,785	(3,013,841)
Less: investment expense	(189,354)	(188,169)
	3,133,431	(3,202,010)
Total additions (reductions)	4,667,644	(1,761,531)
Deductions		
Benefits paid to participants, including refunds of member contributions	762,442	1,250,288
Administrative expenses	246,598	244,744
Total deductions	1,009,040	1,495,032
Change in net position	3,658,604	(3,256,563)
Net position, beginning of year	18,189,307	21,445,870
Net position, end of year	\$ 21,847,911	\$ 18,189,307

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

Capital Area Transit System Notes to the Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Area Transit System is a corporation that was created by East Baton Rouge Parish (the Parish) to provide bus transportation services. In 2004, the Louisiana State Legislature enacted House Bill 1682, Act 581, to recognize the System as a political subdivision and provide that all its assets are public property.

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting. GASB Codification Section 2100, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The basic criteria are as follows:

1. Legal status of the potential component unit
2. Financial accountability:
 - a) The primary government appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.
 - b) The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.
 - c) The primary government is financially accountable for a legally separate organization if the primary government's holding of a majority equity interest in that organization does not meet the definition of an investment.
3. Misleading to exclude: Paragraph 111 of Section 2100 covers other potential component units for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

Based on the previous criteria, the System is considered a discretely presented component unit of the financial reporting entity of the City of Baton Rouge - Parish of East Baton Rouge. The accompanying financial statements reflect the activity of the System.

Based on the previous criteria, the System's management has included the Capital Area Transit System Employees' Pension Trust Fund as a blended component unit within the financial statements of the System. The Capital Area Transit System Employees' Pension Trust Fund (the Plan) exists for the benefit of current and former System employees who are members of the Plan. The Plan is governed by an equal number of Employer Trustees and Union Trustees. Currently, the Plan is governed by a four-member board composed of two members representing the Employer Trustees and two members elected as Union Trustees. The Plan is funded by the investment of the contributions from the System and member employees who are obligated to make contributions to the Plan. The Plan issued a separate audit reports for the years ended December 31, 2023 and 2022 which can be obtained at the following address: Mr. Theo Richards, CEO, Capital Area Transit System, 350 N. Donmoor Ave., Baton Rouge, LA 70806.

Capital Area Transit System Notes to the Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting

The System's basic financial statements consist of the Proprietary Fund and the Pension Trust Fund, and the related notes to the financial statements. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Government Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*.

The Proprietary Fund and the Pension Trust Fund financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability has been incurred, regardless of the timing of the related cash flows. Property taxes are recognized when a legally enforceable claim arises. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The accounts of the System are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Funds are maintained consistent with legal and managerial requirements. Funds can be classified into two categories: proprietary and fiduciary. The System has no governmental funds. A further explanation of the funds and their reporting classifications follows:

Proprietary Fund

Enterprise Fund - Enterprise funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation and amortization) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses of proprietary funds include the costs of services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund

The Pension Trust Fund is used to account for the accumulation of contributions for a defined benefit, single employer pension plan providing retirement benefits to qualified employees.

The Pension Trust Fund's financial statements are prepared on the accrual basis of accounting. Contributions from the System and its employees are recognized as revenue in the period in which employees provide service to the System. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Capital Area Transit System Notes to the Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments

Cash and cash equivalents can include demand deposit account balances, certificates of deposit and U.S. government securities with maturities of 90 days or less from the date purchased.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Inventories

Inventories, principally repair parts and supplies, are stated at cost, which approximates market. Cost is determined by the average cost method.

Capital Assets

Capital Assets are recorded at historical cost except for the right-to use lease assets as discussed below. The System maintains a \$5,000 threshold for capitalizing assets. Depreciation is charged to expense over the estimated useful lives of the assets and is determined using the straight-line method. Expenditures for maintenance and repairs which do not materially extend the useful life of the asset are charged to expense as incurred. Useful lives for equipment used in computing depreciation range from 3 years to 15 years. Useful lives for facilities and structures used in computing depreciation range from 5 years to 10 years.

Leases

The System is a lessee under a noncancellable lease agreement for office space. In accordance with GASBC Section L20: *Leases*, the System recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The lease liability is recorded for lease contracts with an initial individual value that is material to the financial statements and with lease periods greater than one year.

At the commencement of a lease, the System initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include (1) the discount rate used to calculate the present value of expected lease payments, (2) lease term, and (3) lease payments.

The System uses the interest rate charged by the lessor as the discount rate, if provided. When the interest rate charged by the lessor is not provided, the System uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease and optional renewal periods. Lease payments included in the measurement of the lease liability are composed of fixed payments through the noncancellable term of the lease and renewal periods that management considers reasonably certain to be exercised.

Capital Area Transit System Notes to the Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The System monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Federal Grants and Dedicated Taxes

Federal grants are made available to the System for the acquisition of public transit facilities, buses, and other transit equipment. Unrestricted operating grants and grants restricted as to purpose, but not contingent on the actual expenditures of funds, are recognized at that point in time when the right to the funds becomes irrevocable. Where the allowable expenditure of funds is the prime factor for determining the eligibility for the grant proceeds, the revenue is recognized at the time when the allowable expenditure is incurred.

In addition to federal grants, the System is the recipient of monies established under LRS 47:302.29(B) and LRS 47:322.1, which set aside the Louisiana state sales tax on hotel occupancy. These monies are provided to the East Baton Rouge Parish Community Improvement Fund (Improvement Fund). The System's share of these funds shall not be used to displace, replace, or supplant funds previously appropriated or otherwise used for urban mass transit purposes. The monies in the Improvement Fund are appropriated annually by the Louisiana State Legislature. In addition, the System also receives monies from the East Baton Rouge Enhancement Fund (Enhancement Fund), which has similar restrictions and was created by the Louisiana State Legislature.

Compensated Absences

Administrative employees earn paid time off in varying amounts according to continuing years of service as follows:

Administrative employees are not limited to a maximum number of hours for accrual of leave time.

Union employees earn paid time off in varying amounts according to continuing years of service as follows:

Any unused paid time off not taken by December 31st is not carried over. The balance at year end for union employees must be paid to the employee by April 1st of the following calendar year and is included in the compensated absence liability.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to allowance for doubtful accounts, pension liability, and claims liabilities.

Capital Area Transit System Notes to the Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments. Restricted net position reflects the System's net pension asset.

When expenses are incurred for purposes for what both restricted and unrestricted amounts are available, the System uses restricted amounts first, followed by unrestricted amounts.

Deferred Outflows/Inflows of Resources

The Statement of Financial Position will often report a separate section for deferred outflows and (or) deferred inflows of financial resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Receivables

Uncollectible amounts due for customer receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the inability to collect the particular receivable. Management has determined that all amounts are collectible at December 31, 2023 and 2022.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 31, 2024 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Recently Issued Accounting Pronouncements, Adopted

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The System implemented this guidance for the year ended December 31, 2023 with no impact to the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for fiscal years beginning after June 15, 2023 and all reporting periods thereafter.

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

Capital Area Transit System Notes to the Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The System will implement this guidance in 2026.

The System is evaluating the requirements of the above statements and the impact on reporting.

Note 2: CHANGE IN ACCOUNTING PRINCIPLE AND ERROR CORRECTION

The System's 2023 financial statements reflect the correction of an error in previously issued financial statements. The System discovered during the current year that the receivable for Hotel/Motel Tax was understated by \$504,042 as of December 31, 2022 and the related revenues were overstated by \$26,426 for the year ended December 31, 2022. The correction of the error increased net position by \$530,468 as of December 31, 2022.

The following table summarizes the restatements and adjustments to the System's beginning net position as a result of the error correction:

	2022	2021
Due from other governments, December 31, as previously reported	\$ 3,367,505	\$ 2,393,417
Hotel/Motel Tax Receivable	504,042	530,468
Due from other governments, December 31, restated	\$ 4,071,545	\$ 2,923,886
Net position, December 31, as previously reported	\$ 41,971,621	\$ 41,664,639
Restatement of Prior Year Net Position	530,468	274,602
Hotel/Motel Tax Revenue	(26,426)	255,866
Net position, December 31, restated	\$ 42,475,663	\$ 42,195,107

Capital Area Transit System Notes to the Financial Statements

Note 3: AD VALOREM TAXES

The 1974 Louisiana Constitution (Article 7 Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years.

On November 13, 2021, a 10.6 mill ad valorem tax renewal which expires in 2031 was passed by the citizens of the City of Baton Rouge and the City of Baker.

