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June 12, 2018

Louisiana Legislative Auditor  
c/o Gayle Fransen, CPA  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Email: ereports@lla.state.la.us

RE: Resubmission of financial statements for Capital Area Transit System  
For the year ended December 31, 2017, Entity ID #8075, Engagement ID 72172627  
Initial Submission ID APPP-AUWKH7

Dear Ms. Fransen:

We are resubmitting the audited financial statements for Capital Area Transit System for the year ended December 31, 2017 for the following reasons:

There was an error found on page 14, the statement of cash flows, which has been corrected, and Note 17 on page 37 has been deleted. These corrections have no impact on the financial statements.

We have also attached the management letter to the pdf which was not included in the initial submission.

Please let us know if you have any questions or need additional information.

Sincerely,

John Murray, CPA  
Director, Audit and Assurance Services

Attachment

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

Release Date JUL 25 2018

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REISSUE

**CAPITAL AREA TRANSIT SYSTEM**

Annual Financial Statements

December 31, 2017 and 2016



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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 which is 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, 2017 and 2016, 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.

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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 which is the major fund of the System, and the Capital Area Transit System Employees' Pension Trust Fund as of December 31, 2017 and 2016, 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.

### **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 Governmental Accounting Standards Board (GASB) Statement No. 67, beginning on page 39, 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 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's and the Capital Area Transit System Employees' Pension Trust Fund's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 April 25, 2018, 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.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA  
April 25, 2018

**REQUIRED SUPPLEMENTARY INFORMATION**

## CAPITAL AREA TRANSIT SYSTEM BATON ROUGE, LOUISIANA

### Management's Discussion and Analysis

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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 years ended December 31, 2017 and 2016. 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 \$33,611,379, as of December 31, 2017, representing a decrease of \$642,947, or 1.9%, from that of December 31, 2016. A substantial portion of the net position is invested in capital assets.

Net loss before capital contributions was \$(1,733,054) and \$(1,936,195), for 2017 and 2016, 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 Governmental Accounting Standards Board (GASB) Statement No. 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 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 the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statement of revenues, expenses, and changes in net position. All assets and liabilities associated with the operation of the System are included in the statement of net position.

**CAPITAL AREA TRANSIT SYSTEM  
BATON ROUGE, LOUISIANA**

**Management's Discussion and Analysis**

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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. 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 loss to net cash used in operating activities (indirect method) as required by GASB 34.

**Financial Analysis of the System**

***Net Position***

The System's total net position decreased from \$34,254,326 at December 31, 2016 to \$33,611,379 at December 31, 2017.

The decrease in net position is primarily due to a decrease in operating grants and capital contributions. The System's primary revenue is a 10.6 millage ad valorem tax passed on April 21, 2012. 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.

**CAPITAL AREA TRANSIT SYSTEM  
BATON ROUGE, LOUISIANA**

**Management's Discussion and Analysis**

Long-term liabilities increased from \$2,092,972 to \$4,952,085 mainly as a result of a new capital lease purchase of buses in the amount of \$4,217,800.

The table below summarizes the System's net position as of December 31, 2017 and 2016:

	2017	2016 (Restated)
Current Assets	\$ 20,059,195	\$ 23,640,178
Noncurrent Assets	22,137,954	18,232,311
<b>Total Current Assets</b>	<b>42,197,149</b>	<b>41,872,489</b>
<b>Total Assets</b>	<b>42,197,149</b>	<b>41,872,489</b>
<b>Deferred Outflows of Resources</b>		
Pension	490,522	854,100
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 42,687,671</b>	<b>\$ 42,726,589</b>
Current Liabilities	\$ 2,811,911	\$ 6,106,934
Noncurrent Liabilities	4,952,085	2,092,972
<b>Total Liabilities</b>	<b>7,763,996</b>	<b>8,199,906</b>
<b>Deferred Inflows of Resources</b>		
Pension	1,312,296	272,357
<b>Net Position</b>		
Net Investment in Capital Assets	16,446,485	17,968,153
Restricted	317,464	264,158
Unrestricted	16,847,430	16,022,015
<b>Total Net Position</b>	<b>33,611,379</b>	<b>34,254,326</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 42,687,671</b>	<b>\$ 42,726,589</b>

***Changes in Net Position***

The System's operating revenues increased from the prior year amount of \$2,461,875 to \$2,741,580, which was an increase of \$279,705, or 11%. This increase was primarily attributable to the System's increased advertising efforts which resulted in a 61% increase in advertising revenue.

