



Capital Area Transit System

FINANCIAL STATEMENTS

December 31, 2024 and 2023



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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 years ended December 31, 2024 and 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, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the years 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, 2024 and 2023, 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 Opinions

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 opinions.

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 5-9 and 41-44, 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 June 27, 2025, 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
June 27, 2025

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 \$53,620,366, as of December 31, 2024, representing an increase of approximately \$222,281, or 0.4%, from that of December 31, 2023. Property tax increases were offset by increases in personnel and supplies and decreases in federal funding. The net position at December 31, 2023 was \$53,398,085 which was an increase of approximately \$10,922,000, or 25.7%, from December 31, 2022. Grant and property tax increases were offset by increases in personnel and depreciation.

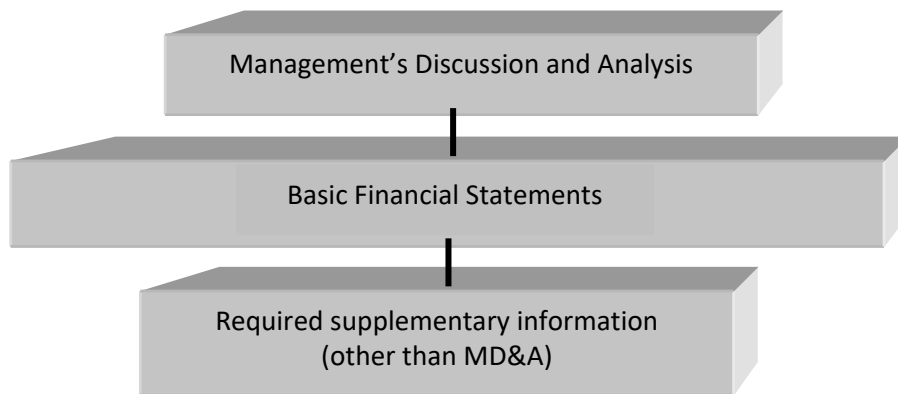
A substantial portion of the net position is invested in capital assets representing approximately 51% and 49% of total net position for the years ended December 31, 2024 and 2023, respectively.

Federal operating subsidy revenue was \$9,758,013, \$13,008,509 and \$10,786,232 for 2024, 2023 and 2022, respectively.

Gain (loss) before capital contributions was \$(2,640,746), \$4,407,237, and \$(2,771,390) for 2024, 2023 and 2022, respectively.

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, 2024, 2023 and 2022:

Condensed Statements of Net Position as of December 31, 2024, 2023 and 2022

	2024	2023	2022
Assets			
Current and other assets	\$ 32,447,038	\$ 36,696,279	\$ 28,647,183
Capital assets	27,585,732	28,753,847	20,015,031
Net pension asset	4,123,412	2,609,202	-
Total assets	<u>64,156,182</u>	<u>68,059,327</u>	<u>48,662,214</u>
Deferred outflows - pension related	<u>4,609</u>	<u>283,188</u>	<u>2,578,254</u>
Liabilities			
Current liabilities	5,732,898	10,709,193	3,464,488
Non-current liabilities			
Due within one year	802,444	1,552,047	2,163,409
Due in more than one year	2,502,781	2,358,478	3,136,908
Total liabilities	<u>9,038,123</u>	<u>14,619,718</u>	<u>8,764,805</u>
Deferred inflows - pension related	<u>1,502,302</u>	<u>324,713</u>	<u>-</u>
Net position			
Net investment in capital assets	27,515,573	28,592,054	19,149,225
Restricted for pension asset	4,123,412	2,609,202	-
Unrestricted	<u>21,981,381</u>	<u>22,196,829</u>	<u>23,326,438</u>
Total net position	<u><u>\$ 53,620,366</u></u>	<u><u>\$ 53,398,085</u></u>	<u><u>\$ 42,475,663</u></u>

The System's total net position increased from \$42,475,663 at December 31, 2022 to \$53,398,085 at December 31, 2023 and increased to \$53,620,366 at December 31, 2024.