The 2023 property tax calendar is as follows:

Levy date:	May 16, 2023
Millage rates adopted:	May 16, 2023
Tax bills mailed:	December 4, 2023
Due date:	January 16, 2024
Lien date:	September, 2024

State law requires the sheriff of each parish to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the sheriff is required by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed.

Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the entire tax roll less an estimate for uncollectible taxes is recorded as taxes receivable in the current calendar year. Uncollectible taxes are those taxes which based on past experience will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll. Property taxes are recognized in the year of the levy net of uncollectible amounts.

Ad valorem tax receivable is recorded net of estimated uncollectible amounts and collection fees. The allowance for uncollectible accounts was \$217,487 and \$199,504 at December 31, 2023 and 2022, respectively. Collection fees were \$1,055,505 and \$940,071 for 2023 and 2022, respectively.

The Louisiana Industrial Ad Valorem Tax Exemption program (Louisiana Administrative Code, Title 13, Chapter 5) is a state incentive program which abates, up to ten years, a percentage of local ad valorem taxes on a manufacturer's new investment and annual capitalized additions related to the manufacturing site. Applications to exempt qualified property for five years are approved by the Board of Commerce and Industry. The exemption may be renewed for an additional five years.

The System is subject to certain property tax abatements granted by the Louisiana State Board of Commerce and Industry (the "State Board"), a state entity governed by board members representing major economic groups and gubernatorial appointees. Abatements to which the government may be subject include those issued for property taxes under the Industrial Tax Exemption Program ("ITEP") and the Restoration Tax Abatement Program ("RTAP"). For the years ending December 31, 2023 and 2022, CATS participated in the ITEP and RTAP.

Capital Area Transit System Notes to the Financial Statements

Note 3: AD VALOREM TAXES (CONTINUED)

Under the ITEP, as authorized by Article 7, Section 21(F) of the Louisiana Constitution and Executive Order Number JBE 2016-73, companies that qualify as manufacturers can apply to the State Board for a property tax exemption on all new property, as defined, used in the manufacturing process. Under the ITEP, companies are required to promise to expand or build manufacturing facilities in Louisiana, with a minimum investment of \$5 million. The exemptions are granted for a 5-year term and are renewable for an additional 5-year term upon approval by the State Board. In the case of the local government, these abatements have resulted in reductions of property taxes, which the tax assessor administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent.

Taxes abated under ITEP for the years ended December 31, 2023 and 2022 were approximately \$168,000 and \$159,000, respectively. There were no significant abatements under the RTAP program for the years ended December 31, 2023 and 2022.

Note 4: CASH, CASH EQUIVALENTS, AND INVESTMENTS

At December 31, 2023 and 2022, the System's cash bank balances consist of deposits in financial institutions as follows:

	Proprietary Enterprise Fund	Fiduciary Pension Trust Fund	Total
December 31, 2023			
Cash on hand and in banks	\$ 2,125,996	\$ -	\$ 2,125,996
Money market accounts	-	1,087,615	\$ 1,087,615
Total cash and cash equivalents	<u>\$ 2,125,996</u>	<u>\$ 1,087,615</u>	<u>\$ 3,213,611</u>
December 31, 2022			
Cash on hand and in banks	\$ 3,853,843	\$ -	\$ 3,853,843
Money market accounts	-	895,956	895,956
Total cash and cash equivalents	<u>\$ 3,853,843</u>	<u>\$ 895,956</u>	<u>\$ 4,749,799</u>

Deposits in financial institutions can be exposed to custodial credit risk. Custodial credit risk for deposits is the risk that in the event of financial institution failure, the System's deposits may not be returned. To guard against this risk, under state law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. The System had no custodial credit risk as of December 31, 2023 and 2022.

Securities that may be pledged as collateral consist of obligations of the U.S. Government and its agencies, obligations of the State of Louisiana and its municipalities and school districts.

Capital Area Transit System Notes to the Financial Statements

Note 4: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

The System is authorized by LRS 39:1211-1245 and 33:2955 to invest temporarily idle monies in various risk-averse instruments including U.S. Government direct and agency obligations, certificates of deposit of qualified financial institutions, certain debt mutual funds, the Louisiana Asset Management Pool (LAMP) and other investments. The proprietary fund of the System had no investments as of December 31, 2023 and 2022.

Investments held by the Pension Trust Fund are invested in U.S. Treasury and agency bonds, corporate bonds, corporate stocks, equity mutual funds, and annuities in accordance with Pension Board's policy and state law.

Investments

As of December 31, 2023 and 2022, assets classified as investments existed only in the Pension Trust Fund (the Trust). As of December 31, 2023 and 2022, the maturities of the Pension Trust Fund's investments in debt securities were as follows:

		Investment Maturities (in Years)			
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
December 31, 2023					
U.S. treasury and agency bonds	\$ 2,282,309	\$ 358,661	\$ 1,425,972	\$ 497,676	\$ -
Corporate bonds	1,738,294	-	974,465	763,829	-
Total	<u>\$ 4,020,603</u>	<u>\$ 358,661</u>	<u>\$ 2,400,437</u>	<u>\$ 1,261,505</u>	<u>\$ -</u>
		Investment Maturities (in Years)			
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
December 31, 2022					
U.S. treasury and agency bonds	\$ 2,286,817	\$ 235,088	\$ 1,490,177	\$ 561,552	\$ -
Corporate bonds	1,534,900	76,229	757,983	700,688	-
Total	<u>\$ 3,821,717</u>	<u>\$ 311,317</u>	<u>\$ 2,248,160</u>	<u>\$ 1,262,240</u>	<u>\$ -</u>

Interest Rate Risk. In accordance with its investment policy, the Pension Trust Fund manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than ten years with a maximum maturity of 30 years for any single security.

Credit Risk. The investment policy of the Pension Trust Fund limits investments in commercial paper and corporate bonds to ratings of A-1 and BBB or higher as rated by the nationally recognized statistical rating organizations (NRSROs). The Pension Trust Fund's investments in domestic corporate bonds as of December 31, 2023 varied between ratings of AA and BBB, consistent with the investment policy. The Pension Trust Fund's investments in domestic corporate bonds as of December 31, 2022 varied between ratings of AA+ and BBB, consistent with the investment policy. The Pension Trust Fund's investments in U.S. Agencies all carry the explicit guarantee of the U.S. government.

Concentration of Credit Risk. The Pension Trust Fund's investment policy does not allow for an investment in any one issuer that is in excess of 15% of the fund's total investments, and no more than 30% of total investments in any one industry.

Capital Area Transit System Notes to the Financial Statements

Note 4: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Pension Trust Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty, or by the counterparty's trust department or agent, but not in the Pension Trust Fund's name. At December 31, 2023 and 2022, all of the Pension Trust Fund's investments were held by an agent in the name of the Pension Trust Fund.

Fair Value of Investments

The System's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 Investments reflect prices quoted in active markets.
- Level 2 Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 Investments reflect prices based upon unobservable sources and are not directly corroborated with market data.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk. The following table sets forth by level, within the fair value hierarchy, the System's assets at fair value as of December 31, 2023:

		Fair Value Measurements Using:		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	December 31, 2023			
Investments by fair value level				
Debt securities				
U.S. Treasury and agency bonds	\$ 2,282,309	\$ 2,282,309	\$ -	\$ -
Corporate bonds	1,738,294	1,738,294	-	-
Equity securities				
Corporate stocks	14,954,448	14,954,448	-	-
Corporate equity mutual fund	324,532	324,532	-	-
Alternative investments				
Annuities	671,325	-	-	671,325
Alternative investments	785,893	-	-	785,893
Total investments by fair value level	<u>\$ 20,756,801</u>	<u>\$ 19,299,583</u>	<u>\$ -</u>	<u>\$ 1,457,218</u>

Capital Area Transit System Notes to the Financial Statements

Note 4: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the System's assets at fair value as of December 31, 2022:

		Fair Value Measurements Using:		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	December 31, 2022			
Investments by fair value level				
Debt securities				
U.S. Treasury and agency bonds	\$ 2,286,817	\$ 2,286,817	\$ -	\$ -
Corporate bonds	1,534,900	1,534,900	-	-
Equity securities				
Corporate stocks	12,221,591	12,221,591	-	-
Corporate equity mutual fund	223,821	223,821	-	-
Alternative investments				
Annuities	719,035	-	-	719,035
Tradable certificates of deposit	250,173	-	250,173	-
Total investments by fair value level	<u>\$ 17,236,337</u>	<u>\$ 16,267,129</u>	<u>\$ 250,173</u>	<u>\$ 719,035</u>

Note 5: DUE FROM OTHER GOVERNMENTS AND ACCOUNTS RECEIVABLE

Amounts due from other governments were \$11,565,148 and \$4,071,545 at December 31, 2023 and 2022, respectively. These amounts represent balances due from the Federal Transit Administration.