Direct operating expenses decreased by \$127,231, or .4%, from \$30,014,869 to \$29,887,638. This decrease is attributable to a decrease in contractual services and liability costs. Net non-operating revenues decreased by \$203,795, or 8%, from \$25,616,799 to \$25,413,004. This decrease was primarily attributable to decreases in operating grants which were offset by an increase in property tax revenues.

**CAPITAL AREA TRANSIT SYSTEM  
BATON ROUGE, LOUISIANA**

**Management's Discussion and Analysis**

The table below summarizes the changes in net position as of December 31, 2017 and 2016:

	2017	2016 (Restated)
<b>Operating Revenue</b>		
Charges for Services	\$ 2,097,194	\$ 2,062,973
Advertising Revenue	644,386	398,902
<b>Total Operating Revenue</b>	<b>2,741,580</b>	<b>2,461,875</b>
<b>Direct Operating Expenses</b>		
Operating Expenses	27,096,250	27,434,862
Depreciation	2,761,434	2,543,356
Bad Debt Expense	29,954	36,651
<b>Total Direct Operating Expenses</b>	<b>29,887,638</b>	<b>30,014,869</b>
<b>Loss from Operations</b>	<b>(27,146,058)</b>	<b>(27,552,994)</b>
<b>Non-Operating Revenues (Expenses)</b>		
Interest Expense	(56,843)	(26,558)
loss on Disposal of Capital Assets	(38,032)	-
Interest Income	11,282	9,496
Government Operating Grants	5,858,034	6,770,270
Hotel/Motel Tax	92,832	1,412,340
Ad Valorem Tax Revenue	1,164,611	16,862,111
Other Revenue	17,831,120	39,140
Operating Transfers from Primary Government	550,000	550,000
<b>Total Non-Operating Revenues (Expenses)</b>	<b>25,413,004</b>	<b>25,616,799</b>
<b>Loss before Capital Contributions</b>	<b>(1,733,054)</b>	<b>(1,936,195)</b>
<b>Capital Contributions</b>	<b>1,090,107</b>	<b>6,184,485</b>
<b>Net (Loss) Income after Capital Contributions</b>	<b>(642,947)</b>	<b>4,248,290</b>
<b>Net Position, Beginning of Year</b>	<b>34,254,326</b>	<b>30,006,036</b>
<b>Net Position, End of Year</b>	<b>\$ 33,611,379</b>	<b>\$ 34,254,326</b>

**CAPITAL AREA TRANSIT SYSTEM  
BATON ROUGE, LOUISIANA**

**Management's Discussion and Analysis**

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***Capital Assets***

During the year ended December 31, 2017, capital assets, net of depreciation, increased by \$2,416,922, which was mainly due to capital additions of \$5,361,276, which exceeded depreciation of \$2,761,430 and net retirements of \$182,924.

***Capital Lease***

During the year ended December 31, 2017, capital leases payable increased \$3,938,590 which was the result of lease proceeds of \$4,217,800 net of principal payments of \$279,210.

***Financial Outlook***

On April 21, 2012, the voters of the municipalities of Baton Rouge and Baker approved a 10.6 mill ad valorem tax. This tax is to be levied for a period of ten years that began in 2013. Estimated net taxes to be collected for 2017 are \$17.3 million (\$16.8 million from the City of Baton Rouge and \$0.5 million from the City of Baker). Taxes to be collected will be net of the collection fee of 4.5% and required contributions to state pension plans. This dedicated revenue source provides budgetary stability to the System and serves as a primary source of revenues for operating funds.

