CAPITAL AREA TRANSIT SYSTEM

Annual Financial Statements

December 31, 2014 and 2013

LAPORTE

CPAs & BUSINESS ADVISORS

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Independent Auditor's Report

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Capital Area Transit System (the System), a component unit of the City of Baton Rouge - Parish of East Baton Rouge, and the Capital Area Transit System Employees' Pension Trust Fund (a fiduciary fund of the System), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, the major fund of the System and the Capital Area Transit System Employees' Pension Trust Fund as of December 31, 2014 and 2013, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the System implemented Governmental Accounting Standards Board (GASB) Statements No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No.25* and No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, beginning on page 5 and the required supplementary information under GASB Statement No. 67 beginning on page 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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 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.

Other Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Capital Area Transit System and the Capital Area Transit System Employees' Pension Trust Fund basic financial statements. The schedule of expenditures of federal awards as required by Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of compensation, benefits and other payments to agency head, as required by Louisiana Revised Statute (LRS) 24:513 A, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the schedule of compensation, benefits and other payments to agency head are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 expenditures of federal awards and the schedule of compensation, benefits and other payments to agency head are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2015, on our consideration of Capital Area Transit System's and the Capital Area Transit System Employees' Pension Trust Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Covington, LA
May 27, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

The Management's Discussion and Analysis of Capital Area Transit System's (the System) financial performance presents a narrative overview and analysis of the System's financial activities for the year ended December 31, 2014. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

Financial Highlights

The System's net position was $28,015,329 as of December 31, 2014, representing an increase of $6,034,069, or 27%, from that of December 31, 2013. A substantial portion of the net position is invested in capital assets.

Net income before capital contributions was $573,425 and $3,475,259, for 2014 and 2013, respectively.

Overview of the Financial Statements

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, 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 GASB 67. The System maintains two different funds: a proprietary fund and a fiduciary fund.

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 Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by Statement No. 61.

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 basic proprietary fund statements can be found on pages 11 through 15 of this report.

The System's proprietary fund financial statements are prepared on an accrual basis 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. All assets and liabilities associated with the operation of the System are included in the Statement of Net Position.

The Statement of Net Position reports the System's net position. Net position, which is the difference between the System's assets and liabilities, 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.

Fiduciary Fund. The System has one type of fiduciary fund, a pension trust fund, which is used to account for resources held for the benefit of parties outside the government. 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. The basic fiduciary fund statements can be found on pages 16 and 17 of this report.

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 and total liabilities 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 as a result of current year operations. The Statements of Cash Flows are prepared using the direct method and include the reconciliation of operating income (loss) to net cash provided by (used in) operating activities (indirect method) as required by GASB 34.

Financial Analysis of the System

Net Position

The System's total net position increased from $21,981,260 at December 31, 2013 to $28,015,329 at December 31, 2014.

The increase in net position is primarily due to the 10.6 mill ad valorem tax passed on April 21, 2012 and capital contributions of $5,460,644 from the Federal Transportation Administration. Restricted assets represent cash reserved to meet current fiduciary liabilities, primarily related to self insured vehicle and workers' compensation claims. The System does not own land and buildings; rather, the City-Parish provides the System with the use of its administrative building and terminal facility.

Long-term liabilities decreased from $4,066,198 to $3,238,211, mainly as a result of current year payments for the capital lease obligations entered into during 2004 for the upgrade to the bus fleet. Future federal grants are anticipated as the funding source for these leases.

The table below summarizes the System's net position as of December 31, 2014 and 2013:

	2014	2013
Unrestricted Assets	$ 21,240,578	$ 19,987,360
Restricted Assets	229,419	122,905
Total Current Assets	21,469,997	20,110,265
Equipment, Net	12,676,471	8,624,555
Total Assets	34,146,468	28,734,820
Deferred Outflows of Resources		
Pension	239,993	-
Total Assets and Deferred Outflows of Resources	$ 34,386,461	$ 28,734,820
Current Liabilities	$ 3,132,921	$ 2,687,362
Long-Term Claims Payable and Related Liabilities	1,297,392	1,195,347
Long-Term Other Liabilities	1,940,819	2,870,851
Total Liabilities	6,371,132	6,753,560
Net Position		
Net Investment in Capital Assets	11,106,830	6,325,526
Restricted	229,419	122,905
Unrestricted	16,679,080	15,532,829
Total Net Position	28,015,329	21,981,260
Total Liabilities and Net Position	$ 34,386,461	$ 28,734,820

Changes in Net Position

The System's operating revenues decreased from the prior year amount of $2,186,502 to $2,103,473, or 3.8%. This consistency is primarily attributable to the sustainability of transportation contracts and overall customer ridership.

Direct operating expenses increased by $6,036,651, or 32%, from $19,136,244 to $25,172,895. This increase is attributable to the implementation of the System's expansion of routes and services.

Net non-operating revenues in 2014 increased by $3,217,486, or 15.75%, from $20,425,001 to $23,642,847. This increase was primarily attributable to increases in operating grants and property tax revenues.

The table below summarizes the changes in net position as of December 31, 2014 and 2013:

	2014	2013
Operating Revenue		
Charges for Services	$ 2,077,213	$ 2,105,640
Advertising Revenue	26,260	80,862
Total Operating Revenue	2,103,473	2,186,502
Direct Operating Expenses		
Operating Expenses	22,596,927	16,912,224
Depreciation	2,575,968	2,224,020
Total Direct Operating Expenses	25,172,895	19,136,244
Loss from Operations	(23,069,422)	(16,949,742)
Non-Operating Revenues (Expenses)		
Interest Income	8,026	4,234
Interest Expense	(97,523)	(138,592)
Loss on Undeposited Bus Fares	-	(52,193)
Bad Debt Expense	-	(99,657)
(Loss) Gain on Disposal of Fixed Assets	(4,592)	12,103
Government Operating Grants	5,152,384	4,138,821
Hotel/Motel Tax	1,409,502	1,336,169
Ad Valorem Tax Revenue	16,417,996	14,612,939
Other Revenue	207,054	61,177
Operating Transfers from Primary Government	550,000	550,000
Total Non-Operating Revenues	23,642,847	20,425,001
Income before Capital Contributions	573,425	3,475,259
Capital Contributions	5,460,644	2,830,311
Net Income after Capital Contributions	6,034,069	6,305,570
Net Position, Beginning of Year	21,981,260	17,886,940
Change in Accounting Principle	-	(2,211,250)
Net Position, Beginning of Year as Restated	21,981,260	15,675,690
Net Position, End of Year	$ 28,015,329	$ 21,981,260

Capital Assets

During the year ended December 31, 2014, capital assets, net of depreciation, increased by $4,051,916, which was mainly due to capital additions of $6,642,078, which exceeded depreciation of $2,575,968. Major acquisitions during the year were one bus and ten vans, which were funded by the Federal Transportation Administration.