There was a decrease in net position between 2023 and 2024. Decreased grant revenues, additional personnel costs associated with turnover and increased supplies and bus related expenses were offset slightly by increased property tax revenue. There was an increase in net position between 2022 and 2023. Increased grant revenues were offset by additional personnel costs associated with turnover and increased depreciation expense. Approximately 52%, 49% and 46% of the System's net position as of December 31, 2024, 2023 and 2022, 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, 2024, 2023 and 2022:

Condensed Statements of Changes in Net Position for the years ended December 31, 2024, 2023 and 2022

	2024	2023	2022
<u>OPERATING REVENUE</u>			
Charges for services	\$ 1,317,888	\$ 1,295,507	\$ 1,148,878
Advertising revenue	433,339	573,192	614,815
Total operating revenue	<u>1,751,227</u>	<u>1,868,699</u>	<u>1,763,693</u>
<u>DIRECT OPERATING EXPENSES</u>			
Operating expenses	37,115,809	32,830,741	35,515,677
Depreciation	3,839,865	4,110,862	3,564,624
Total direct operating expenses	<u>40,955,674</u>	<u>36,941,603</u>	<u>39,080,301</u>
<u>LOSS FROM OPERATIONS</u>	(39,204,447)	(35,072,904)	(37,316,608)
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest and other expenses	(432,146)	(21,548)	(39,211)
Interest and other income	223,887	371,737	178,469
Hotel/motel tax	1,411,674	1,632,826	1,654,643
Ad valorem tax revenue	25,181,133	23,292,241	20,899,477
Loss on disposal of capital asset	-	-	(393,706)
Government operating grants:			
Federal operating subsidy	9,758,013	13,008,509	10,786,232
Planning and technical study grants	437,444	646,412	909,314
Transfers from Primary Government	550,000	550,000	550,000
	<u>37,130,005</u>	<u>39,480,177</u>	<u>34,545,218</u>
<u>GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS</u>	(2,074,442)	4,407,273	(2,771,390)
<u>CAPITAL CONTRIBUTIONS</u>	<u>2,296,723</u>	<u>6,515,149</u>	<u>3,051,946</u>
<u>INCOME (LOSS) AFTER CAPITAL CONTRIBUTIONS</u>	222,281	10,922,422	280,556
<u>NET POSITION, BEGINNING OF YEAR</u>	<u>53,398,085</u>	<u>42,475,663</u>	<u>42,195,107</u>
<u>NET POSITION, END OF YEAR</u>	<u>\$ 53,620,366</u>	<u>\$ 53,398,085</u>	<u>\$ 42,475,663</u>

The System's operating revenues decreased approximately \$117,000 or 6% between 2023 and 2024. This was attributable to a decrease in advertising revenue in 2024. 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.

Capital Area Transit System Management's Discussion and Analysis

Direct operating expenses increased approximately \$4,014,000 or approximately 11%, from \$36,941,603 to \$40,955,674 between 2023 and 2024. Key factors attributable to this increase include more contractual services costs related to bus repair and supplies. Direct operating expenses decreased approximately \$2,139,000 or approximately (5%), from \$39,080,301 to \$36,941,603 between 2022 and 2023. Key factors attributable to this decrease include fewer contractual services costs due to decreased liability costs and tech contracting costs.

Non-operating grant revenue decreased by approximately \$3.4 million, or (25%), from \$13,654,921 to \$10,195,457 between 2023 and 2024. This is primarily due to reduced federal operating subsidy received through the CARES Act in 2020 because of the COVID-19 pandemic. 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.

Capital Asset and Debt Administration

The System's capital assets, net of accumulated depreciation and amortization, totaled \$27,585,732, \$28,753,847 and \$20,015,031 as of December 31, 2024, 2023 and 2022, respectively. Capital assets include structures, bus shelters, buses and equipment. Capital asset additions were approximately \$2,710,461, or 9.8% of the book value of all capital assets in 2024 and \$13,083,801 or approximately 46% of the book value of all capital assets in 2023. Additions in 2024 primarily resulted from the purchase of several buses, vehicles, and capital improvements to shelters.

At the end of the calendar year 2024, the System had a finance purchase payable outstanding of \$0, compared to \$291,937 as of December 31, 2023. This financing is associated with the purchase of certain buses operated within the System's fleet. The decrease in the amount outstanding in 2024 reflects principal payments on the purchase. No new debt was issued during 2024. 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 \$3,570,059, \$3,456,795, and \$3,228,162 at December 31, 2024, 2023 and 2022, 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 2024 are approximately \$26.6 million and are expected to be consistent in 2025. 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,	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 476,117	1,639,569
Accounts receivable	413,880	475,612
Ad valorem tax receivable, net	24,259,195	21,531,176
Due from other governments	6,028,822	11,565,148
Prepaid expenses	688,637	557,720
Inventories	580,387	927,054
Total current assets	32,447,038	36,696,279
Noncurrent assets		
Capital assets, net of accumulated depreciation and amortization	27,585,732	28,753,847
Net pension asset	4,123,412	2,609,202
Total noncurrent assets	31,709,144	31,363,049
Total Assets	64,156,182	68,059,328
Deferred Outflows of Resources - Pension related	4,609	283,188
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	4,915,286	10,002,965
Accrued compensated absences	817,612	706,228
Claims payable and related liabilities	732,285	1,168,476
Lease liability	70,159	91,634
Finance purchase	-	291,937
Total Current Liabilities	6,535,342	12,261,240
Non-Current Liabilities		
Claims payable and related liabilities, less current portion	2,502,781	2,288,319
Lease liability, less current portion	-	70,159
Total non-current liabilities	2,502,781	2,358,478
Total Liabilities	9,038,123	14,619,718
Deferred Inflows of Resources - Pension Related	1,502,302	324,713
Net Position		
Net investment in capital assets	27,515,573	28,592,054
Restricted for pension obligations	4,123,412	2,609,202
Unrestricted	21,981,381	22,196,829
Total Net Position	\$ 53,620,366	\$ 53,398,085