Accounts receivable primarily represent balances due from advertising. The balances were \$475,612 and \$193,634 at December 31, 2023 and 2022, respectively.

Capital Area Transit System Notes to the Financial Statements

Note 6: CAPITAL ASSETS

A summary of changes in capital assets follows:

	December 31, 2023			
	Beginning of Year	Additions	Deletions/ Transfers	End of Year
Land	\$ 235,000	\$ -	\$ -	\$ 235,000
Equipment				
(primarily transportation vehicles)	45,709,458	13,083,801	(237,122)	58,556,137
Right-of-use asset-building	337,388	-	-	337,388
Accumulated depreciation/amortization	(26,266,815)	(4,107,863)	-	(30,374,678)
Total	<u>\$ 20,015,031</u>	<u>\$ 8,975,938</u>	<u>\$ (237,122)</u>	<u>\$ 28,753,847</u>

	December 31, 2022			
	Beginning of Year	Additions	Deletions/ Transfers	End of Year
Land	\$ 235,000	\$ -	\$ -	\$ 235,000
Equipment				
(primarily transportation vehicles)	43,762,978	3,591,964	(1,645,484)	45,709,458
Right-of-use asset-building	-	337,388	-	337,388
Accumulated depreciation/amortization	(23,920,816)	(3,564,624)	1,218,625	(26,266,815)
Total	<u>\$ 20,077,162</u>	<u>\$ 364,728</u>	<u>\$ (426,859)</u>	<u>\$ 20,015,031</u>

Depreciation expense for the years ended December 31, 2023 and 2022 totaled \$4,017,993 and \$3,474,754, respectively. Amortization expense for the right-of-use asset was \$89,870 for the years ended December 31, 2023 and 2022. The City-Parish owns the terminal, administrative office building, and related land which are used by the System for its operations. The City-Parish provides these facilities and land to the System at no charge through an operating agreement.

Note 7: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The accounts payable and accrued expenses at December 31, 2023 and 2022, were as follows:

	2023	2022
Vendors	\$ 8,877,888	\$ 2,805,646
Accrued salaries and benefits	1,125,077	658,842
Total	<u>\$ 10,002,965</u>	<u>\$ 3,464,488</u>

Capital Area Transit System Notes to the Financial Statements

Note 8: PENSION PLAN

Plan Description

The Capital Area Transit System Employees' Pension Trust Fund is a single-employer defined benefit pension plan that provides pensions for all employees covered by the Collective Bargaining Agreement.

Membership - Any individual employed by Capital Area Transit System (CATS), for whom contributions to the Plan are required to be made in accordance with the terms of the Collective Bargaining Agreement, and other clerical and administrative employees of CATS who agree to make the required contributions to the Plan effective February 1, 1973, or within ninety days of the commencement of their employment with CATS, if later, employees of CATS not covered by the Collective Bargaining Agreement that make the one-time irrevocable election to make the required contributions to the Plan within ninety days of the commencement of their employment with CATS, and any employee of the Union are eligible to participate in the Plan.

As of December 31, 2023 and 2022, pension plan membership consisted of the following:

	<u>2023</u>	<u>2023</u>
Inactive plan members or beneficiaries		
currently receiving benefits	76	81
Inactive plan members entitled to but		
not yet receiving benefits	157	149
Active plan members	<u>157</u>	<u>159</u>
Total	<u>390</u>	<u>389</u>

Benefits Provided – Through December 31, 2018, a participating employee is eligible to receive a normal retirement benefit on the first of the month after which attaining the age sixty-two and completed ten years of service. On January 1, 2019, the Plan was amended to change the normal retirement eligibility criteria to the first of the month after which the employee has attained age sixty-two and completed seven years of service. The Plan was amended effective January 1, 2021 to change the normal retirement eligibility criteria to the first of the month after which the employee has attained age sixty-two and completed six years of service, or 30 years of service regardless of age. The Plan was amended effective January 1, 2022 to change the normal retirement eligibility criteria to the first of the month after which the employee has attained age sixty-two and completed five years of service, or 30 years of service regardless of age. The monthly retirement benefit payable to an employee is equal to 1.2% of the member's average final compensation for each year of creditable service through January 31, 1991; and 1.4% of the member's average final compensation for each year of creditable service thereafter. The annual retirement benefit may not exceed the lesser of \$75,000 or 100% of the average final compensation.

A participating employee is eligible to receive an early retirement benefit on the first of the month after which attaining the age fifty-five and completed fifteen years of service, five of which are completed after February 1, 1973. The monthly early retirement benefit payable to an employee is 1.2% of the member's average final compensation for each year of creditable service through January 31, 1991; and 1.4% of the member's average final compensation for each year of creditable service thereafter, reduced by one-half of one percent for each calendar month by which the early retirement date precedes the normal retirement date.

Note 8: PENSION PLAN (CONTINUED)

In the event an employee's employment is terminated for any reason other than retirement, the employee is entitled to a refund of employee contributions plus interest at two percent per annum. Once an employee who was hired on or after October 24, 2001 terminates and withdraws employee contributions, any right to the accrued benefit derived from employer contributions are forfeited.

The normal form of benefit is a Three Year Certain and Continuous annuity. In the event a retiree dies before receiving thirty-six monthly payments from the Plan, the beneficiary will be entitled to the balance of the thirty-six payments. In lieu of receiving the normal form of benefit, a married employee is given the opportunity to elect or to decline to have his benefit paid in the form of a Joint and Survivor annuity. In no event, under this form of benefit, will the annuity payable to the survivor be less than one-half of, or greater than the amount of the annuity payable during the joint lives of the employee and his spouse. Such Joint and Survivor annuity must be the actuarial equivalent of a Three Year Certain and Continuous annuity payable to the employee. Unless a married employee elects otherwise in writing, their normal or early retirement benefit will be paid in the form of a Joint and 50% Survivor annuity.

A participating employee who becomes totally and permanently disabled after the completion of ten years of service, as determined and reported by the Board of Trustees, is entitled to a monthly disability benefit. The monthly disability pension payable to an employee is his accrued benefit. The benefit is payable no earlier than the first day of the sixth month following the month in which total and permanent disability began and will continue during total disability for life.

In the event of the death of an active, vested employee prior to retirement eligibility, the surviving spouse can elect to receive either a refund of contributions, a monthly benefit equal to 50% of the employee's vested accrued benefit as of the date of death, or a 36 month certain-and-continuous annuity. If there is no surviving spouse, the benefit will be payable to the surviving dependent children under the age of eighteen, or age twenty-two if the child is a full-time student of an accredited college, university, or vocational-technical institution at the greater of the refund of contributions or a 36 month certain-and-continuous annuity discounted at the valuation interest rate.

In the event that a member dies and has no surviving spouse or child eligible for monthly benefits, a refund of employee contributions plus interest at two percent per annum will be due to their estate or named beneficiary.

If a terminated, vested member dies prior to retirement, the designated beneficiary will receive a refund of contributions.

Contributions - According to the Plan Document, all contributions required to fund the Plan, on a sound actuarial basis, will be made by the employer and each participating employee as determined under the Collective Bargaining Agreement. All benefits will be provided from the Plan and will be attributable to employer and employee contributions. Contributions are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended December 31, 2023 and 2022, were 8% for the System and 7% for covered employees. The employer contributions for the years ended December 31, 2023 and 2022 were \$826,766 and \$763,693, respectively.

Note 8: PENSION PLAN (CONTINUED)

Deferred Retirement Option Program

In lieu of terminating employment and accepting a retirement allowance, any participant of this Plan who has been eligible for retirement, including early retirement, for at least one year, may elect to participate in the Deferred Retirement Option Plan (DROP). The election to participate in the DROP may be made only once, for a period not to exceed three years. Upon commencement of participation in the DROP, membership in the Plan continues and the member's status changes to inactive. During participation in the DROP, neither employer nor employee contributions are payable. The monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP account. The DROP does not earn interest while a person is participating in the DROP. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the Plan has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account or systematic disbursements from his account in any manner approved by the Board of Trustees. The monthly benefits that were being paid into the DROP account will begin to be paid to the retiree. If a participant dies during participation in the DROP, a lump sum equal to his account balance in the DROP account is paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the period specified for participation, payments into the DROP account cease and the person resumes active contributing membership in the Plan. All amounts which remain credited to the individual's subaccount after termination of participation in the DROP will be moved to a money market account and accrue interest based on the actual returns in the money market account.