Financial Outlook

On April 21, 2013, the voters of the municipalities of Baton Rouge and Baker approved a 10.6 mill ad valorem tax. This tax is to be levied for a period of ten years that began in 2013. Estimated net taxes to be collected for 2015 are $17 million ($16.6 million from the City of Baton Rouge and $0.4 million from the City of Baker). This dedicated revenue source provides budgetary stability to the System and serves as a primary source of revenues for operating funds.

During 2015, the System is using the tax proceeds as stated above, as well as using the funds as local match for federal funding projects, including the purchase of buses.

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 - Proprietary Fund
December 31, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash and Cash Equivalents	**$ 3,141,643**	$ 3,308,825
Accounts Receivable	**154,600**	67,508
Property Tax Receivable	**15,627,443**	14,988,751
Due from Other Governments	**1,522,682**	743,924
Prepaid Expenses	**162,190**	250,657
Inventory	**632,020**	627,695
Total Current Assets	**21,240,578**	19,987,360
Restricted Assets		
Cash and Cash Equivalents	**229,419**	122,905
Total Restricted Assets	**229,419**	122,905
Capital Assets		
Equipment, Net	**12,676,471**	8,624,555
Total Capital Assets	**12,676,471**	8,624,555
Total Assets	**34,146,468**	28,734,820
Deferred Outflows of Resources		
Pension	**239,993**	-
Total Assets and Deferred Outflows of Resources	**$ 34,386,461**	$ 28,734,820

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

CAPITAL AREA TRANSIT SYSTEM
Statements of Net Position - Proprietary Fund (Continued)
December 31, 2014 and 2013

	2014	2013
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Expenses	**$ 1,583,154**	$ 1,114,623
Accrued Compensated Absences	**249,473**	253,810
Claims Payable and Related Liabilities	**434,555**	489,541
Capital Lease Payable	**765,739**	729,388
Note Payable, Current	**100,000**	100,000
Total Current Liabilities	**3,132,921**	2,687,362
Long-Term Liabilities		
Accrued Compensated Absences, Less Current Portion	**374,210**	380,715
Notes Payable, Less Current Portion	**200,000**	300,000
Claims Payable and Related Liabilities, Less Current Portion	**1,297,392**	1,195,347
Capital Lease Payable, Less Current Portion	**803,902**	1,569,641
Net Pension Liability	**562,707**	620,495
Total Long-Term Liabilities	**3,238,211**	4,066,198
Total Liabilities	**6,371,132**	6,753,560
Net Position		
Net Investment in Capital Assets	**11,106,830**	6,325,526
Restricted	**229,419**	122,905
Unrestricted	**16,679,080**	15,532,829
Total Net Position	**28,015,329**	21,981,260
Total Liabilities and Net Position	**$ 34,386,461**	$ 28,734,820

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

CAPITAL AREA TRANSIT SYSTEM
Statements of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Years Ended December 31, 2014 and 2013

	2014	2013
Operating Revenue		
Charges for Services	$ 2,077,213	$ 2,105,640
Advertising Revenue	26,260	80,862
Total Operating Revenue	2,103,473	2,186,502
Direct Operating Expenses		
Personal Services and Fringe Benefits	12,954,096	9,091,226
Supplies, Fuel and Other Bus Related Expenses	3,631,562	2,679,951
Contractual Services and Liability Costs	6,011,269	5,141,047
Depreciation and Amortization	2,575,968	2,224,020
Total Direct Operating Expenses	25,172,895	19,136,244
Loss from Operations	(23,069,422)	(16,949,742)
Non-Operating Revenues (Expenses)		
Interest Income	8,026	4,234
Interest Expense	(97,523)	(138,592)
Bad Debt Expense	-	(99,657)
Loss on Undeposited Bus Fares	-	(52,193)
(Loss) Gain on Disposal of Capital Assets	(4,592)	12,103
Hotel/Motel Tax	1,409,502	1,336,169
Ad Valorem Tax Revenue	16,417,996	14,612,939
Other Revenue	207,054	61,177
Government Operating Grants		
Federal Operating Subsidy	5,037,957	4,013,621
Planning and Technical Study Grants	114,427	125,200
Operating Transfers from Primary Government	550,000	550,000
Total Non-Operating Revenues	23,642,847	20,425,001
Income before Capital Contributions	573,425	3,475,259
Capital Contributions	5,460,644	2,830,311
Net Income after Capital Contributions	6,034,069	6,305,570
Net Position, Beginning of Year	21,981,260	17,886,940
Change in Accounting Principle	-	(2,211,250)
Net Position, Beginning of Year as Restated	21,981,260	15,675,690
Net Position, End of Year	$ 28,015,329	$ 21,981,260

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

CAPITAL AREA TRANSIT SYSTEM
Statements of Cash Flows - Proprietary Fund
For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Receipts from Customers	$ 1,990,121	$ 2,273,712
Receipts from Other Sources	26,260	80,862
Payments to Suppliers and Others	(8,876,097)	(9,234,325)
Payments to Employees and Payroll Taxing Agencies	(13,429,721)	(8,802,545)
Net Cash Used in Operating Activities	(20,289,437)	(15,682,296)
Cash Flows from Non-Capital Financing Activities		
Operating Subsidies Received from Other Governments	4,473,655	5,587,851
Ad Valorem Taxes	15,779,304	14,425,573
Payments on Short-Term Borrowing	(100,000)	(3,100,000)
Hotel/Motel Tax	1,309,163	1,336,764
Loss on Undeposited Bus Fares	-	(52,193)
Other Revenue	207,054	61,177
Operating Transfers from Primary Government	550,000	550,000
Net Cash Provided by Non-Capital Financing Activities	22,219,176	18,809,172
Cash Flows from Capital and Related Financing Activities		
Capital Contributions Received	5,460,644	2,821,482
Proceeds from Sale of Capital Assets	9,600	12,103
Payments on Capital Leases	(729,388)	(694,763)
Acquisition of Capital Assets	(6,634,285)	(2,213,438)
Interest Paid on Capital Debt	(105,004)	(161,690)
Net Cash Used in Capital and Related Financing Activities	(1,998,433)	(236,306)
Cash Flows from Investing Activities		
Interest Received	8,026	4,234
Net Cash Provided by Investing Activities	8,026	4,234
Net (Decrease) Increase in Cash and Cash Equivalents	(60,668)	2,894,804
Cash and Cash Equivalents, Beginning of Year	3,431,730	536,926
Cash and Cash Equivalents, End of Year	$ 3,371,062	$ 3,431,730