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>	2024	2023
Operating revenues		
Charges for services	\$ 1,317,888	1,295,507
Advertising revenue	433,339	573,192
Total operating revenues	1,751,227	1,868,699
Direct Operating Expenses		
Personnel services and fringe benefits	20,710,958	19,885,850
Retirement contributions to other plans	733,383	651,509
Supplies, fuel and other bus related expenses	10,751,369	7,999,655
Contractual services and liability costs	4,913,849	4,220,987
Depreciation and amortization costs	3,839,865	4,110,862
Miscellaneous	6,250	72,740
Total operating expenses	40,955,674	36,941,603
Loss from operations	(39,204,447)	(35,072,904)
Nonoperating revenues (expenses)		
Interest expense	(432,146)	(21,548)
Interest income	112,961	132,398
Other revenue	110,926	239,339
Hotel/motel tax	1,411,674	1,632,826
Ad valorem tax revenue	25,181,133	23,292,241
Government operating grants:		
Federal operating subsidy	9,758,013	13,008,509
Planning and technical study grants	437,444	646,412
Operating Transfers from primary government	550,000	550,000
Total nonoperating revenues (expenses)	37,130,005	39,480,177
Gain (loss) before capital contributions	(2,074,442)	4,407,273
Capital contributions	2,296,723	6,515,149
Income after capital contributions	222,281	10,922,422
Net Position, Beginning of Year	53,398,085	42,475,663
Net Position, End of Year	\$ 53,620,366	\$ 53,398,085

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>	2024	2023
Cash Flows From Operating Activities		
Receipts from customers	\$ 1,379,620	\$ 987,189
Receipts from other sources	433,339	573,192
Payments to suppliers and others	(20,765,126)	(5,968,248)
Payments for employees and payroll taxing agencies	(21,390,999)	(20,775,597)
Net cash used in operating activities	(40,343,166)	(25,183,464)
Cash Flows from Non-capital Financing Activities		
Operating subsidies received from other governments	15,468,618	6,072,762
Ad valorem taxes	22,453,114	21,511,960
Hotel/motel tax	1,674,839	1,721,382
Other revenue	90,026	239,339
Operating transfers from primary government	550,000	550,000
Net cash provided by non-capital financing activities	40,236,597	30,095,443
Cash Flows from Capital and Related Financing Activities		
Capital contributions received	2,296,723	6,515,149
Payments on finance purchase	(291,937)	(573,869)
Payments on lease	(91,634)	(89,513)
Acquisition of capital asset	(2,671,750)	(12,849,678)
Proceeds from the sale of capital assets	20,900	-
Interest paid on capital debt and lease	(432,146)	(21,548)
Net cash flows used in capital and related financing activities	(1,169,844)	(7,019,459)
Cash Flows from Investing Activities		
Interest received	112,961	132,398
Net cash provided by investing activities	112,961	132,398
Net Decrease in Cash and Cash Equivalents	(1,163,452)	(1,975,082)
Cash and Cash Equivalents — Beginning of year	1,639,569	3,614,651
Cash and Cash Equivalents — End of year	\$ 476,117	\$ 1,639,569

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>	2024	2023
Reconciliation of Loss from Operations to		
Net Cash Used in Operating activities		
Loss from operations	\$ (39,204,447)	\$ (35,072,904)
Adjustments to reconcile loss from operations		
to net cash used in operating activities:		
Depreciation and amortization	3,839,865	4,110,862
Bad debt expense	-	26,339
Retirement contributions to other plans	733,383	651,509
Change in accounts receivable	61,732	(308,318)
Change in prepaid expenses	(130,917)	(474,962)
Change in inventory	346,667	6,647
Change in net pension asset (liability)	(2,247,593)	(3,475,541)
Change in deferred outflows	278,579	2,295,066
change in deferred inflows	1,177,589	324,713
Change accounts payable and accrued expenses	(5,087,679)	6,538,477
Change in compensated absences	111,384	(33,985)
Change in provisions for claims liability	(221,729)	228,633
Net Cash Used in Operating Activities	\$ (40,343,166)	\$ (25,183,464)