During 2018, the System will use the tax proceeds as stated above, including providing the local match for federal grants.

***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, 2017 and 2016**

	2017	2016 (Restated)
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 758,073	\$ 2,946,329
Accounts Receivable, Net	420,399	217,594
Property Tax Receivable	17,291,859	16,506,299
Due from Other Governments	1,076,516	3,282,169
Prepaid Expenses	88,205	100,492
Inventory	424,143	587,295
<b>Total Current Assets</b>	<b>20,059,195</b>	<b>23,640,178</b>
<b>Noncurrent Assets</b>		
Restricted Cash and Cash Equivalents	317,464	264,158
Capital Assets, Net of Accumulated Depreciation	20,385,075	17,968,153
Net Pension Asset	1,435,415	-
<b>Total Noncurrent Assets</b>	<b>22,137,954</b>	<b>18,232,311</b>
<b>Total Assets</b>	<b>42,197,149</b>	<b>41,872,489</b>
<b>Deferred Outflows of Resources</b>		
Pension	490,522	854,100
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 42,687,671</b>	<b>\$ 42,726,589</b>

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

**CAPITAL AREA TRANSIT SYSTEM**  
**Statements of Net Position - Proprietary Fund (Continued)**  
**December 31, 2017 and 2016**

	2017	2016 (Restated)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 1,218,406	\$ 5,252,265
Accrued Compensated Absences	142,274	142,274
Claims Payable and Related Liabilities	883,056	612,395
Capital Lease Payable	568,175	-
Note Payable, Current	-	100,000
<b>Total Current Liabilities</b>	<b>2,811,911</b>	<b>6,106,934</b>
<b>Noncurrent Liabilities</b>		
Accrued Compensated Absences, Less Current Portion	266,320	213,411
Claims Payable and Related Liabilities, Less Current Portion	1,315,350	1,418,558
Capital Lease Payable, Less Current Portion	3,370,415	-
Net Pension Liability	-	461,003
<b>Total Noncurrent Liabilities</b>	<b>4,952,085</b>	<b>2,092,972</b>
<b>Total Liabilities</b>	<b>7,763,996</b>	<b>8,199,906</b>
<b>Deferred Inflows of Resources</b>		
Pension	1,312,296	272,357
<b>Net Position</b>		
Net Investment in Capital Assets	16,446,485	17,968,153
Restricted	317,464	264,158
Unrestricted	16,847,430	16,022,015
<b>Total Net Position</b>	<b>33,611,379</b>	<b>34,254,326</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Pension</b>	<b>\$ 42,687,671</b>	<b>\$ 42,726,589</b>

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, 2017 and 2016**

	2017	2016 (Restated)
<b>Operating Revenue</b>		
Charges for Services	\$ 2,097,194	\$ 2,062,973
Advertising Revenue	644,386	398,902
<b>Total Operating Revenue</b>	<u>2,741,580</u>	<u>2,461,875</u>
<b>Direct Operating Expenses</b>		
Personal Services and Fringe Benefits	17,956,382	17,699,119
Supplies, Fuel, and Other Bus-Related Expenses	3,139,292	805,503
Contractual Services and Liability Costs	6,000,576	930,240
Depreciation and Amortization	2,761,434	2,543,356
Bad Debt Expense	29,954	36,651
<b>Total Direct Operating Expenses</b>	<u>29,887,638</u>	<u>30,014,869</u>
<b>Loss from Operations</b>	<u>(27,146,058)</u>	<u>(27,552,994)</u>
<b>Non-Operating Revenues(Expenses)</b>		
Interest Expense	(56,843)	(26,558)
Loss on Disposal of Capital Assets	(38,032)	-
Interest Income	11,282	9,496
Other Revenue	92,832	39,140
Hotel/Motel Tax	1,164,611	1,412,340
Ad Valorem Tax Revenue	17,831,120	16,862,111
Government Operating Grants		
Federal Operating Subsidy	5,651,784	6,571,672
Planning and Technical Study Grants	206,250	198,598
Operating Transfers from Primary Government	550,000	550,000
<b>Total Non-Operating Revenues(Expenses)</b>	<u>25,413,004</u>	<u>25,616,799</u>
<b>Loss before Capital Contributions</b>	<u>(1,733,054)</u>	<u>(1,936,195)</u>
<b>Capital Contributions</b>	<u>1,090,107</u>	<u>6,184,485</u>
<b>Net (Loss) Income after Capital Contributions</b>	<u>(642,947)</u>	<u>4,248,290</u>
<b>Net Position, Beginning of Year</b>	<u>34,254,326</u>	<u>30,006,036</u>
<b>Net Position, End of Year</b>	<u>\$ 33,611,379</u>	<u>\$ 34,254,326</u>