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

CAPITAL AREA TRANSIT SYSTEM
Statements of Cash Flows - Proprietary Fund (Continued)
For the Years Ended December 31, 2014 and 2013

	2014	2013
Reconciliation of Cash as Listed on the Balance Sheet		
Unrestricted Cash	**$ 3,141,643**	$ 3,308,825
Restricted Cash	**229,419**	122,905
Total Cash and Cash Equivalents	**$ 3,371,062**	$ 3,431,730
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Net Operating Loss	**$ (23,069,422)**	$ (16,949,742)
Adjustments to Reconcile Net Operating Loss to Net Cash Used in Operating Activities		
Depreciation	**2,575,968**	2,224,020
(Increase) Decrease in Accounts Receivable	**(87,092)**	168,072
Decrease (Increase) in Prepaid Expenses	**88,467**	(191,064)
Decrease in Net Pension Asset	**-**	18,428
Increase in Inventory	**(4,325)**	(118,781)
Increase in Deferred Outflows of Resources	**(239,993)**	-
Increase (Decrease) in Accounts Payable and Accrued Expenses	**457,689**	(1,071,637)
Decrease in Net Pension Liability	**(57,788)**	-
Increase in the Provision for Claims Liability	**47,059**	238,408
Net Cash Used in Operating Activities	**$ (20,289,437)**	$ (15,682,296)

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

CAPITAL AREA TRANSIT SYSTEM
Statements of Fiduciary Net Position - Pension Trust Fund
December 31, 2014 and 2013

	2014	2013
Assets		
Cash and Cash Equivalents	$ 566,586	$ 543,600
Contribution Receivable	32,840	-
Investments		
Equities	4,729,409	4,395,726
Fixed Income	1,009,196	987,699
Real Estate	707,859	550,747
Tactical Allocation Account	1,895,390	1,728,381
Annuities	875,716	879,085
Total Investments	9,217,570	8,541,638
Total Assets	$ 9,816,996	$ 9,085,238
Net Position Restricted for Pensions	$ 9,816,996	$ 9,085,238

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

CAPITAL AREA TRANSIT SYSTEM
Statements of Changes in Fiduciary Net Position - Pension Trust Fund
For the Years Ended December 31, 2014 and 2013

	2014	2013
Additions		
Contributions		
Employer Contributions	$ 515,424	$ 377,786
Employee Contributions	448,920	330,522
Total Contributions	964,344	708,308
Investment Income		
Investment and Dividend Income	252,695	229,900
Net Change in Fair Value	378,053	718,441
	630,748	948,341
Less: Investment Expense	(94,480)	(96,303)
Net Investment Income	536,268	852,038
Total Additions	1,500,612	1,560,346
Deductions		
Benefits	542,297	530,603
Employee Refunds	122,221	168,999
Administrative Expenses	104,336	100,246
Total Deductions	768,854	799,848
Net Increase in Net Position	731,758	760,498
Net Position Restricted for Pensions at Beginning of Year	9,085,238	8,324,740
Net Position Restricted for Pensions at End of Year	$ 9,816,996	$ 9,085,238

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

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of Capital Area Transit System (the System) conform to accounting principles generally accepted in the United States of America applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes (LRS) and to the guidance set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*. The following is a summary of significant accounting policies.

Report Issued Under Separate Coverage

The Capital Area Transit System's financial statements are an integral part of the City of Baton Rouge - Parish of East Baton Rouge's (City-Parish) Comprehensive Annual Financial Report (CAFR). The System has an operating agreement with the City-Parish that addresses the use of City-Parish facilities as well as other operating matters.

Financial Reporting Entity

Capital Area Transit System is a corporation 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. The Metropolitan Council exercises oversight over the System by approving fare changes and by approving operating subsidies from the City-Parish's general fund. Operating subsidies are also provided through federal grants. The fiscal year for the System and the City-Parish government is the calendar year. Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, established criteria for determining which component units should be considered part of the City of Baton Rouge - Parish of East Baton Rouge for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell, and lease property in its own name.

2. Whether the City-Parish governing the System (Metropolitan Council or Mayor President) appoints a majority of board members of the potential component unit.

3. Fiscal interdependency between the City-Parish and the potential component unit.

4. Imposition of will by the City-Parish on the potential component unit.

5. Financial benefit/burden relationship between the City-Parish and the potential component unit.

Note 1. Summary of Significant Accounting Policies (Continued)

Financial Reporting Entity (Continued)

Based on the previous criteria, the System is considered a component unit of the City of Baton Rouge - Parish of East Baton Rouge. In addition, 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 does not issue a separate audit report.

Measurement Focus, Basis of Accounting, and Presentation

The accounting policies of the System conform to accounting principles generally accepted in the United States of America as applicable to governments. The proprietary fund and the pension trust fund financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. The System uses fund accounting to report its financial position and results of operations. The operations of each fund are accounted for with a set of self balancing accounts that comprise its assets, liabilities, net position, revenue, and expenses. 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.

Accordingly, the System maintains its records on the accrual basis of accounting. Revenue from operations, investments, and other sources are recorded when earned. Revenue received in advance is reflected as deferred revenue. Expenses (including depreciation and amortization) of providing services to the public are accrued when incurred.

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Presentation (Continued)

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.

Impact of Recently Issued and Adopted Accounting Pronouncements

In June, 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* (GASB 67). GASB 67 provides for financial reporting for pension plans that are administered through trust or equivalent arrangements. The System implemented the Statement in the year ended December 31, 2014.