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>	2024	2023
Assets		
Cash and cash equivalents	\$ 1,545,887	\$ 1,087,615
Contributions receivable	97,981	3,495
Investments:		
Certificate of deposit	-	-
Equities	17,761,382	15,278,980
Fixed income	4,174,706	4,020,603
Annuities	1,526,600	1,457,218
Total Assets	25,106,556	21,847,911
Liabilities		
Contributions payable	-	-
Total liabilities	-	-
Net position	\$ 25,106,556	\$ 21,847,911

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>	2024	2023
Additions		
Contributions:		
Employer contributions	\$ 819,634	\$ 826,766
Employee contributions	719,596	707,447
Total contributions	1,539,230	1,534,213
Investment income:		
Interest and dividend income	408,609	344,220
Class action settlements	1,186	-
Net change in fair value	2,759,484	2,978,565
	3,169,279	3,322,785
Less: investment expense	(231,066)	(189,354)
Net investment income	2,938,213	3,133,431
Total additions	4,477,443	4,667,644
Deductions		
Benefits paid to participants, including refunds of member contributions	957,494	762,442
Administrative expenses	261,304	246,598
Total deductions	1,218,798	1,009,040
Change in net position	3,258,645	3,658,604
Net position, beginning of year	21,847,911	18,189,307
Net position, end of year	\$ 25,106,556	\$ 21,847,911

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, 2024 and 2023 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.

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.

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.

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.

Capital Area Transit System Notes to the Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 and Ad Valorem tax 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, 2024 and 2023.

Capital Area Transit System Notes to the Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 27, 2025 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. 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 were effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. There was no impact to the financial statements as a result of this adoption.

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 implementation of this standard resulted in no cumulative effect of change in accounting principle to the December 31, 2022 net position.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

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.

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.

GASB Statement No. 104, Disclosure of Certain Capital Assets. The objective of this Statement is to establish requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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

Capital Area Transit System Notes to the Financial Statements

Note 2: AD VALOREM TAXES

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 2024 property tax calendar is as follows:

Levy date:	September 15, 2024
Millage rates adopted:	September 15, 2024
Tax bills mailed:	November 22, 2024
Due date:	January 6, 2025
Lien date:	September 1, 2025

Ad valorem tax receivable is recorded net of estimated uncollectible amounts and collection fees. The allowance for uncollectible accounts was \$245,042 and \$217,487 at December 31, 2024 and 2023, respectively. Collection fees were \$1,189,207 and \$1,055,505 for 2024 and 2023, 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, 2024 and 2023, CATS participated in the ITEP and RTAP.

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, 2024 and 2023 were approximately \$167,000 and \$168,000, respectively. There were no significant abatements under the RTAP program for the years ended December 31, 2024 and 2023.

Capital Area Transit System Notes to the Financial Statements

Note 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS

At December 31, 2024 and 2023, the System's cash bank balances consist of deposits in financial institutions as follows:

	Proprietary Enterprise Fund	Fiduciary Pension Trust Fund	Total
December 31, 2024			
Cash on hand and in banks	\$ 1,461,161	\$ -	\$ 1,461,161
Money market accounts	-	1,545,887	\$ 1,545,887
Total cash and cash equivalents	<u>\$ 1,461,161</u>	<u>\$ 1,545,887</u>	<u>\$ 3,007,048</u>
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>

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, 2024 and 2023.

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.

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, 2024 and 2023.

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.

Capital Area Transit System Notes to the Financial Statements

Note 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Investments

As of December 31, 2024 and 2023, assets classified as investments existed only in the Pension Trust Fund (the Trust). As of December 31, 2024 and 2023, 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, 2024					
U.S. treasury and agency bonds	\$ 2,531,990	\$ 73,077	\$ 2,002,447	\$ 456,466	\$ -
Corporate bonds	1,642,716	-	1,122,763	519,953	-
Total	<u>\$ 4,174,706</u>	<u>\$ 73,077</u>	<u>\$ 3,125,210</u>	<u>\$ 976,419</u>	<u>\$ -</u>
		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>

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, 2024 and 2023 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.