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, 2017 and 2016**

	2017	2016 (Restated)
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers	\$ 1,864,435	\$ 1,904,266
Receipts from Other Sources	644,386	398,902
Payments to Suppliers and Others	(12,858,786)	(5,827,673)
Payments to Employees and Payroll Taxing Agencies	(18,368,423)	(18,095,326)
<b>Net Cash Used in Operating Activities</b>	<b>(28,718,388)</b>	<b>(21,619,831)</b>
<b>Cash Flows from Non-Capital Financing Activities</b>		
Operating Subsidies Received from Other Governments	4,789,712	7,012,122
Ad Valorem Taxes	17,045,560	16,476,104
Payments on Short-Term Borrowing	(100,000)	(100,000)
Hotel/Motel Tax	1,620,481	1,324,640
Other Revenue	92,832	39,140
Operating Transfers from Primary Government	550,000	550,000
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>23,998,585</b>	<b>25,302,006</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital Contributions Received	3,908,212	3,733,712
Payments on Capital Leases	(279,210)	(803,902)
Acquisition of Capital Assets	(998,588)	(7,630,411)
Interest Paid on Capital Debt	(56,843)	(34,803)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>2,573,571</b>	<b>(4,735,404)</b>
<b>Cash Flows from Investing Activities</b>		
Interest Received	11,282	9,496
<b>Net Cash Provided by Investing Activities</b>	<b>11,282</b>	<b>9,496</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(2,134,950)</b>	<b>(1,043,733)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>3,210,487</b>	<b>4,254,220</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,075,537</b>	<b>\$ 3,210,487</b>

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, 2017 and 2016**

	2017	2016 (Restated)
<b>Reconciliation of Cash as listed on the Balance Sheets</b>		
Unrestricted Cash	\$ 758,073	\$ 2,946,329
Restricted Cash	317,464	264,158
	<u>1,075,537</u>	<u>3,210,487</u>
<b>Total Cash and Cash Equivalents</b>		
	<u>\$ 1,075,537</u>	<u>\$ 3,210,487</u>
<b>Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities</b>		
Loss from Operations	\$ (27,146,058)	\$ (27,727,779)
Adjustments to Reconcile Net Operating Loss to Net Cash Used in Operating Activities		
Depreciation	2,761,434	2,543,356
Bad Debt Expense	29,954	36,651
Increase in Accounts Receivable	(232,759)	(158,707)
Decrease (Increase) in Prepaid Expenses	12,287	(26,769)
Decrease (Increase) in Inventory	163,152	(61,557)
Increase in Net Pension Asset	(1,435,415)	-
Decrease in Deferred Outflows of Resources	363,578	329,343
Increase in Deferred Inflows of Resources	1,039,939	23,325
(Decrease) Increase in Accounts Payable and Accrued Expenses	(3,980,950)	3,938,596
Decrease in Net Pension Liability	(461,003)	(567,840)
Increase in the Provision for Claims Liability	167,453	51,550
	<u>28,718,388</u>	<u>21,619,831</u>
<b>Net Cash Used in Operating Activities</b>	<u>\$ (28,718,388)</u>	<u>\$ (21,619,831)</u>
<b>Supplemental Disclosure</b>		
Equipment Purchased under Capital Lease	\$ 4,217,800	\$ -