In June, 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The System implemented the Statement as of December 31, 2013, which resulted in a cumulative change in accounting principle which resulted in a decrease of net position of $2,211,250.

Restricted Assets and Liabilities

Certain assets, consisting of cash and cash equivalents, are segregated and classified as restricted assets which may not be used except in accordance with contractual terms, under certain conditions. These assets consist of a bank account restricted for insurance and held by the State of Louisiana and cash related to federal grants and related matching requirements.

Investments

Investments are stated at fair value based on quoted prices. The change in fair value is recognized in operations.

Inventories

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

Note 1. Summary of Significant Accounting Policies (Continued)

Equipment

Equipment is recorded at cost. Depreciation or amortization 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 for certain office equipment to 12 years for rolling stock.

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 expense of funds is the prime factor for determining the eligibility for the grant proceeds, the revenue is recognized at the time when the expense is incurred.

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

Compensated Absences

Employees earn vacation and sick leave in varying amounts according to continuing years of service as follows:

Years of Service	Vacation	Sick
0	None	1 Day per Month
1	7 Days per Year	1 Day per Month
2	13 Days per Year	1 Day per Month
6	17 Days per Year	1 Day per Month
15	24 Days per Year	1 Day per Month

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences (Continued)

Vacation must be taken by December 31st, or it is lost for the union employees. For the non-union employees, unused vacation can be carried forward to the next year. Sick leave is accumulated without time limitations and there is no limitation as to the amount paid upon termination or retirement. Vacation and sick leave are accrued as earned.

Claims and Judgments

The System provides for losses, including any anticipated related expenses, resulting from claims and judgments. A liability for such losses (including related out-of-pocket expenses) is reported when it is probable that a loss has occurred and the amount can be reasonably estimated.

Cash Flows

For the purposes of the statements of cash flows, cash and cash equivalents include all highly liquid investments.

Estimates

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

Equity Classifications

In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB No. 63, net position is classified into three components: net investment in capital assets, restricted, and unrestricted.

These classifications are defined as follows:

- *Net Investment in Capital Assets* - This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources, less deferred inflows of resources related to those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Note 1. Summary of Significant Accounting Policies (Continued)

Equity Classifications (Continued)

- *Restricted* - This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted* - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Operating vs. Non-Operating Revenue

The System recognizes rider fares, contracted fare services, and advertising revenue as operating. All other revenues, including tax revenues, federal and state grants, and operating subsidies from the primary government are recognized as non-operating.

Receivables

Receivables consist of all revenues earned at year end and not yet received. Uncollectable accounts receivable are charged off directly against earnings when they are determined to be uncollectable. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

Ad valorem tax receivable is recorded net of estimated uncollectible amounts and collection fees. The allowance for uncollectible accounts at December 31, 2014, was $435,625, and the allowance for collection fees was $779,804. The allowance for uncollectible accounts at December 31, 2013, was $417,722, and the allowance for collection fees was $747,576. The collection fee charged by the East Baton Rouge Parish Sheriff was 4.5%, for the years ended December 31, 2014 and 2013.

Note 2. Ad Valorem Taxes

On April 16, 2013, a 10.6 mill ad valorem tax which expires in 2021 was passed by the citizens of the City of Baton Rouge and the City of Baker. Ad Valorem taxes are levied each November 1st on the assessed value listed as of the prior January 1st for all real estate, merchandise, and moveable property located in the Parish. Assessed values are established by the East Baton Rouge Parish Assessor’s Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years and was last completed in 2013.

Note 3. Cash and Investments

Cash and Cash Equivalents

The System's cash and cash equivalents consisted of the following as of December 31, 2014 and 2013:

	2014		
	Proprietary Enterprise Fund	**Fiduciary Pension Trust Fund**	**Total**
Cash on Hand and in Banks	**$ 3,371,062**	**$ -**	**$ 3,371,062**
Money Market Accounts	**-**	**566,586**	**566,586**
Total Cash and Cash Equivalents	**$ 3,371,062**	**$ 566,586**	**$ 3,937,648**

	2013		
	Proprietary Enterprise Fund	Fiduciary Pension Trust Fund	Total
Cash on Hand and in Banks	$ 3,431,760	$ -	$ 3,431,760
Money Market Accounts	-	543,600	543,600
Total Cash and Cash Equivalents	$ 3,431,760	$ 543,600	$ 3,975,360

Proprietary fund cash and cash equivalents of $3,371,062 and $3,431,730 included $3,141,643 and $3,308,825 of unrestricted assets and $229,419 and $122,905 of restricted assets as of December 31, 2014 and 2013, respectively.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the System's deposits may not be recovered. Neither the System nor the Pension Trust Fund, a blended component unit, has a deposit policy for custodial credit risk. Throughout the course of the year, the System's deposits may be exposed to custodial credit risk. Deposits were secured by federal deposit insurance coverage (FDIC) up to $250,000. The remaining deposits, which were exposed to custodial credit risk, were secured by the pledge of securities owned by the fiscal agent bank.

State statutes authorize the System's proprietary fund to invest in direct United States Treasury obligations; bonds, debentures, notes or other indebtedness issued or guaranteed by U.S. Government Instrumentalities which are federally sponsored or federal agencies that are backed by the full faith and credit of the United States; short-term repurchase agreements; and time certificates of deposit at financial institutions, state banks, and national banks having their principal offices in Louisiana.

Note 3. Cash and Investments (Continued)

Investments

As of December 31, 2014 and 2013, assets classified as investments existed only in the Pension Trust Fund (the Trust). The assets of the Trust are invested in accordance with the investment policy of the Plan. Those assets are as follows:

	Fair Values	
	2014	2013
U.S. Treasury and Agency Bonds	**$ 254,771**	$ 249,495
Corporate Bonds	**754,424**	738,204
Corporate Stocks	**6,703,854**	5,494,598
Preferred Stocks	**325,410**	823,338
Equity Mutual Fund	**303,395**	356,918
Annuities	**875,716**	879,085
Total	**$ 9,217,570**	$ 8,541,638

As of December 31, 2014, the debt maturities of the Pension Trust Fund's investments were as follows:

		Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury and Agency Funds	$ 254,771	$ 40,400	$ 182,797	$ 31,574	$ -
Corporate Bonds	754,424	-	502,556	251,868	-
Total	$ 1,009,195	$ 40,400	$ 685,353	$ 283,442	$ -

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). As of December 31, 2014 and 2013, the Pension Trust Fund held no commercial paper investments. The Pension Trust Fund's investments in domestic corporate bonds as of December 31, 2014 and 2013, varied between ratings of A and AAA, 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 the total investment in any one industry.