Upon termination of employment, the monthly benefits which were being paid into the participant's subaccount begin to be paid to the retiree and he shall receive a supplemental benefit based on his additional service rendered since termination of participation in the DROP. The supplemental benefit shall be calculated based only on the years of additional service since DROP participation and a final average compensation calculated by joining the service rendered immediately prior to participating in the DROP with that after DROP participation to find the highest five consecutive years of compensation. In no event shall the supplemental benefit exceed an amount which, when combined with the original benefit, equals 100% of the average compensation figure used to calculate the supplemental benefit.

The System has no participants in DROP as of December 31, 2023 and 2022.

Investments

Investment Policy - The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Plan's Board by a majority vote of its members. It is the policy of the Plan's Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Capital Area Transit System Notes to the Financial Statements

Note 8: PENSION PLAN (CONTINUED)

The following was the Board's adopted asset allocation policy as of December 31, 2023 and 2022:

Asset Class	Target Allocation
Cash and Cash Equivalents	5%
U.S. Core Fixed Income	28%
U.S. High Yield Fixed Income	2%
U.S. Large Cap Equities	36%
U.S. Small/Mid Cap Equities	10%
International Developed Equities	15%
Diversified Hedge Funds	4%
Total	100%

Rate of Return - For the year ended December 31, 2023 and 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.6% and (16.2%) respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Asset and Pension Expense

The components of the Net Pension Asset of the Plan as of December 31, 2023 and 2022, are as follows:

	2023	2022
Total pension liability	\$ 19,238,709	\$ 18,404,137
Plan fiduciary net position	21,847,911	18,189,307
Net pension liability (asset)	\$ (2,609,202)	\$ 214,830
Plan fiduciary net position as a total percentage of the total pension liability	113.56%	98.83%

For the years ended December 31, 2023 and 2022, the Pension expense for the System is \$601,566 and \$1,281,814, respectively.

Capital Area Transit System Notes to the Financial Statements

Note 8: PENSION PLAN (CONTINUED)

The following table presents the changes in net pension liability measured as of the years ended December 31, 2023 and 2022:

	2023	2022
Total pension liability:		
Service cost	\$ 999,596	\$ 895,964
Interest	970,917	882,121
Changes in benefit terms	-	-
Differences between expected and actual experience	(394,447)	849,566
Changes in assumptions	-	-
Benefit payments	(616,716)	(791,376)
Refunds of member contributions	(145,726)	(449,692)
Other	20,948	8,333
Net change in total pension liability	834,572	1,394,916
Total pension liability - beginning	18,404,137	17,009,221
Total pension liability - ending	<u>\$ 19,238,709</u>	<u>\$ 18,404,137</u>
Plan fiduciary net position:		
Contributions - member	\$ 707,447	\$ 676,786
Contributions - employer	805,818	746,140
Net investment income (loss)	3,133,431	(3,202,010)
Benefit payments	(616,716)	(791,376)
Refunds of member contributions	(145,726)	(449,692)
Administrative expenses	(246,598)	(244,744)
Other	20,948	8,333
Net change in fiduciary net position	3,658,604	(3,256,563)
Plan fiduciary net position - beginning	18,189,307	21,445,870
Plan fiduciary net position - ending	<u>\$ 21,847,911</u>	<u>\$ 18,189,307</u>
Net pension (asset) liability	<u>\$ (2,609,202)</u>	<u>\$ 214,830</u>

Actuarial Methods and Assumptions

The Total Pension Liability is based on the Individual Entry Age Normal actuarial cost method as described in Statement No. 67 of the Governmental Accounting Standards Board (GASB). The current year actuarial assumptions utilized are based on the assumptions used in the December 31, 2023 actuarial funding valuation which were based on the results of an actuarial experience study performed in 2020. The prior year actuarial assumptions utilized were based on the assumptions used in the actuarial funding valuation which were based on the results of an actuarial experience study performed in 2020. All assumptions selected were determined to be reasonable and represent expectations of future experience for the Plan.

Capital Area Transit System Notes to the Financial Statements

Note 8: PENSION PLAN (CONTINUED)

The total pension liability (asset) was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2023		December 31, 2022	
Actuarial cost method	The Individual Entry Age Normal		The Individual Entry Age Normal	
Asset valuation method	The actuarial value of assets has been set equal to the market value of the assets		The actuarial value of assets has been set equal to the market value of the assets	
Inflation	2.10%		2.10%	
Projected salary increases, including inflation and merit increases	Years of Service	Salary Growth Rate	Years of Service	Salary Growth Rate
	1 - 2	14.50%	1 - 2	14.50%
	3 - 10	5.75%	3 - 10	5.75%
	11 and over	4.25%	11 and over	4.25%
Investment rate of return (discount rate)	5.10% net of pension plan investment expense, including inflation		5.10% net of pension plan investment expense, including inflation	

Mortality Rates - In the case of mortality, since the System's size is so small, no credible experience could be established for mortality. In the absence of such experience, mortality rates for the actuarial valuation as of December 31, 2023 and 2022, for active employees, were based on the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 115% for males and 115% for females, each with full generational projection using the appropriate MP 2020 scale. The Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 115% for males and 115% for females was selected for disabled annuitants, each with full generational projection using the appropriate MP 2020 scale.

In order to determine future expected returns, standard deviation of returns, and correlations between asset classes, forecast information from the Plan's investment consultant and other national investment consultant and other national investment consultants was gathered. From these forecasts, an average estimated real rate of return for key asset classes was compiled along with average expected standard deviations and correlations. The target asset allocations of the Plan's investment consultant were combined with the consultant average expected returns, standard deviations, and correlations in order to produce an expected geometric rate of return for the portfolio over a long-term period (i.e., 30 years). It was determined that a reasonable range for the assumed rate of return was 5.07% to 6.12%, with a net portfolio adjusted nominal expected rate of return of 5.61%. For each of the 2023 and 2022 valuations, the Board elected to use the rate of 5.10%, which was within the reasonable range. The average assumed long-term inflation rate was 2.10%. This was added to the real rates of return to determine expected long-term nominal rates of return for each asset class.

Capital Area Transit System
Notes to the Financial Statements

Note 8: PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2023 and 2022 are summarized in the following table:

December 31, 2023	
Asset Class	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.74%
U.S. Core Fixed Income	1.89%
U.S. High Yield Fixed Income	4.28%
U.S. Large Cap Equities	6.00%
U.S. Small/Mid Cap Equities	6.80%
International Developed Equities	6.49%
Global Equities	6.64%

December 31, 2022	
Asset Class	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.74%
U.S. Core Fixed Income	1.89%
U.S. High Yield Fixed Income	4.28%
U.S. Large Cap Equities	6.00%
U.S. Small/Mid Cap Equities	6.80%
International Developed Equities	6.49%
Global Equities	6.64%

Discount Rate - The discount rate used to measure the total pension liability was 5.10% at December 31, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that CATS contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Capital Area Transit System
Notes to the Financial Statements

Note 8: PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (continued)

Sensitivity to Changes in the Discount Rate – The following presents the Net Pension Liability (Asset) of CATS calculated using the discount rate as of December 31, 2023 and 2022, as well as what the System's Net Pension Liability (Asset) would be if it were calculated using a discount rate that one percentage point lower or one percentage point higher than the year-end rate (assuming all other assumptions remain unchanged):

December 31, 2023			
	1% Decrease	Current	1% Increase
	4.10%	Discount	6.10%
	Rate 5.10%		
Net pension (asset) liability	<u>\$ 120,768</u>	<u>\$ (2,609,202)</u>	<u>\$ (4,865,365)</u>
December 31, 2022			
	1% Decrease	Current	1% Increase
	4.10%	Discount	6.10%
	Rate 5.10%		
Net pension (asset) liability	<u>\$ 2,781,604</u>	<u>\$ 214,830</u>	<u>\$ (1,908,686)</u>

Expected Remaining Service Lives – The effects of certain other changes in the Net Pension Liability (Asset) are required to be included in pension expense over the current and future periods. The effects of the Total Pension Liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active and inactive employees), determined as of the beginning of the measurement period. The effect on the Net Pension Liability (Asset) of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period.