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, 2017 and 2016**

	2017	2016
<b>Assets</b>		
Cash and Cash Equivalents	\$ 1,236,583	\$ 705,168
Contributions Receivable	77,290	69,435
Investments		
Equities	9,965,113	7,987,790
Fixed Income	837,608	1,021,966
Annuities	901,075	842,489
Total Investments	<u>11,703,796</u>	<u>9,852,245</u>
<b>Total Assets</b>	<b><u>\$ 13,017,669</u></b>	<b><u>\$ 10,626,848</u></b>
<b>Net Position Restricted for Pensions</b>	<b><u>\$ 13,017,669</u></b>	<b><u>\$ 10,626,848</u></b>

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, 2017 and 2016**

	2017	2016
<b>Additions</b>		
<b>Contributions</b>		
Employer Contributions	\$ 684,668	\$ 596,912
Employee Contributions	607,307	671,539
<b>Total Contributions</b>	<u>1,291,975</u>	<u>1,268,451</u>
<b>Investment Income</b>		
Investment and Dividend Income	205,740	209,007
Class Action Settlements	578	697
Net Change in Fair Value	1,853,402	465,931
	<u>2,059,720</u>	<u>675,635</u>
Less: Investment Expense	<u>(126,621)</u>	<u>(113,332)</u>
<b>Net Investment Income</b>	<u>1,933,099</u>	<u>562,303</u>
<b>Total Additions</b>	<u>3,225,074</u>	<u>1,830,754</u>
<b>Deductions</b>		
Benefits	534,895	545,869
Employee Refunds	174,467	375,062
Administrative Expenses	124,891	114,605
<b>Total Deductions</b>	<u>834,253</u>	<u>1,035,536</u>
<b>Net Increase in Net Position</b>	<u>2,390,821</u>	<u>795,218</u>
<b>Net Position Restricted for Pensions, Beginning of Year</b>	<u>10,626,848</u>	<u>9,831,630</u>
<b>Net Position Restricted for Pensions, End of Year</b>	<u>\$ 13,017,669</u>	<u>\$ 10,626,848</u>

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

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

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#### 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.

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

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#### 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.

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

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#### 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.

##### **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. 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.

##### **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.

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Federal Grants and Dedicated Taxes (Continued)

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

Vacation must be taken by December 31<sup>st</sup>, 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 with a maturity of three months or less.

##### 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.

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Capital Area Transit System Employees' Pension Trust Fund and additions to/deductions from the fund's fiduciary net position have been determined on the same basis as they are reported by fund. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### **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.
- *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.

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Receivables

Uncollectible amounts due for customer receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance was \$159,737, at December 31, 2017.

Ad valorem tax receivable is recorded net of estimated uncollectible amounts and collection fees. The allowance for uncollectible accounts at December 31, 2017, was \$479,142, and the allowance for collection fees was \$862,457. The allowance for uncollectible accounts at December 31, 2016, was \$459,768, and the allowance for collection fees was \$823,394. The collection fee charged by the East Baton Rouge Parish Sheriff was 4.5%, for the years ended December 31, 2017 and 2016.

#### Note 2. Ad Valorem Taxes

On April 21, 2012, 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 1<sup>st</sup> on the assessed value listed as of the prior January 1<sup>st</sup> 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 2016.