Note 3. Cash and Investments (Continued)

Investments (Continued)

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Pension Trust Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty, or by the counterparty's trust department or agent, but not in the Pension Trust Fund's name. At December 31, 2014 and 2013, all of the Pension Trust Fund's investments were held by an agent in the name of the Pension Trust Fund.

Note 4. Receivables - Due from Other Governments

Receivables due from other governments at December 31, 2014 and 2013, were as follows:

	2014	2013
Federal Transit Administration	**$ 1,071,314**	$ 392,895
Hotel/Motel Tax	**451,368**	351,029
Total	**$ 1,522,682**	$ 743,924

Note 5. Capital Assets

A summary of changes in capital assets follows:

	January 1, 2014	**Additions**	**Deletions**	**December 31, 2014**
Construction in Progress	**$ -**	**$ 350,523**	**$ -**	**$ 350,523**
Equipment, Primarily Transportation Vehicles	**23,953,561**	**6,291,555**	**(32,662)**	**30,212,454**
Accumulated Depreciation	**(15,329,006)**	**(2,575,970)**	**18,470**	**(17,886,506)**
Total	**$ 8,624,555**	**$ 4,066,108**	**$ (14,192)**	**$ 12,676,471**

	January 1, 2013	Additions	Deletions	December 31, 2013
Equipment, Primarily Transportation Vehicles	$ 23,075,523	$ 2,213,438	$ (1,335,400)	$ 23,953,561
Accumulated Depreciation	(14,440,386)	(2,224,020)	1,335,400	(15,329,006)
Total	$ 8,635,137	$ (10,582)	$ -	$ 8,624,555

Note 5. Capital Assets (Continued)

Depreciation expense for the years ended December 31, 2014 and 2013, totaled $2,575,968 and $2,224,020, respectively. The City-Parish (Primary Government) 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, Salaries, and Other Payables

The payables at December 31, 2014 and 2013, were as follows:

	2014	2013
Accounts Payable	**$ 1,369,955**	$ 670,035
Accrued Salaries	**150,686**	317,688
Accrued Expenses	**46,414**	103,320
Accrued Interest	**16,099**	23,580
Total	**$ 1,583,154**	$ 1,114,623

Note 7. Working Capital

Operations of the System are subsidized by the federal and local governments through various cash grants and appropriations. These subsidies are reported under the caption of non-operating revenue as government operating grants and as operating transfers from the Primary Government in the statements of revenues, expenses and changes in net position.

Note 8. Pension Plan

Plan Description

The Capital Area Transit System Employees' Pension Fund is a defined benefit Pension Fund that provides retirement allowances and other benefits. The following summary of plan provisions is for general informational purposes only and does not constitute a guarantee of benefits. The provisions contained within this section are as of December 31, 2014.

Membership - Any individual employed by Capital Area Transit System (CATS), for whom contributions to the Fund 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; or any employee of the Union.

Note 8. Pension Plan (Continued)

Plan Description (Continued)
As of December 31, 2014, pension plan membership consisted of the following:

	2014	2013
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	**67**	68
Inactive Plan Members Entitled to but not yet Receiving Benefits	**69**	53
Active Plan Members	**179**	142
Total	**315**	263

Funding - 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 Trust Fund, and will be attributable to employer and employee contributions.

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

Retirement Benefits - A participating employee is eligible to receive a normal retirement benefit on the first of the month after which he has attained age sixty-two and completed ten years of service. 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 he has attained 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)

Plan Description (Continued)

Optional Allowances - 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 Fund, 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 3 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.

Disability Benefits - A participating employee who becomes totally and permanently disabled after the completion of ten years of service, as determined and reported by the 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.

Survivor Benefits - In the event of the death of an active employee prior to retirement eligibility, his surviving spouse is due a monthly benefit equal to 50% of the employee's vested accrued benefit as of the date of death. 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.

If an employee dies, having elected the Joint and Survivor benefit, while eligible to retire but not yet actually retired, then the surviving spouse will receive a benefit in accordance with the option in effect as of the date of death.

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.

Note 8. Pension Plan (Continued)

Plan Description (Continued)

Deferred Retirement Option Plan - 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 plan, membership in the System 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. This fund 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 System 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 plan 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 the participation in the plan, 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 credited with interest at the end of each plan year at a rate equal to the realized return of the retirement plan's trust portfolio for that plan year as certified by the retirement plan actuary in his actuarial report, less an amount to be calculated at the same rate of payment that applies to the management of the fund's investment portfolio.

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 DROP with that after DROP participation to find the highest 5 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.

Note 8. Pension Plan (Continued)

Actuarial Methods and Assumptions

The Total Pension Liability is based on the Individual Entry Age Normal actuarial cost method as described in Statement 67 of the Governmental Accounting Standards Board (GASB 67). Calculations were made as of December 31, 2014 and were based on December 31, 2014 data. The current year actuarial assumptions utilized are based on the assumptions used in the December 31, 2014 actuarial funding valuation which, (with the exception of mortality) were based on the results of an actuarial experience study performed in 2009, unless otherwise specified. All assumptions selected were determined to be reasonable and represent expectations of future experience for the fund.

The following actuarial assumptions apply to all periods included in the measurement of total pension liability as of December 31, 2014:

Inflation:	3.00%
Salary Increases, Including Inflation and Merit Increases:	5.50%
Investment Rate of Return (Discount Rate):	6.50%, net of pension plan investment expense, including inflation
Municipal Bond Rate:	N/A

Mortality Rates - In the case of mortality, in 2011, mortality assumptions were adjusted to reflect expectations for mortality projected forward for a period equivalent to the liability duration of the Plan to approximate the appropriate generational mortality tables. The mortality assumption utilized in this report reflects the results of that study, which changed the mortality tables being used from the RP 2000 Combined Healthy table for males and females to the same tables set back 2 years for males and 1 year for females.

Expected Remaining Service Lives - The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on 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 employees and inactive employees), determined as of the beginning of the measurement period. The effect on the net pension liability 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.