The Expected Remaining Service Lives (ERSL) are:

Beginning of Year	ERSL (in Years)
2023	3
2022	3

Capital Area Transit System Notes to the Financial Statements

Note 8: PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at December 31, 2023 and 2022:

	2023	2022
Deferred outflows of resources		
Difference between expected and actual experience	\$ 283,188	\$ 605,308
Changes in assumptions	-	436,142
Difference between projected and actual earnings	-	1,536,804
Total	<u>\$ 283,188</u>	<u>\$ 2,578,254</u>
Deferred inflows of resources		
Difference between expected and actual experience	\$ (262,965)	\$ -
Changes in assumptions	-	-
Difference between projected and actual earnings	(61,748)	-
Total	<u>\$ (324,713)</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,	Amount
2024	\$ 8,057
2025	(31,437)
2026	420,366
2027	(438,511)
Total	<u>\$ (41,525)</u>

Note 9: DEFERRED COMPENSATION PLAN

The System offers its employees participation in the Louisiana Public Employees' Deferred Compensation Plan (Compensation Plan), created by Louisiana Revised Statutes and in accordance with Section 457 of the Internal Revenue Code. The Compensation Plan is available to all full-time employees and permits them to defer a portion of their salary until future years. The assets of the Compensation Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. The System contributions are based on 8% of eligible wages. For the years ended December 31, 2023 and 2022, the contributions to the plan were \$322,144 and \$70,887, respectively.

Note 10: COMMITMENTS AND CONTINGENCIES

Grant Commitments

For the years ended December 31, 2023 and 2022, grant agreements under which the System received federal financial assistance required the System to match 15% to 25% of dollars received. In future years, the System will have to provide additional local funds to meet the matching requirements of grants which are expected to be similar in nature to those which existed as of December 31, 2023.

Tire Purchase Contract

During the year ended December 31, 2021, the System entered into a new contract with a tire vendor for October 1, 2022 through September 30, 2025. The vendor has agreed to provide tires at a fixed cost per tire plus a rate per mile. The System estimates the costs to be \$400,000 over the term of the contract. Tire cost expense was approximately \$116,000 and \$108,000 for the years ended December 31, 2023 and 2022, respectively.

Grant Disallowances

The System participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants.

Other Commitments

At December 31, 2023, the System had entered into various contracts/purchase orders primarily related to the purchase of buses (\$9,400,000), route restoration (\$515,000), areas of persistent poverty (\$800,000). Together with various smaller obligations, the total commitments are approximately \$12,000,000.

Note 11: SELF-INSURANCE AND LEGAL CLAIMS

The System is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions injuries to employees; and natural disasters.

Through January 2022, general liability and property damage losses are covered by insurance policies, and the insurance companies were responsible for payment of claims exceeding the deductible. The deductible for general liability losses was \$5,000 per occurrence, and property damage was \$10,000 per occurrence.

Effective October 2023, the System purchased a workers compensation insurance policy through October 2024, which covered workers compensation up to \$1,000,000 per employee per occurrence. Prior to October 2023, the System was self-insured for workers compensation claims. A professional administrator is contracted to adjust and manage these claims.

Effective September 2020, the System purchased an insurance policy through September 2021 which covered auto physical damage up to \$2,500,000, subject to a \$50,000 deductible per vehicle per occurrence. The policy was subsequently renewed through January 2022. During 2022 the System elected to become self-insured for vehicle liability.

Capital Area Transit System Notes to the Financial Statements

Note 11: SELF-INSURANCE AND LEGAL CLAIMS (continued)

At December 31, 2023 and 2022, accrued claims liabilities of \$3,456,795 and \$3,228,162, respectively, were included in the Proprietary Fund's statements of net position, as follows:

	2023	2022
Current portion	\$ 1,168,476	\$ 759,814
Long-term portion	2,288,319	2,468,348
Total	<u>\$ 3,456,795</u>	<u>\$ 3,228,162</u>

The accruals, which are based upon the advice of counsel, are, in the opinion of management, sufficient to provide for all probable claims liabilities that are able to be estimated at December 31, 2023 and 2022. In addition, the claims will not be paid until appropriated by the System.

Changes in claims liability during the years ended December 31, 2023 and 2022, were as follows:

	2023	2022
Beginning of year liability	\$ 3,228,162	\$ 3,300,815
Current year claims and changes in estimates	1,190,608	1,650,735
Claim payments	(961,975)	(1,723,388)
End of year liability	<u>\$ 3,456,795</u>	<u>\$ 3,228,162</u>

Note 12: FINANCE PURCHASE AGREEMENT

The System maintains a finance purchase agreement. The agreement is for 10 transit buses under an agreement with a financial institution. The agreement has been recorded at the present value of the minimum payments as of the inception date which was June 1, 2017. Terms include 14 semiannual payments of \$328,137 with interest at 2.31%. At December 31, 2023, book value of buses, net of depreciation, was \$1,581,675.

Changes in the finance purchase liability during the years ended December 31, 2023 and 2022, were as follows:

	2023	2022
Beginning of year liability	\$ 865,806	\$ 1,585,098
Proceeds	-	-
Principal payments	(573,869)	(719,292)
End of year liability	<u>\$ 291,937</u>	<u>\$ 865,806</u>

Capital Area Transit System Notes to the Financial Statements

Note 12: FINANCE PURCHASE AGREEMENT (continued)

Minimum future payments under this agreement as of December 31, 2023 was:

Years Ending December 31,	Amount
2024	295,323
Total minimum payments	295,323
Less: amount representing interest	(3,386)
Present value of minimum payments	\$ 291,937

Note 13: LEASE OBLIGATIONS

The System entered into a lease for office space under a 36-month agreement effective November 1, 2019, with a renewal option for two 36-month periods. In accordance with GASB Statement No. 87, *Leases*, a liability has been recorded for the present value of lease payments over the lease term including options to extend that are reasonably certain to be exercised. The System has renewed its lease for the first renewal option but is not certain it will exercise the second option. As of December 31, 2023, the lease liability is \$161,793. In determining the present value, the discount rate applied was 2.354%. The recorded value of the right-to-use asset as of the end of the current fiscal year was \$337,387 and accumulated amortization of these asset was \$179,940.

The future principal and interest lease payments as of December 31, 2023, were as follows:

Years Ending December 31,	Principal	Interest	Total
2024	91,634	2,650	94,284
2025	70,159	554	70,713
Total	\$ 161,793	\$ 3,204	\$ 164,997

Note 14: CONCENTRATIONS

Substantially all non-management employees are covered under a collective bargaining agreement.

Note 15: RELATED-PARTY TRANSACTIONS

Plan investments include units of funds managed by Raymond James. Raymond James is the custodian as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