#### Note 3. Cash, Cash Equivalents, and Investments

##### Cash and Cash Equivalents

The System's cash and cash equivalents consisted of the following as of December 31, 2017 and 2016:

	Proprietary Enterprise Fund	Fiduciary Pension Trust Fund	Total
<b>December 31, 2017</b>			
Cash on Hand and in Banks	\$ 1,075,507	\$ -	\$ 1,075,507
Money Market Accounts	-	1,236,583	1,236,583
<b>Total Cash and Cash Equivalents</b>	<b>\$ 1,075,507</b>	<b>\$ 1,236,583</b>	<b>\$ 2,312,090</b>
	Proprietary Enterprise Fund	Fiduciary Pension Trust Fund	Total
<b>December 31, 2016</b>			
Cash on Hand and in Banks	\$ 3,210,487	\$ -	\$ 3,210,487
Money Market Accounts	-	705,168	705,168
<b>Total Cash and Cash Equivalents</b>	<b>\$ 3,210,487</b>	<b>\$ 705,168</b>	<b>\$ 3,915,655</b>

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

#### Note 3. Cash, Cash Equivalents, and Investments (Continued)

##### Cash and Cash Equivalents (Continued)

Proprietary fund cash and cash equivalents of \$1,075,507 and \$3,210,487 included \$758,073 and \$2,946,329 of unrestricted assets and \$317,464 and \$264,158 of restricted assets as of December 31, 2017 and 2016, 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 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.

##### Investments

As of December 31, 2017 and 2016, 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	
	2017	2016
U.S. Treasury and Agency Bonds	\$ 442,799	\$ 540,302
Corporate Bonds	394,809	481,664
Corporate Stocks	8,477,972	6,886,654
Equity Mutual Fund	1,487,141	1,101,136
Annuities	901,075	842,489
<b>Total</b>	<b>\$ 11,703,796</b>	<b>\$ 9,852,245</b>

As of December 31, 2017, the debt maturities of the Pension Trust Fund's investments in debt securities were as follows:

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasury and Agency Bonds	\$ 442,799	\$ 24,986	\$ 296,510	\$ 121,303	\$ -
Corporate Bonds	394,809	41,997	224,939	127,873	-
<b>Total</b>	<b>\$ 837,608</b>	<b>\$ 66,983</b>	<b>\$ 521,449</b>	<b>\$ 249,176</b>	<b>\$ -</b>

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

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#### Note 3. Cash, Cash Equivalents, and Investments (Continued)

##### Investments (Continued)

*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, 2017 and 2016, the Pension Trust Fund held no commercial paper investments. The Pension Trust Fund's investments in domestic corporate bonds as of December 31, 2017 and 2016 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 total investments in any one industry.

*Custodial Credit Risk - Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the Pension Trust Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty, or by the counterparty's trust department or agent, but not in the Pension Trust Fund's name. At December 31, 2017 and 2016, all of the Pension Trust Fund's investments were held by an agent in the name of the Pension Trust Fund.

##### Fair Value of Investments

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

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

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk. Assets classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Assets classified in Level 3, due to lack of an independent pricing source, are valued using an internal fair value as provided by the investment manager.

**CAPITAL AREA TRANSIT SYSTEM**

**Notes to Financial Statements**

**Note 3. Cash, Cash Equivalents, and Investments (Continued)**

**Fair Value of Investments (Continued)**

The following table sets forth by level, within the fair value hierarchy, the System's assets at fair value as of December 31, 2017:

	December 31, 2017	Fair Value Measurements Using:		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
<i>Debt Securities</i>				
U.S. Treasury and Agency Bonds	\$ 442,799	\$ 442,799	\$ -	\$ -
Corporate Bonds	394,809	394,809	-	-
<i>Equity Securities</i>				
Corporate Stocks	8,477,972	8,477,972	-	-
Corporate Equity Mutual Fund	1,487,141	1,487,141	-	-
<i>Alternative Investments</i>				
Annuities	901,075	-	-	901,075
<b>Total Investments by Fair Value Level</b>	<b>\$ 11,703,796</b>	<b>\$ 10,802,721</b>	<b>\$ -</b>	<b>\$ 901,075</b>

**Note 4. Receivables - Due from Other Governments**

Receivables due from other governments at December 31, 2017 and 2016, were as follows:

	2017	2016
Federal Transit Administration	\$ 1,076,516	\$ 2,826,299
Hotel/Motel Tax	-	455,870
<b>Total</b>	<b>\$ 1,076,516</b>	<b>\$ 3,282,169</b>