Note 8. Pension Plan (Continued)

Actuarial Methods and Assumptions (Continued)

The Expected Remaining Service Lives (ERSL) for the current year is:

Beginning of Year	ERSL (in Years)
2014	4

Net Pension Liability and Expense

The components of the net pension liability of the retirement system as of December 31, 2014 and 2013, are as follows:

	2014	2013
Total Pension Liability	**$10,379,703**	$ 9,705,733
Plan Fiduciary Net Position	**9,816,996**	9,085,238
Net Pension Liability	**$ 562,707**	$ 620,495
Plan Fiduciary Net Position as a Total Percentage of the Total Pension Liability	**94.58%**	93.61%

Sensitivity to Changes in the Discount Rate

The following presents the net pension liability of the System calculated using the discount rate of 6.50%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate (assuming all other assumptions remain unchanged):

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net Pension Liability (Asset)	$ 1,789,284	$ 562,707	$ (473,292)

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.

Note 10. Commitments and Contingencies

Grant Commitments

Grant agreements under which the System receives federal financial assistance require the System to match 17% to 20% of dollars received. As of December 31, 2014, the System has committed cash to fund local matching requirements; however, additional fiscal effort will be required. Similar commitments existed as of December 31, 2013.

Note 11. Self Insurance and Legal Claims

The System is exposed to various risks of loss related to torts; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The System manages its exposure to losses through a self insurance program. For a period of time, including the period January 1, 2004 through August 31, 2004, the System retained liability for the first $250,000 for general liability claims and workers' compensation claims. Excess general liability claims were commercially insured up to $750,000. Beginning September 1, 2004, the System canceled its commercial policy and, thus, became self-insured for all bodily injury and property damage tort claims, in addition to workers' compensation claims.

At December 31, 2014 and 2013, accrued claim liabilities of $1,731,947 and $1,684,888, respectively, were included in the proprietary fund's statements of net position, as follows:

	2014	2013
Current Portion	**$ 434,555**	$ 489,541
Long-Term Portion	**1,297,392**	1,195,347
Total	**$ 1,731,947**	$ 1,684,888

Note 11. Self Insurance and Legal Claims (Continued)

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, 2014 and 2013. In addition, the claims will not be paid until appropriated by the System. Changes in claims liability during the years ended December 31, 2014 and 2013, were as follows:

	2014	2013
Beginning of Year Liability	**$ 1,684,888**	$ 1,446,480
Current Year Claims and Changes in Estimates	**853,129**	1,034,053
Claim Payments	**(806,070)**	(795,645)
End of Year Liability	**$ 1,731,947**	$ 1,684,888

Note 12. Capital Lease Obligations

The System is the lessee of 28 Blue Bird transit buses and 5 Federal Coach vans under two separate lease agreements with First Security Leasing, Inc. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the minimum lease payments as of the inception date.

Changes in the capital lease liability during the years ended December 31, 2014 and 2013, were as follows:

	2014	2013
Beginning of Year Liability	**$ 2,299,029**	$ 2,993,792
Principal Payments	**(729,388)**	(694,763)
End of Year Liability	**$ 1,569,641**	$ 2,299,029
Due Within One Year	**$ 765,739**	$ 729,388
Net Book Value of Leased Capital Assets	**$ 1,184,985**	$ 1,794,752

Note 12. Capital Lease Obligations (Continued)

Minimum future lease payments under these capital leases as of December 31, 2014, are:

Year Ended December 31,		Amount
2015	$	833,704
2016		833,704
Total Minimum Lease Payments		1,667,408
Less: Amount Representing Interest		(97,767)
Present Value of Minimum Lease Payments	$	1,569,641

The interest rates on the capital leases range from 4.87% to 4.92%.

Note 13. Notes Payable - Current

During the year ended December 31, 2011, the East Baton Rouge Mortgage Finance Authority awarded a grant of $500,000 which contained a provision that, should the System obtain a permanent method of financing, the grant would convert to a note payable. The ad valorem tax passed on April 16, 2012, meets this provision. During the year ended December 31, 2014, the System paid $100,000 and agreed to pay $100,000 per year for the next three years.

Note 14. Concentrations

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

Note 15. Designation of Net Position

During the year ended December 31, 2013, the System's board approved a resolution to designate $3,000,000 of net position to be held for a contingency. That amount is held in a separate bank account.

CAPITAL AREA TRANSIT SYSTEM **Schedule I**
Required Supplementary Information Under
GASB Statement No. 67
Schedule of Changes in Net Pension Liability
December 31, 2014

Total Pension Liability	
Service Cost	$ 444,547
Interest	638,511
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	255,430
Changes of Assumptions	-
Benefit Payments	(542,297)
Refunds of Member Contributions	(122,221)
Other	-
Net Change in Total Pension Liability	673,970
Total Pension Liability - Beginning	9,705,733
Total Pension Liability - Ending (a)	$ 10,379,703
Plan Fiduciary Net Position	
Contributions - Member	$ 448,920
Contributions - Employer	515,424
Net Investment Income	536,268
Benefit Payments	(542,297)
Refunds of Member Contributions	(122,221)
Administrative Expenses	(104,336)
Other	-
Net Change in Plan Fiduciary Net Position	731,758
Plan Fiduciary Net Position - Beginning	9,085,238
Plan Fiduciary Net Position - Ending (b)	$ 9,816,996
Net Pension Liability Ending (a-b)	$ 562,707
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.58%
Covered-Employee Payroll	$ 6,442,800
Net Pension Liability as a Percentage of Covered-Employee Payroll	8.73%

CAPITAL AREA TRANSIT SYSTEM **Schedule II**
Required Supplementary Information Under
GASB Statement No. 67
Schedule of Contributions
December 31, 2014

Actuarially Determined Contribution (Determined as of the Prior Fiscal Year)	$ 324,152
Contributions in Relation to the Actuarially Determined Contribution	515,424
Contribution Deficiency (Excess)	$ (191,272)
Covered-Employee Payroll	$ 6,442,800
Contributions as a Percentage of Covered-Employee Payroll	8.00%

CAPITAL AREA TRANSIT SYSTEM **Schedule III**

Required Supplementary Information Under
GASB Statement No. 67
Schedule of Investment Returns
December 31, 2014

Annual Money-Weighted Rate of Return, Net of Investment Expense	5.67%

The supplementary information presented in Schedules I, II, and III above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2014
Actuarial Cost Method	The Aggregate Actuarial Cost Method
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	The actuarial value of assets has been set equal to the market value of assets.
Actuarial Assumptions:	
Investment Rate of Return	6.50%
Projected Salary Increases, Including Inflation and Merit Increases	5.50%
Inflation	3.00%
Retirement Age	A participating employee is eligible to receive a normal retirement benefit on the first of the month after which he has attained age sixty-two and completed ten years of service. 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 he has attained 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.