REQUIRED SUPPLEMENTARY INFORMATION

Capital Area Transit System
Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<u>TOTAL PENSION LIABILITY</u>										
Service cost	\$ 999,596	\$ 895,964	\$ 830,888	\$ 763,995	\$ 709,832	\$ 705,207	\$ 694,880	\$ 609,044	\$ 577,109	\$ 444,547
Interest	970,917	882,121	845,889	788,722	733,100	712,051	685,993	661,807	684,863	638,511
Changes in benefit terms	-	-	424,629	-	101,812	-	-	-	-	-
Differences between expected and actual experience	(394,447)	849,566	116,793	(459,611)	268,488	(215,003)	(177,108)	(141,782)	(332,043)	255,430
Changes of assumptions	-	-	1,308,427	641,972	476,858	-	-	-	414,840	-
Benefit payments	(616,716)	(791,376)	(443,239)	(569,144)	(576,499)	(615,135)	(534,895)	(545,869)	(507,571)	(542,297)
Refunds of member contributions	(145,726)	(449,692)	(347,071)	(209,670)	(254,732)	(237,181)	(174,467)	(375,062)	(348,156)	(122,221)
Other	20,948	8,333	6,003	(51,749)	(28,665)	-	-	9,620	1,348	-
Net change in total pension liability	\$ 834,572	\$ 1,394,916	\$ 2,742,319	\$ 904,515	\$ 1,430,194	\$ 349,939	\$ 494,403	\$ 217,758	\$ 490,390	\$ 673,970
<u>TOTAL PENSION LIABILITY - BEGINNING</u>	18,404,137	17,009,221	14,266,902	13,362,387	11,932,193	11,582,254	11,087,851	10,870,093	10,379,703	9,705,733
<u>TOTAL PENSION LIABILITY - ENDING (a)</u>	\$ 19,238,709	\$ 18,404,137	\$ 17,009,221	\$ 14,266,902	\$ 13,362,387	\$ 11,932,193	\$ 11,582,254	\$ 11,087,851	\$ 10,870,093	\$ 10,379,703
<u>PLAN FIDUCIARY NET POSITION</u>										
Contributions - member	\$ 707,447	\$ 676,786	\$ 600,797	\$ 639,979	\$ 636,414	\$ 604,736	\$ 607,307	\$ 589,279	\$ 553,162	\$ 448,920
Contributions - employer	805,818	746,140	695,418	726,785	719,883	720,360	684,668	669,552	657,058	515,424
Net investment income (loss)	3,133,431	(3,202,010)	2,671,290	2,143,824	3,014,272	(803,684)	1,933,099	562,303	(238,834)	536,268
Benefit payments	(616,716)	(791,376)	(443,239)	(569,144)	(576,499)	(615,135)	(534,895)	(545,869)	(507,571)	(542,297)
Refunds of member contributions	(145,726)	(449,692)	(347,071)	(209,670)	(254,732)	(237,181)	(174,467)	(375,062)	(348,156)	(122,221)
Administrative expenses	(246,598)	(244,744)	(174,106)	(141,898)	(150,386)	(148,401)	(124,891)	(114,605)	(102,373)	(104,336)
Other	20,948	8,333	6,003	(51,749)	(28,665)	-	-	9,620	1,348	-
Net change in plan fiduciary net position	\$ 3,658,604	\$ (3,256,563)	\$ 3,009,092	\$ 2,538,127	\$ 3,360,287	\$ (479,305)	\$ 2,390,821	\$ 795,218	\$ 14,634	\$ 731,758
<u>PLAN FIDUCIARY NET POSITION - BEGINNING</u>	18,189,307	21,445,870	18,436,778	15,898,651	12,538,364	13,017,669	10,626,848	9,831,630	9,816,996	9,085,238
<u>PLAN FIDUCIARY NET POSITION - ENDING (b)</u>	\$ 21,847,911	\$ 18,189,307	\$ 21,445,870	\$ 18,436,778	\$ 15,898,651	\$ 12,538,364	\$ 13,017,669	\$ 10,626,848	\$ 9,831,630	\$ 9,816,996
<u>NET PENSION (ASSET) LIABILITY - ENDING (a - b)</u>	\$ (2,609,202)	\$ 214,830	\$ (4,436,649)	\$ (4,169,876)	\$ (2,536,264)	\$ (606,171)	\$ (1,435,415)	\$ 461,003	\$ 1,038,463	\$ 562,707
<u>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY (ASSET)</u>	113.56%	98.83%	126.08%	129.23%	118.98%	105.08%	112.39%	95.84%	90.45%	94.58%
<u>COVERED PAYROLL</u>	\$ 10,072,725	\$ 9,326,750	\$ 8,692,725	\$ 9,084,813	\$ 8,998,538	\$ 9,004,500	\$ 8,558,350	\$ 8,369,400	\$ 8,213,225	\$ 6,442,800
<u>NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</u>	-25.90%	2.30%	-51.04%	-45.90%	-28.19%	-6.73%	-16.77%	5.51%	12.64%	8.73%

Notes to Schedule:

Changes of assumptions:

Investment Rate

2015 - rate changed from 6.50% to 6.00%.
2019 - rate changed from 6.00% to 5.75%.
2021 - rate changed from 5.75% to 5.10%.

Inflation

2017 - decrease from 3.00% to 2.50%
2019 - increase from 2.00% to 2.10%

Salary Increases

2015 - rate changed from flat 5.50% to scale based on years of service:

1 year of service - 17.00%
3 - 10 years of service - 5.25%

2 years of service - 10.00%
11 years and over - 3.75%

2020:

1 - 2 years of service - 14.50%
3 - 10 years of service - 5.75%

11 years and over - 4.25%

Mortality Table

2014 - For disabled annuitants RP-2000 Disabled Lives Mortality Table set back five years for males and three years for females.
2015 - For disabled annuitants RP-2000 Disabled Lives Mortality Table set back two years for males and one year for females.
2016 - For disabled annuitants RP-2000 Disabled Lives Mortality Table set back five years for males and three years for females.
2020 - Pub-2010 Public Retirement Plans for General Employees multiplied by 115% for males and females with full generational projection using the appropriate MP-2020 scale.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Capital Area Transit Authority
Schedule of Contributions
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 576,160	\$ (75,547)	\$ (155,600)	\$ (13,627)	\$ 191,669	\$ 18,909	\$ 240,490	\$ 373,275	\$ 330,993	\$ 324,152
Contributions in relation to the actuarial										
determined contribution	<u>805,818</u>	<u>746,140</u>	<u>695,418</u>	<u>726,785</u>	<u>719,883</u>	<u>720,360</u>	<u>684,668</u>	<u>669,552</u>	<u>657,058</u>	<u>515,424</u>
Contribution deficiency (excess)	<u>\$ (229,658)</u>	<u>\$ (821,687)</u>	<u>\$ (851,018)</u>	<u>\$ (740,412)</u>	<u>\$ (528,214)</u>	<u>\$ (701,451)</u>	<u>\$ (444,178)</u>	<u>\$ (296,277)</u>	<u>\$ (326,065)</u>	<u>\$ (191,272)</u>
Covered payroll	\$ 10,072,725	\$ 9,326,750	\$ 8,692,725	\$ 9,084,813	\$ 8,998,538	\$ 9,004,500	\$ 8,558,350	\$ 8,369,400	\$ 8,213,255	\$ 6,442,800
Contributions as a percentage of covered payroll	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

Capital Area Transit Authority
Schedule of Investment Returns
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return (loss), net of investment expense	15.65%	-16.16%	13.40%	12.49%	21.20%	-5.98%	16.35%	5.49%	-2.41%	5.67%

SUPPLEMENTARY INFORMATION

Capital Area Transit Authority

Schedule of Compensation, Benefits and Other Payments to Agency Head

For the Year Ended December 31, 2023

Chief Executive Officer Dwana Williams (January - August, 2023)

Purpose	Amount
Salary	\$ 124,224
Empolyer contributions - FICA/Medicare	12,293
Benefits - deferred compensation	1,800
Benefits - insurance	11,663
	<u>\$ 149,980</u>

Interim Chief Executive Officer	Theo Richards	(August - December, 2023)
---------------------------------	---------------	---------------------------

Purpose	Amount
Salary	\$ 77,308
Empolyer contributions - FICA/Medicare	5,708
Benefits - deferred compensation	-
Benefits - insurance	7,503
	<u>\$ 90,519</u>

Independent Auditor's 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 Board of Commissioners
Capital Area Transit System
Baton Rouge, Louisiana

We have audited, 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, the financial statements of the business-type activity and the aggregate remaining fund information (the fiduciary fund) of the Capital Area Transit System (the "System"), a component unit of the City of Baton Rouge - Parish of East Baton Rouge, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated August XX, 2024.

Our report includes a reference to other auditors who audited the financial statements of the fiduciary fund, as described in our report on the System's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by the other auditor. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditor.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompany schedule of findings and questions costs as item **2023-001** to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item **2023-002** to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item **2023-003** and **2023-005**.

The System's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the System's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The System's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
July 31, 2024

**Independent Auditor's Report on Compliance for Each
Major Program on Internal Control over Compliance and on the
Schedule of Expenditures of Federal Awards Required by The Uniform Guidance**

To the Board of Commissioners
Capital Area Transit System
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Major Federal Program

We have audited Capital Area Transit System's (the "System") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the System's major federal program for the year ended December 31, 2023. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the System's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the System's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the System's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the System's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the System's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the System's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item **2023-004**. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the System's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The System's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs as item **2023-004** to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
July 31, 2024

Capital Area Transit System
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Identification Number	Pass-Through to Sub-Recipients	Expenditures
U.S. Department of Transportation Direct Awards				
Federal Transit Administration –				
Federal Transit Cluster:				
Federal Transit Formula Grants	20.507		\$ -	\$ 7,562,771
COVID-19 - Federal Transit Formula Grants	20.507		-	8,184,061
Bus and Bus Facilities Formula Program	20.526		-	4,147,771
Total Federal Transit Cluster			-	19,894,603
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505			209,800
Public Transportation Innovation	20.530		-	44,430
Total U.S. Department of Transportation			-	20,148,833
Total Expenditures of Federal Awards			\$ -	\$ 20,148,833

Capital Area Transit System
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Note 1: GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of the Capital Area Transit System (System) and is presented on the accrual basis of accounting. The System's reporting entity is defined in Note 1 to the System's financial statements for the year ended December 31, 2023. All federal awards received from federal agencies are included on the schedule.