**CAPITAL AREA TRANSIT SYSTEM**

**Notes to Financial Statements**

**Note 5. Capital Assets**

A summary of changes in capital assets follows:

	January 1, 2017	Additions	Deletions	December 31, 2017
Construction in Progress	\$ 129,295	\$ -	\$ (129,295)	\$ -
Equipment, Primarily Transportation Vehicles	37,011,976	5,361,276	(829,132)	41,544,120
Accumulated Depreciation	(19,173,118)	(2,761,430)	775,503	(21,159,045)
<b>Total</b>	<b>\$ 17,968,153</b>	<b>\$ 2,599,846</b>	<b>\$ (182,924)</b>	<b>\$ 20,385,075</b>

  

	January 1, 2016	Additions	Deletions	December 31, 2016
Construction in Progress	\$ -	\$ 129,295	\$ -	\$ 129,295
Equipment, Primarily Transportation Vehicles	33,021,629	7,557,648	(3,567,301)	37,011,976
Accumulated Depreciation	(20,197,063)	(2,543,356)	3,567,301	(19,173,118)
<b>Total</b>	<b>\$ 12,824,566</b>	<b>\$ 5,143,587</b>	<b>\$ -</b>	<b>\$ 17,968,153</b>

Depreciation expense for the years ended December 31, 2017 and 2016, totaled \$2,761,430 and \$2,543,356, respectively. The City-Parish owns the terminal, administrative office building, and related land which are used by the System for its operations. The City-Parish provides these facilities and land to the System at no charge through an operating agreement.

**Note 6. Accounts, Salaries, and Other Payables**

The payables at December 31, 2017 and 2016, were as follows:

	2017	2016 (Restated)
Accounts Payable	\$ 869,804	\$ 4,931,614
Accrued Salaries	287,783	268,651
Accrued Expenses	52,000	52,000
Accrued Pension	8,819	-
<b>Total</b>	<b>\$ 1,218,406</b>	<b>\$ 5,252,265</b>

**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 City-Parish in the statements of revenues, expenses, and changes in net position.

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

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#### Note 8. Pension Plan

##### Plan Description

The Capital Area Transit System Employees' Pension Trust 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, 2017.

*Membership* - Any individual employed by Capital Area Transit System (CATS), for whom contributions to the Plan are required to be made in accordance with the terms of the Collective Bargaining Agreement; and other clerical and administrative employees of CATS who agree to make the required contributions to the Plan effective February 1, 1973, or within ninety days of the commencement of their employment with CATS, if later; or any employee of the Union.

As of December 31, 2017 and 2016, pension plan membership consisted of the following:

	2017	2016
Inactive Plan Members or Beneficiaries		
Currently Receiving Benefits	73	70
Inactive Plan Members Entitled to but not yet Receiving Benefits	123	112
Active Plan Members	196	204
<b>Total</b>	<b>392</b>	<b>386</b>

*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 Plan, 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.

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

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#### Note 8. Pension Plan (Continued)

##### **Plan Description (Continued)**

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.

*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 Three Year Certain and Continuous annuity payable to the employee. Unless a married employee elects otherwise in writing, their normal or early retirement benefit will be paid in the form of a Joint and 50% Survivor annuity.

*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 Board of Trustees, is entitled to a monthly disability benefit. The monthly disability pension payable to an employee is his accrued benefit. The benefit is payable no earlier than the first day of the sixth month following the month in which total and permanent disability began and will continue during total disability for life.

*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.

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

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#### 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 Plan continues and the member's status changes to inactive. During participation in the DROP, neither employer nor employee contributions are payable. The monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP account. 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 Plan has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the 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 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 the DROP with that after DROP participation to find the highest five consecutive years of compensation.

In no event shall the supplemental benefit exceed an amount which, when combined with the original benefit, equals 100% of the average compensation figure used to calculate the supplemental benefit.