Mortality	In the case of mortality, in 2011, mortality assumptions were adjusted to reflect expectations for mortality projected forward for a period equivalent to the liability duration of the Plan to approximate the appropriate generational mortality tables. The mortality assumption utilized in this report reflects the results of that study, which changed the mortality tables being used from the RP 2000 Combined Healthy table for males and females to the same tables set back 2 years for males and 1 year for females.

OTHER SUPPLEMENTARY INFORMATION

CAPITAL AREA TRANSIT SYSTEM
Schedule of Compensation, Benefits and Other Payments
to Agency Head
For the Year Ended December 31, 2014

Agency Head
Bob Mirabito, Chief Executive Officer

Purpose	Amount
Salary	$140,000
Benefits - Insurance	$0
Benefits - Retirement	$11,872
Benefits - Other	$114
Car Allowance	$8,400
Vehicle Provided by Government	$0
Per Diem	$0
Reimbursements	$1,205
Travel	$0
Registration Fees	$0
Conference Travel	$732
Continuing Professional Education Fees	$0
Housing	$0
Unvouchered Expenses	$0
Special Meals	$338

See independent auditor’s report.

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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*

Independent Auditor's Report

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 accompanying financial statements of the business-type activities and the major fund of Capital Area Transit System (the System), a component unit of the City of Baton Rouge - Parish of East Baton Rouge, and the Capital Area Transit System Employees' Pension Trust Fund (a fiduciary fund of the System), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated May 27, 2015.

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) to determine the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

System's Responses to Findings
The System's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The System's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Covington, LA
May 27, 2015

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program
We have audited Capital Area Transit System's (the System) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended December 31, 2014. The System's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the System's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the System's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Capital Area Transit System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-002 and 2014-003.

Report on Internal Control Over Compliance

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the System's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

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

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, 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-003 to be a significant deficiency.

The System's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The System's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

LaPorte

A Professional Accounting Corporation

Covington, LA
May 27, 2015

CAPITAL AREA TRANSIT SYSTEM
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Grantor/ Program Title	CFDA Number	Project Number	Expenditures (Repayments)
Federal Transportation Administration			
2006 Bus Rapid Transit	20.507	LA-04-0021	$ 6,301
2008 Bus Rapid Transit	20.507	LA-04-0032	5,930
2009 Bus Rapid Transit	20.507	LA-04-0041	632
State of Good Repair	20.507	LA-04-0079	4,143,619
2013 State of Good Repair	20.507	LA-34-0002	338,499
2007 - 2009 New Freedom	20.507	LA-57-4012	269,384
2007 Job Access and Reverse Commute	20.507	LA-37-X029	14,595
2008 Job Access and Reverse Commute	20.507	LA-37-4033	17,170
2010 Job Access and Reverse Commute	20.507	LA-37-4041	216,539
2010 New Freedom	20.507	LA-57-4041	11,773
Congestion Mitigation and Air Quality	20.507	LA-95-0003	367,433
2008 Formula Grant	20.507	LA-90-X332-00	107,682
2009 Formula Grant	20.507	LA-90-X340-00	75,466
2010 Formula Grant	20.507	LA-90-X354-00	113,764
2011 Formula Grant	20.507	LA-90-X372-00	84,684
2012 Formula Grant	20.507	LA-90-0389	106,499
2012 Formula Grant	20.507	LA-90-2389	18,031
2013 Formula Grant	20.507	LA-90-X404	3,888,277
2014 Formula Grant	20.507	LA-90-0426	323,436
2014 Formula Grant	20.507	LA-90-8426	503,314
Total Expenditures of Federal Awards			$ 10,613,028

See accompanying notes to the schedule of expenditures of federal awards.

Note 1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of Capital Area Transit System (the System). The System's reporting entity is defined in Note 1 to the financial statements for the year ended December 31, 2014. 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.

Note 3. Reconciliation of Federal Awards to the Statement of Revenues, Expenses and Changes in Net Position

The following is a reconciliation of federal awards to revenues as reported on the statement of revenues, expenses and changes in net position:

Federal Operating Subsidy	$ 5,037,957
Planning and Technical Study Grants	114,427
Capital Contributions	5,460,644
Total Expenditures of Federal Awards	$ 10,613,028

Part I - Summary of Audit 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?	No
3.	Noncompliance material to the financial statements noted?	No

Federal Awards

1.	Internal control over major programs:	
	a. Material weaknesses identified?	Yes
	b. Significant deficiencies identified?	Yes
2.	Noncompliance material to the financial statements noted?	No
3.	Type of auditor's report issued on compliance for major programs:	Unmodified
4.	Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	Yes
5.	Identification of major programs:	

CFDA Number	Name of Federal Program or Cluster
20.507	Transit Formula Grants

6.	Dollar threshold used to distinguish between type A and type B programs:	$318,391
7.	Auditee qualified as low-risk auditee?	No

Part II - Financial Statements Findings

2014-001 Controls Over Cash Disbursements

Criteria: To promote proper internal controls, cash disbursements should be adequately documented, approved, and the information on the invoice should be matched to the purchase order.

Condition: During the year ended December 31, 2014, we performed tests on 90 disbursements and noted the following:

1. The invoice and supporting documentation could not be located for 7 out of 90 disbursements tested.

2. 1 out of 90 disbursements did not contain evidence of approval on the invoice. The System stamps each invoice with a box which includes blanks which are initialed to approve the payment. On this invoice, initials approving invoices were missing.

Cause: During the year ended December 31, 2013, the System experienced turnover in the key positions of chief executive officer, chief financial officer, and general manager. In addition, existing policies and procedures may not have been sufficient to provide proper internal control over disbursements. Management instituted procedures in 2014 which decreased the number of exceptions.