Note 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the System's financial statements for the year ended December 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The System did not elect to use the 10 percent (10%) de minimis indirect cost rate.

Note 3: LOANS

The System did not expend federal awards related to loans or loan guarantees during the year.

Note 4: FEDERALLY FUNDED INSURANCE

The System has no federally funded insurance.

Note 5: NONCASH ASSISTANCE

The System did not receive any federal noncash assistance for the year ended December 31, 2023.

Note 6: RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

The following is a reconciliation of the Schedule of Expenditures of Federal Awards (SEFA) to the basic financial statements:

Federal operating subsidy	\$ 13,008,509
Planning and technical study grants	646,412
Capital contributions	6,515,149
Differences between prior year accruals and actual reimbursements	(21,237)
Total expenditures of federal awards	<u>\$ 20,148,833</u>

Capital Area Transit System
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

A. Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| Noncompliance material to the financial statements noted? | Yes |

Federal Awards

- | | |
|---|------------|
| 1. Type of auditor's report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| c. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 3. Any audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a)? | Yes |
| 4. The major programs tested for the year ended December 31, 2021 were: | |
| Federal Transit Administration – Federal Transit Cluster: | |
| Formula Grants | 20.507 |
| Bus and Bus Facilities Formula | 20.526 |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | No |

**Capital Area Transit System
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023**

B. Financial Statements Findings

2023-001 Material Weakness: Internal Control Over Financial Reporting

Criteria: The System should reconcile accounts receivable annually in a timely manner to ensure that all earned revenues are properly accrued for the end of the year. Additionally, the System should ensure that all accrued grant revenues are being requested in a timely manner and reconcile grant account receivable to ensure payments.

Condition: The System did not appropriately accrue Hotel/Motel tax revenues timely and this resulted in a prior period adjustment to net position of \$504,042. Additionally, the System did not request a drawdown of an accrued federal grant revenue from 2022 in the amount of \$2,450,956.

Cause: The Hotel/Motel tax and FTA grants receivable accounts were not reconciled timely to ensure proper accounting and requesting of revenue.

Effect: There was a material prior period adjustment and a material grant reimbursement was not requested.

Recommendation: We recommend that the accounts receivable accounts are reconciled monthly to ensure proper accounting of accounts receivable and revenue.

View of

Responsible Official:

The System will update the account receivable processes and procedure to include monthly reconciliations.

Capital Area Transit System
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

B. Financial Statements Findings (Continued)

2023-002 Preparation of Schedule of Expenditures of Federal Awards and Reconciliation of Grant Revenue

Criteria: The Uniform Guidance Subpart F Section 200.510 requires the preparation of a Schedule of Expenditures of Federal Awards (SEFA) that includes an accurate reporting of federal awards expended based on the terms and conditions of the grants along with the amount of funds disbursed to subrecipients. In order for the SEFA to be prepared accurately and properly report the amounts expended for federal awards, a system of controls should be in existence that includes the timely preparation and review of the amounts reported on the SEFA. Review of the amounts reported should include a reconciliation of the expenditures under the grants to the grant revenue. Additionally, the reconciliation should take into account grant revenue that is due from the awarding agency for expenditures incurred during the fiscal year.

Condition: The SEFA provided for audit did not contain the correct amounts of federal expenditures supported by the accounting system. Additionally, the grant revenue did not include all amounts due from the awarding agency for expenditures incurred during the fiscal year.

Questioned Costs: Not applicable.

Cause: The System currently maintains its internal records on a cash basis throughout the year and year-end reconciliations of federal expenditures to federal grant awards available and remitted are not performed timely enough in order to prepare an accurate and complete reporting of federal awards expended.

Effect: An inaccurate SEFA may result in incomplete reporting of federal expenditures and non-compliance with federal regulations with respect to required major program audits and coverage requirements. Grant revenue may not reflect the total revenue within the proper period.

Recommendation: We recommend the System review its policies and procedures for identifying, recording and tracking federal expenses and implement tools within the accounting system to properly identify in order to prepare an accurate SEFA. The policies and procedures should include capturing all grant revenue for eligible expenses incurred during the fiscal year.

View of Responsible Official:
The System will update the processes and procedure to include reconciliation of the SEFA to federal grant revenues and expenditures incurred.

Capital Area Transit System
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

B. Financial Statements Findings (Continued)

2023-003 Timely Submission of Audit Report to Legislative Auditor (Compliance)

Criteria: Under Louisiana Revised Statutes, the System is required to have an annual audit of its financial statements prepared in accordance with US generally accepted accounting principles and to complete the audit and file it with the Louisiana Legislative Auditor by June 30th of each year.

Condition: The System did not meet the June 30, 2024 deadline for reporting to the Legislative Auditor. The System requested and received an extension of time until September 30, 2024 from the Legislative Auditor to file its financial statements.

Cause: Due to significant turnover in management and finance staff, the System required additional time to close the 2023 books and record the final adjustments to their accounting records.

Effect: The delay in closing the 2023 books resulted in the 2023 audit completion date being delayed.

Recommendation: The System should implement a plan to assure that the financial reporting is completed timely to ensure future reports are issued by June 30th of each year.

View of

Responsible Official:

The System will update the accounting processes and procedure to ensure books are closed timely and the audit report is issued on time.

**Capital Area Transit System
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023**

C. Findings and Questioned Costs for Federal Awards

U.S. Department of Transportation

FEDERAL TRANSIT CLUSTER

20.507 Federal Transit Formula Grant (applies to all grants)

2023-004 Procurement and Suspension and Debarment

Criteria: The Uniform Guidance regulations (2 CFR section 200.320) require, among other things, that procurement for purchases of goods and services follow certain procedures related to obtaining and awarding of contracts based on sealed bid, competitive-, and non-competitive proposals. Additionally, 2 CFR Section 200.318(d) provides that written policies and procedures must document the avoidance of the acquisition of unnecessary or duplicative items and 2 CFR section 200.303(a) regulations require the entity to establish and maintain effective internal control over compliance with Federal statutes, regulations, and the terms and conditions of grant awards.

In addition, non-federal entities are prohibited from contracting with parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at SAM.gov, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition: The portion related to procurement is a repeated finding from 2019, 2020, 2021, and 2022. During our testing of purchases under the procurement regulations, for 3 out of 8 vendors selected for testing, the System was unable to provide supporting documentation that these vendor services or supplies were procured in accordance with the standards in 2 CFR section 200.320. Additionally, while the System does maintain written policies and procedures related to procurement standards, these procedures were followed for items procured directly through the procurement department, however, FTA expenditures procured by the maintenance department did not follow the approved procedures and internal controls in accordance with the regulations referenced in the criteria above.

**Capital Area Transit System
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023**

C. Findings and Questioned Costs for Federal Awards (continued)

U.S. Department of Transportation

FEDERAL TRANSIT CLUSTER

20.507 Federal Transit Formula Grant (applies to all grants)

2023-004 Procurement and Suspension and Debarment (continued)

Condition: During our testing of compliance with the suspension and debarment regulations, for 3 out of 8 vendors selected for testing (same vendors selected for procurement testing above), the System was unable to provide documentation of its conclusions that these vendors were not suspended or debarred. Based on a review of SAM.gov, none of these vendors were suspended or debarred.

Questioned Costs: Known - \$214,478, Likely - \$561,548 for Procurement but not Suspension and Debarment.

Cause: A significant deficiency exists in the internal controls over procurement and suspension and debarment for expenditures procured outside the normal processes of the procurement department. The System does not have adequate controls in place to ensure that appropriate supporting documentation is maintained for purchases made under the procurement standards to support the System's consideration and/or conclusion for obtaining and awarding of contracts based on sealed bid, competitive, and non-competitive proposals or its determination of whether the vendor is suspended or debarred, when procured outside of the procurement department.

Effect: The System may not be receiving the overall lowest cost for services and supplies procured by the agency. Without ensuring documentation is maintained over whether a vendor is suspended or debarred, the System may enter into contracts with unauthorized parties.