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, 2024 and 2023, all of the Pension Trust Fund's investments were held by an agent in the name of the Pension Trust Fund.

Capital Area Transit System Notes to the Financial Statements

Note 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

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, 2024:

		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, 2024			
Investments by fair value level				
Debt securities				
U.S. Treasury and agency bonds	\$ 2,531,990	\$ 2,531,990	\$ -	\$ -
Corporate bonds	1,642,716	1,642,716	-	-
Equity securities				
Corporate stocks	17,281,544	17,281,544	-	-
Corporate equity mutual fund	479,838	479,838	-	-
Alternative investments	1,526,600	-	-	1,526,600
Total investments by fair value level	<u>\$ 23,462,688</u>	<u>\$ 21,936,088</u>	<u>\$ -</u>	<u>\$ 1,526,600</u>

Capital Area Transit System
Notes to the Financial Statements

Note 3: 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, 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>

Note 4: DUE FROM OTHER GOVERNMENTS AND ACCOUNTS RECEIVABLE

Amounts due from other governments were \$6,028,822 and \$11,565,148 at December 31, 2024 and 2023, respectively. These amounts represent balances due from the Federal Transit Administration and due from the City for Hotel/Motel Taxes.

Accounts receivable primarily represent balances due from advertising. The balances were \$413,880 and \$475,612 at December 31, 2024 and 2023, respectively.

Capital Area Transit System Notes to the Financial Statements

Note 5: CAPITAL ASSETS

A summary of changes in capital assets follows:

	December 31, 2024			
	Beginning of Year	Additions	Deletions/ Transfers	End of Year
Land	\$ 235,000	\$ -	\$ -	\$ 235,000
Construction in progress	-	910,107	-	910,107
Equipment (primarily transportation vehicles)	58,556,137	1,800,354	(2,891,457)	57,465,034
Right-of-use asset-building	337,388	-	-	337,388
Accumulated depreciation/amortization	(30,374,678)	(3,839,865)	2,852,746	(31,361,797)
Total	<u>\$ 28,753,847</u>	<u>\$ (1,129,404)</u>	<u>\$ (38,711)</u>	<u>\$ 27,585,732</u>

	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>

Depreciation expense for the years ended December 31, 2024 and 2023 totaled \$3,839,865 and \$4,107,993, respectively. Amortization expense for the right-of-use asset was \$89,870 for the years ended December 31, 2024 and 2023. 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 6: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The accounts payable and accrued expenses at December 31, 2024 and 2023, were as follows:

	2024	2023
Vendors	\$ 4,385,374	\$ 8,877,888
Accrued salaries and benefits	529,912	1,125,077
Total	<u>\$ 4,915,286</u>	<u>\$ 10,002,965</u>

Note 7: COMPENSATED ABSENCES

The following is a summary of compensated absences of the System at December 31, 2023 and 2024:

	Balance January 1	Additions (net)	Reductions (net)	Balance December 31	Due within one year
2023	\$ 740,213	\$ -	\$ (33,985)	\$ 706,228	\$ 706,228
2024	706,228	111,384	-	817,612	817,612

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, 2024 and 2023, pension plan membership consisted of the following:

	<u>2024</u>	<u>2023</u>
Inactive plan members or beneficiaries		
currently receiving benefits	75	76
Inactive plan members entitled to but		
not yet receiving benefits	154	157
Active plan members	<u>162</u>	<u>157</u>
Total	<u><u>391</u></u>	<u><u>390</u></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, 2024 and 2023, were 8% for the System and 7% for covered employees. The employer contributions for the years ended December 31, 2024 and 2023 were \$814,064 and \$826,766 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, 2024 and 2023.

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, 2024 and 2023:

Asset Class	2024 Target Allocation	2023 Target Allocation
Cash and Cash Equivalents	5%	5%
Debt Securities	20%	28%
Equity Securities	65%	65%
Annuities	0%	2%
Alternative Investments	10%	0%
Total	<u>100%</u>	<u>100%</u>

Rate of Return - For the year ended December 31, 2024 and 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.52% and 15.65% 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, 2024 and 2023, are as follows:

	2024	2023
Total pension liability	\$ 20,983,144	\$ 19,238,709
Plan fiduciary net position	25,106,556	21,847,911
Net pension liability (asset)	<u>\$ (4,123,412)</u>	<u>\$ (2,609,202)</u>
Plan fiduciary net position as a total percentage of the total pension liability	119.65%	113.56%

For the years ended December 31, 2024 and 2023, the Pension expense for the System is \$756,022 and \$601,566 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, 2024 and 2023:

	2024	2023
Total pension liability:		
Service cost	\$ 1,044,006	\$ 999,596
Interest	1,010,446	970,917
Changes in benefit terms	634,994	-
Differences between expected and actual experience	6,913	(394,447)
Changes in assumptions	-	-
Benefit payments	(957,494)	(616,716)
Refunds of member contributions	-	(145,726)
Other	5,570	20,948
Net change in total pension liability	1,744,435	834,572
Total pension liability - beginning	19,238,709	18,404,137
Total pension liability - ending	<u>\$ 20,983,144</u>	<u>\$ 19,238,709</u>
Plan fiduciary net position:		
Contributions - member	\$ 719,596	\$ 707,447
Contributions - employer	814,064	805,818
Net investment income (loss)	2,938,213	3,133,431
Benefit payments	(957,494)	(616,716)
Refunds of member contributions	-	(145,726)
Administrative expenses	(261,304)	(246,598)
Other	5,570	20,948
Net change in fiduciary net position	3,258,645	3,658,604
Plan fiduciary net position - beginning	21,847,911	18,189,307
Plan fiduciary net position - ending	<u>\$ 25,106,556</u>	<u>\$ 21,847,911</u>
Net pension (asset) liability	<u>\$ (4,123,412)</u>	<u>\$ (2,609,202)</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, 2024 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, 2024		December 31, 2023	
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, 2024 and 2023, 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 5.82% to 7.03%, with a net portfolio adjusted nominal expected rate of return of 5.61%. For each of the 2024 and 2023 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, 2024 and 2023 are summarized in the following table:

December 31, 2024	
Asset Class	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	1.02%
Debt Securities	2.09%
Equity Securities	
U.S. Large Cap Equities	5.90%
U.S. Small/Mid Cap Equities	7.46%
International Developed Equities	6.36%
Alternative Investments	5.90%
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%

Discount Rate - The discount rate used to measure the total pension liability was 5.10% at December 31, 2024 and 2023. 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, 2024 and 2023, 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, 2024			
	1% Decrease	Current	1% Increase
	4.10%	Discount	6.10%
	Rate 5.10%		
Net pension (asset) liability	<u>\$ (1,181,863)</u>	<u>\$ (4,123,412)</u>	<u>\$ (6,558,035)</u>
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>

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)
2024	3
2023	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, 2024 and 2023:

	2024	2023
Deferred outflows of resources		
Difference between expected and actual experience	\$ 4,609	\$ 283,188
Changes in assumptions	-	-
Difference between projected and actual earnings	-	-
Total	<u>\$ 4,609</u>	<u>\$ 283,188</u>
Deferred inflows of resources		
Difference between expected and actual experience	\$ (131,483)	\$ (262,965)
Changes in assumptions	-	-
Difference between projected and actual earnings	<u>(1,370,819)</u>	<u>(61,748)</u>
Total	<u>\$ (1,502,302)</u>	<u>\$ (324,713)</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
2025	\$ (392,313)
2026	59,491
2027	(801,691)
2028	<u>(363,180)</u>
Total	<u>\$ (1,497,693)</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, 2024 and 2023, the contributions to the plan were \$522,360 and \$322,144, respectively.

Note 10: COMMITMENTS AND CONTINGENCIES

Grant Commitments

For the years ended December 31, 2024 and 2023, 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, 2024.

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 \$116,000 for the years ended December 31, 2024 and 2023, 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, 2024, the System had entered into various contracts/purchase orders primarily related to 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, 2024 and 2023, accrued claims liabilities were included in the Proprietary Fund's statements of net position, as follows:

	2024	2023
Current portion	\$ 732,285	\$ 1,168,476
Long-term portion	2,502,781	2,288,319
Total	<u>\$ 3,235,066</u>	<u>\$ 3,456,795</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, 2024 and 2023. In addition, the claims will not be paid until appropriated by the System.

Changes in claims liability during the years ended December 31, 2024 and 2023, were as follows:

	2024	2023
Beginning of year liability	\$ 3,456,795	\$ 3,228,162
Current year claims and changes in estimates	375,516	1,190,608
Claim payments	(597,245)	(961,975)
End of year liability	<u>\$ 3,235,066</u>	<u>\$ 3,456,795</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, 2024, book value of buses, net of depreciation, was \$1,394,218.

Changes in the finance purchase liability during the years ended December 31, 2024 and 2023, were as follows:

	2024	2023
Beginning of year liability	\$ 291,937	\$ 865,805
Proceeds	-	-
Principal payments	(291,937)	(573,868)
End of year liability	<u>\$ -</u>	<u>\$ 291,937</u>

Capital Area Transit System Notes to the Financial Statements

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, 2024, the lease liability is \$70,159. 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 \$269,910.