Effect: There were instances where disbursements were made without approval, or supporting documentation could not be located.

Recommendation: Management should institute procedures to ensure that cash disbursements are properly controlled, supported, and approved.

Management's Response: Management has instituted policies and procedures to ensure that all disbursements are properly supported and approved.

Part III - Findings and Questioned Costs for Federal Awards

2014-002 Financial Management Oversight Review (CFDA 20.507)

Criteria: There are various Codes of Federal Regulations pertaining to the United States Federal Transit Administration (FTA) that should be followed.

Condition: The FTA contracted with private firms to conduct a financial management oversight review of the System's compliance with FTA financial management system requirements. Their report was dated January 10, 2014. The following material weaknesses as numbered in the report remain unresolved:

3. The following was noted while testing cash counting procedures:

    a. Count room employees are not bonded.

7. Preventive maintenance work is not being performed within the stated intervals in the maintenance plan.

Cause: The System has experienced turnover in key positions in early 2013. Prior to 2013, staffing was limited due to financial constraints.

Effect: Ineffective internal controls over the administration of FTA grants.

Recommendation: The following recommendations by item number were included in the financial management oversight review report dated January 10, 2014:

3. The System should supplement cash counting procedures to provide that count room employees are bonded and that deposits are controlled properly.

7. The System should enhance scheduling procedures to ensure that preventive maintenance intervals are not missed.

Management's Response:

3. Inadequate Cash Counting Procedures

    - CATS has implemented the other recommendations related to cash counting. It is in the process of having each count room employees bonded.

7. Preventive Maintenance Not Performed Timely

    - CATS has documented planned preventive maintenance procedures and will work to have preventive maintenance performed timely. CATS has had difficulty hiring additional diesel mechanics to perform maintenance on a timely basis.

2014-003 Financial Management Oversight Review (CFDA 20.507)

Criteria:	There are various Codes of Federal Regulations pertaining to the United States Federal Transit Administration (FTA) that should be followed.
Condition:	The financial management oversight review report dated January 10, 2014 identified the following significant deficiency which remains unresolved: 10. The insurance coverage provided does not address rolling stock.
Cause	The System has experienced turnover in key positions in early 2013. Prior to 2013, staffing was limited due to financial constraints.
Effect:	Ineffective internal controls over the administration of FTA grants.
Recommendation:	The following recommendations by item number were included in the financial management oversight review report dated January 10, 2014: 10. The System should determine and document the extent of its insurance coverage for rolling stock.
Management's Response:	10. No Apparent Insurance Coverage of Rolling Stock • CATS will determine the status of its current insurance coverage as it relates to the rolling stock. CATS will work with the State of Louisiana regarding what obligations are required to be compliant with Federal, State, and local jurisdictions. Once determination is made, if applicable, CATS' management will present any needed action to be taken to its Board of Commissioners.

2013 - 1 Misappropriation of Assets

Status: This finding has been resolved.

2013- 2 Legislative Auditor Audit

1. Bus fares totaling $79,946 were not deposited in the bank.

Status: This finding has been resolved.

2. Bus passes valued at $78,648 were used with no corresponding revenue recorded.

Status: This finding has been resolved.

3. The System improperly paid employees for hours not worked and leave not earned.

.

Status: This finding has been resolved.

2013 - 3 Paratransit Contract Overbilling

Status: This finding has been resolved.

2013 - 4 Advance Payment

Status: This finding has been resolved.

2013 - 5 Segregation of Duties

Status: This finding has been resolved.

2013 - 6 Controls Over Cash Disbursements

Status: This finding has been partially resolved. See finding 2014-001.

2013 - 7 Disposal of Surplus Property

Status: This finding has been resolved.

2013 - 8 Financial Management Oversight Review (CFDA 20.507)

1. The System does not maintain accounting policies and procedures manuals.

Status: This finding has been resolved.

2. Documentation and approval of ECHO Draws inadequate.

Status: This finding has been resolved.

3. Cash counting procedures.

Status: This finding has been partially resolved. See finding 2014-002.

4. Inadequate segregation of duties.

Status: This finding has been resolved.

5. Month-end reconciliations for payroll and adjustments to general ledger not timely.

Status: This finding has been resolved.

6. No documentation of the required biennial inventory of fixed assets.

Status: This finding has been resolved.

7. Preventive maintenance work is not being performed within the stated intervals.

Status: This finding has not been resolved. See finding 2014-002.

8. The System could not support 3 of the 5 numbers from the 2012 national transit database report.

Status: This finding has been resolved.

9. The System does not have an efficient method of tracing grant expenditures.

Status: This finding has been resolved.

10. Ineffective controls over federal financial reports.

Status: This finding has been resolved.

2013 - 9 Financial Management Oversight Review (CFDA 20.507)

1. The System's IT processes and procedures are deficient.

Status: This finding has been resolved.

2. Physical security of prior year accounting records.

Status: This finding has been resolved.

3. Customer and union employee complaints and procedures do not cover all activities.

Status: This finding has been resolved.

4. Verification of receipt of goods and services, matching purchase order information to the invoice and other invoice review procedures employed are not clearly indicated on invoices.

Status: This finding has been resolved.

5. The System charged accounts subject to federal grant reimbursement under contracts that did not comply with FTA requirements.

Status: This finding has been resolved.

6. Contract monitoring procedures over paratransit contract are not documented.

Status: This finding has been resolved.

7. The procurement manual has not been kept up to date with FTA requirements.

Status: This finding has been resolved.

8. There are no written procedures for an operating or capital budget process.

Status: This finding has been resolved.

9. Source payroll documentation for bus operators is not approved.

Status: This finding has been resolved.

10. Insurance coverage does not address rolling stock.

Status: This finding has not been resolved. See finding 2014-003.

11. The System had not performed a physical inventory of spare parts.

Status: This finding has been resolved.

12. The System's fixed asset system has not been updated recently.

Status: This finding has been resolved.

13. The System does not review all grant activity in a timely manner, nor does it have documented closeout procedures.

Status: This finding has been resolved.

14. Grant details are not reconciled to the general ledger.

Status: This finding has been resolved.

2013 - 10 Timely Filing of Federal Financial Reports

Status: This finding has been resolved.

2013 - 11 Ineffective Monitoring of Subrecipient

Status: This finding has been resolved.