**Capital Area Transit System
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023**

C. Findings and Questioned Costs for Federal Awards (continued)

U.S. Department of Transportation

FEDERAL TRANSIT CLUSTER

20.507 Federal Transit Formula Grant (applies to all grants)

2023-004 Procurement and Suspension and Debarment (continued)

Recommendation: We recommend the System implement internal controls to ensure that supporting documentation is maintained for the procurement of goods and services in accordance with 2 CFR Section 200.320. Additionally, we recommend that the System enhance its written policies and procedures to ensure that documentation is included regarding the avoidance of the acquisition of unnecessary or duplicative items. Documentation and policies should include procedures for the competitive bidding of bus parts on a annual basis and evidence that purchases are from these bid responses and from the lowest qualified vendor. A review of all contracts to ensure the appropriate language exists regarding suspension and debarment regulations or the System should consider an annual review of SAM.gov for all vendors.

View of

Responsible Official:

The Agency will implement internal controls to ensure that supporting documentation is maintained for the procurement of goods and services in accordance with 2 CFR Section 200.320. The Agency will update our written policies and procedures to ensure that documentation is included regarding the avoidance of the acquisition of unnecessary or duplicative items. Documentation and policies will include procedures for the competitive bidding of bus parts on a quarterly basis and evidence that purchases are from these bid responses and from the lowest qualified vendor. Procurement will perform an annual review of SAM.gov for all vendors.

D. Other Matter

2023-005 FTA Triennial Review Deficiencies

The System received the final report for the FTA's Fiscal Year (FY) 2023 Triennial Review in October 2023, which included deficiencies with specific FTA requirements in multiple compliance areas. The System has implemented corrective actions or is in the process of working with FTA to implement corrective actions to address these deficiencies.

Capital Area Transit System
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2023

B. Financial Statements Findings

2022-001 Recordkeeping Associated with Employee Leave

Condition: *This is a partially repeated finding from 2018, 2019, 2020, and 2021. Accurate and complete reporting is not maintained to document the accrued leave.*

Recommendation: We recommend that for financial reporting purposes those amounts should be updated and journal entries recorded monthly.

Current status:* *Resolved.

2022-002 Documentation of Approved Pay Rates in Payroll File

Condition: *This is a repeat finding from 2018, 2019, 2020, and 2021. During our testing of internal controls over payroll, we noted for 10 out of 65 individuals selected for testing, no documentation existed for the approval of the current rate of pay. We were able to verify the pay rates appeared appropriate through other audit procedures such as review of the positions and comparison of pay rates to prior year records.*

Recommendation: We recommend that the System adopt written policies and procedures to ensure that documentation of approved pay rates is maintained.

Current status:* *Resolved.

2022-003 Maintenance of Pension Plan Census Data

Condition: *This is a repeat finding from 2018, 2019, 2020, and 2021. While performing procedures over census data information, we noted that an accurate and complete census data file of active participants is not maintained by the System. The System is relying on the census data maintained by a third-party administrator in order to ensure the accuracy of the net pension asset and related deferrals associated with pension benefits. In addition, 2 of 25 employees were not timely enrolled in the pension plan.*

Recommendation: We recommend that the System adopt written procedures and develop appropriate internal controls to ensure that census data for pension plan participants is tracked and reviewed on a regular basis including reconciling with the pension plan actuary.

Current status:* *Resolved.

Capital Area Transit System
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2023

B. Financial Statements Findings (continued)

2022-004 Inventory Counts and Reconciliation

Condition: General ledger accounts were not reconciled to the inventory subsidiary records during the fiscal year. Additionally, records were not maintained supporting the adjustments made to the inventory general ledger accounts as a result of the year-end count procedures.

Recommendation: We recommend that the System adopt procedures and controls to ensure that inventory accounts are reconciled to the inventory count sheets and that records are maintained of those adjustments.

Current status: **Resolved.**

C. Findings and Questioned Costs for Federal Awards

U.S. Department of Transportation

FEDERAL TRANSIT CLUSTER

20.507 Federal Transit Formula Grant (applies to all grants)

20.526 Section 5339 Formula Apportionment

2022-005 Procurement and Suspension and Debarment

Condition: *The portion related to procurement is a repeated finding from 2019, 2020 and 2021.* During our testing of purchases under the procurement regulations, for 2 out of 10 vendors (paid approximately \$1.59 million out of the amount tested of \$12.8 million) selected for testing, the System was unable to provide supporting documentation that these vendor services or supplies were procured in accordance with the standards in §200.320. Additionally, while the System does maintain written policies and procedures related to procurement standards, documentation addressing the acquisition of unnecessary or duplicative items was not present.

During our testing of compliance with the suspension and debarment regulations, for 2 out of 10 vendors selected for testing (same vendors selected for procurement testing above), the System was unable to provide documentation of its conclusions that these vendor were not suspended or debarred. Based on a review of SAM.gov, none of these vendors were suspended or debarred.

Capital Area Transit System
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2023

C. Findings and Questioned Costs for Federal Awards (continued)

U.S. Department of Transportation

FEDERAL TRANSIT CLUSTER

20.507 Federal Transit Formula Grant (applies to all grants)

20.526 Section 5339 Formula Apportionment

2022-005 Procurement and Suspension and Debarment

Recommendation: We recommend the System implement internal controls to ensure that supporting documentation is maintained for the procurement of goods and services in accordance with §200.320. Additionally, we recommend that the System enhance its written policies and procedures to ensure that documentation is included regarding the avoidance of the acquisition of unnecessary or duplicative items. Documentation and policies should include procedures for the competitive bidding of bus parts on a quarterly basis and evidence that purchases are from these bid responses and from the lowest qualified vendor. A review of all contracts to ensure the appropriate language exists regarding suspension and debarment regulations or the System should consider an annual review of SAM.gov for all vendors.

Current status: **Not Resolved. See repeat finding 2023-004.**

U.S. Department of Transportation

FEDERAL TRANSIT CLUSTER

20.507 Federal Transit Formula Grant (applies to all grants)

20.526 Section 5339 Formula Apportionment

**2022-006 Activities Allowed or Unallowed
Allowable Costs/Cost Principles**

Condition: This is a repeat finding from 2021. During our testing of internal controls over payroll, we noted for 10 out of 65 individuals selected for testing, no documentation existed for the approval of the current rate of pay. We were able to verify the pay rates appeared appropriate through other audit procedures such as review of the positions and comparison of pay rates to prior year records. The population was all payroll. This is not a statistically valid sample.

Recommendation: We recommend that the System adopt written policies and procedures to ensure that documentation of approved pay rates is maintained.

Current status: **Resolved.**



July 31, 2024

Carr, Riggs & Ingram, LLC
3850 N. Causeway Blvd
Ste 1400 | Two Lakeway
Metairie, LA 70002

2023 Audit Findings Corrective Action Plan

2023-001 Material Weakness: Internal Control Over Financial Reporting

The System will reconcile accounts receivable annually in a timely manner to ensure that all earned revenues are properly accrued for the end of the year. Additionally, the System should ensure that all accrued grant revenues are being requested in a timely manner and reconcile grant account receivable to ensure payment.

Interim CFO, Sunnie Hines
Timeline 180 days

2023-002 Preparation of Schedule of Expenditures of Federal Awards and Reconciliation of Grant Revenue

The System will review its policies and procedures for identifying, recording and tracking federal expenses and implement tools within the accounting system to properly identify in order to prepare an accurate SEFA. The policies and procedures should include capturing all grant revenue for eligible expenses incurred during the fiscal year.

Interim CFO, Sunnie Hines & Grants Manager, Karla Hatch
Timeline 180 days

2023-003 Timely Submission of Audit Report to Legislative Auditor (Compliance)

The System will begin to assemble required audit documents throughout the year and as closed to year end as possible to assure that the financial reporting is completed timely to ensure future reports are issued by June 30th of each year.

Interim CFO, Sunnie Hines
Timeline 180 days

2023-004 Procurement and Suspension and Debarment

The System will implement internal controls to ensure that supporting documentation is maintained for the procurement of goods and services in accordance with §200.320. Additionally, the System will enhance its written policies and procedures to ensure that documentation is included regarding the avoidance of the acquisition of unnecessary or duplicative items. The system will implement a review of all contracts to ensure the appropriate language exists regarding suspension and debarment regulations and/or consider an annual review of SAM.gov for all vendors.

Interim CFO, Sunnie Hines
Timeline 180 days

Very truly yours,



Theo Richards
Chief Executive Officer
Capital Area Transit System