The future principal and interest lease payments as of December 31, 2024, were as follows:

Years Ending December 31,	Principal	Interest	Total
2025	70,159	554	70,713
Total	<u>\$ 70,159</u>	<u>\$ 554</u>	<u>\$ 70,713</u>

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.

Note 16: INTEREST AND PENALTIES ON PAYROLL TAX DEPOSITS

During the fiscal year ended December 31, 2024, the System incurred interest and penalty charges related to the late remittance of federal payroll tax withholdings reported on IRS Form 941. These charges were assessed by the Internal Revenue Service pursuant to applicable federal regulations.

The total amount paid during the year was \$417,920 consisting of interest and penalties. These amounts were recorded as interest expense.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>TOTAL PENSION LIABILITY</u>										
Service cost	\$ 1,044,006	\$ 999,596	\$ 895,964	\$ 830,888	\$ 763,995	\$ 709,832	\$ 705,207	\$ 694,880	\$ 609,044	\$ 577,109
Interest	1,010,446	970,917	882,121	845,889	788,722	733,100	712,051	685,993	661,807	684,863
Changes in benefit terms	634,994	-	-	424,629	-	101,812	-	-	-	-
Differences between expected and actual experience	6,913	(394,447)	849,566	116,793	(459,611)	268,488	(215,003)	(177,108)	(141,782)	(332,043)
Changes of assumptions	-	-	-	1,308,427	641,972	476,858	-	-	-	414,840
Benefit payments	(957,494)	(616,716)	(791,376)	(443,239)	(569,144)	(576,499)	(615,135)	(534,895)	(545,869)	(507,571)
Refunds of member contributions	-	(145,726)	(449,692)	(347,071)	(209,670)	(254,732)	(237,181)	(174,467)	(375,062)	(348,156)
Other	5,570	20,948	8,333	6,003	(51,749)	(28,665)	-	-	9,620	1,348
Net change in total pension liability	\$ 1,744,435	\$ 834,572	\$ 1,394,916	\$ 2,742,319	\$ 904,515	\$ 1,430,194	\$ 349,939	\$ 494,403	\$ 217,758	\$ 490,390
<u>TOTAL PENSION LIABILITY - BEGINNING</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>TOTAL PENSION LIABILITY - ENDING (a)</u>	\$ 20,983,144	\$ 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
<u>PLAN FIDUCIARY NET POSITION</u>										
Contributions - member	\$ 719,596	\$ 707,447	\$ 676,786	\$ 600,797	\$ 639,979	\$ 636,414	\$ 604,736	\$ 607,307	\$ 589,279	\$ 553,162
Contributions - employer	814,064	805,818	746,140	695,418	726,785	719,883	720,360	684,668	669,552	657,058
Net investment income (loss)	2,938,213	3,133,431	(3,202,010)	2,671,290	2,143,824	3,014,272	(803,684)	1,933,099	562,303	(238,834)
Benefit payments	(957,494)	(616,716)	(791,376)	(443,239)	(569,144)	(576,499)	(615,135)	(534,895)	(545,869)	(507,571)
Refunds of member contributions	-	(145,726)	(449,692)	(347,071)	(209,670)	(254,732)	(237,181)	(174,467)	(375,062)	(348,156)
Administrative expenses	(261,304)	(246,598)	(244,744)	(174,106)	(141,898)	(150,386)	(148,401)	(124,891)	(114,605)	(102,373)
Other	5,570	20,948	8,333	6,003	(51,749)	(28,665)	-	-	9,620	1,348
Net change in plan fiduciary net position	\$ 3,258,645	\$ 3,658,604	\$ (3,256,563)	\$ 3,009,092	\$ 2,538,127	\$ 3,360,287	\$ (479,305)	\$ 2,390,821	\$ 795,218	\$ 14,634
<u>PLAN FIDUCIARY NET POSITION - BEGINNING</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>PLAN FIDUCIARY NET POSITION - ENDING (b)</u>	\$ 25,106,556	\$ 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
<u>NET PENSION (ASSET) LIABILITY - ENDING (a - b)</u>	\$ (4,123,412)	\$ (2,609,202)	\$ 214,830	\$ (4,436,649)	\$ (4,169,876)	\$ (2,536,264)	\$ (606,171)	\$ (1,435,415)	\$ 461,003	\$ 1,038,463
<u>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY (ASSET)</u>	119.65%	113.56%	98.83%	126.08%	129.23%	118.98%	105.08%	112.39%	95.84%	90.45%
<u>COVERED PAYROLL</u>	\$ 10,175,800	\$ 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
<u>NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</u>	-40.52%	-25.90%	2.30%	-51.04%	-45.90%	-28.19%	-6.73%	-16.77%	5.51%	12.64%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarily determined contribution	257,448	\$ 576,160	\$ (75,547)	\$ (155,600)	\$ (13,627)	\$ 191,669	\$ 18,909	\$ 240,490	\$ 373,275	\$ 330,993
Contributions in relation to the actuarial determined contribution	814,064	805,818	746,140	695,418	726,785	719,883	720,360	684,668	669,552	657,058
Contribution deficiency (excess)	<u>\$ (556,616)</u>	<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>
Covered payroll	\$ 10,175,800	\$ 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
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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return (loss), net of investment expense	12.52%	15.65%	-16.16%	13.40%	12.49%	21.20%	-5.98%	16.35%	5.49%	-2.41%

SUPPLEMENTARY INFORMATION

Capital Area Transit Authority
Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended December 31, 2024

Chief Executive Officer	Theo Richards	2024
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Purpose	Amount
Salary	\$ 197,685
Employer contributions - FICA/Medicare	13,408
Benefits - deferred compensation	1,800
Benefits - insurance	13,985
Reimbursements	3,608
	\$ 230,486



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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, 2024, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated June 27, 2025.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph 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. We identified certain deficiencies in internal control, described in the accompany schedule of findings and questioned costs as item **2024-001** that we consider to be a material weakness.

Report on Compliance and Other Matters

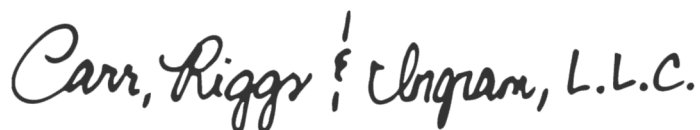
As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The System's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the System's response to the finding 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." The signature is written in a cursive, flowing style.

Metairie, Louisiana
June 27, 2025

**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 the Major Federal Program

Opinion on the 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, 2024. The System's major federal program is 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, 2024.

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 the 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.

Report on Internal Control over Compliance

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.

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.

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
June 27, 2025

Capital Area Transit System
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

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 Highway Administration				
Highway Planning and Construction	20.205		\$ -	\$ 151,190
Federal Transit Administration				
Federal Transit Cluster:				
Federal Transit Formula Grants	20.507		-	10,766,609
Bus and Bus Facilities Formula Program	20.526		-	1,306,747
Total Federal Transit Cluster			-	12,073,356
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505			247,716
COVID-19 – Public Transportation Innovation	20.530		-	19,918
Total U.S. Department of Transportation			-	12,492,180
Total Expenditures of Federal Awards			\$ -	\$ 12,492,180

Capital Area Transit System
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

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, 2024. 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, 2024. 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 15 percent (15%) 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, 2024.

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	\$ 9,758,013
Planning and technical study grants	437,444
Capital contributions	<u>2,296,723</u>
Total expenditures of federal awards	<u><u>\$ 12,492,180</u></u>

Capital Area Transit System
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

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? | None noted |
| Noncompliance material to the financial statements noted? | No |

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? | None Noted |
| 3. Any audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a)? | No |
| 4. The major programs tested for the year ended December 31, 2024 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, 2024

B. Financial Statements Findings

2024-001 Material Weakness: 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 revenues did not include all amounts due from the awarding agency for expenditures incurred during the fiscal year. The System did not timely request drawdowns for reimbursement of incurred federal grant expenditures and did not accrue the related federal grant revenues in the amount of \$4,285,848.

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.

**Capital Area Transit System
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024**

B. Financial Statements Findings (Continued)

**2024-001 Preparation of Schedule of Expenditures of Federal Awards and
Reconciliation of Grant Revenue (Continued)**

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 procedures to include reconciliations of the SEFA to federal grant revenues and expenditures incurred and work to improve timing of reimbursement requests to granting agencies.

Capital Area Transit System
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2024

A. Financial Statements Findings

2023-001 Material Weakness: Internal Control Over Financial Reporting

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.

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

Current status: **Partially Resolved. See finding 2024-001.**

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

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.

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.

Current status: **Not resolved. See finding 2024-001**

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

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.

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.

Current status: **Resolved.**

Capital Area Transit System
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2024

B. 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

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.

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 an 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.

***Current status:* Resolved.**