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

#### Note 8. Pension Plan (Continued)

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

For the year ended December 31, 2017, the System recognized pension expense of \$192,779. At December 31, 2017, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2017	Deferred Outflows	Deferred Inflows
Difference Between Expected and Actual Experience	\$ 48,174	\$ 286,731
Changes in Assumptions	103,710	-
Difference Between Projected and Actual Earnings	338,638	1,025,555
<b>Total</b>	<b>\$ 490,522</b>	<b>\$ 1,312,286</b>
December 31, 2016	Deferred Outflows	Deferred Inflows
Difference Between Expected and Actual Experience	\$ 112,032	\$ 272,357
Changes in Assumptions	207,420	-
Difference Between Projected and Actual Earnings	534,648	-
<b>Total</b>	<b>\$ 854,100</b>	<b>\$ 272,357</b>

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

2018	\$ 255,618
2019	255,618
2020	310,538
<b>Total</b>	<b>\$ 821,774</b>

##### Actuarial Methods and Assumptions

The Total Pension Liability is based on the Individual Entry Age Normal actuarial cost method as described in GASB 67. Calculations were made as of December 31, 2017 and were based on December 31, 2017 data. The current year actuarial assumptions utilized are based on the assumptions used in the December 31, 2017 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.

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

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#### Note 8. Pension Plan (Continued)

##### Actuarial Methods and Assumptions (Continued)

The following actuarial assumptions apply to all periods included in the measurement of Total Pension Liability as of December 31, 2017:

Valuation Date	December 31, 2017											
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 (Discout Rate)	6.00% net of pension plan investment expense, including inflation.											
Projected Salary Increases, Including Inflation and Merit Increases	<table border="0"> <thead> <tr> <th style="text-align: center;">Years of Service</th> <th style="text-align: center;">Salary Growth Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">17.00%</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">10.00%</td> </tr> <tr> <td style="text-align: center;">3 - 10</td> <td style="text-align: center;">5.25%</td> </tr> <tr> <td style="text-align: center;">11 and Over</td> <td style="text-align: center;">3.75%</td> </tr> </tbody> </table>	Years of Service	Salary Growth Rate	1	17.00%	2	10.00%	3 - 10	5.25%	11 and Over	3.75%	
Years of Service	Salary Growth Rate											
1	17.00%											
2	10.00%											
3 - 10	5.25%											
11 and Over	3.75%											
Inflation	2.50%											

*Mortality Rates* - In the case of mortality, since the System's size is so small, no credible experience could be established for mortality. In the absence of such experience, mortality rates for active employees were based on the RP-2000 Employee Tables with a set back of four years for males and set back of three years for females. Mortality for retirees and beneficiaries was based on the RP-2000 Combined Healthy Table with Blue Collar Adjustment projected to 2032 using Scale AA. The RP-2000 Disabled Lives Mortality Table (set back five years for males and set back three years for females) was selected for disabled annuitants.

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

#### Note 8. Pension Plan (Continued)

##### Actuarial Methods and Assumptions (Continued)

*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.

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

Beginning of Year	ERSL (in Years)
2017	4

##### Net Pension Liability and Expense

The components of the Net Pension Liability of the Plan as of December 31, 2017 and 2016, are as follows:

	2017	2016
Total Pension Liability	\$ 11,582,254	\$ 11,087,851
Plan Fiduciary Net Position	13,017,669	10,626,848
Net Pension (Asset) Liability	\$ (1,435,415)	\$ 461,003
Plan Fiduciary Net Position as a Total Percentage of the Total Pension Liability	112.39%	95.84%

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

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#### Note 8. Pension Plan (Continued)

##### Sensitivity to Changes in the Discount Rate

The following presents the Net Pension Liability of the System calculated using the discount rate of 6.00%, 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 (5.00%) or one percentage point higher (7.00%) than the current rate (assuming all other assumptions remain unchanged):

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Net Pension Liability (Asset)	\$ (21,147)	\$ (1,435,415)	\$ (2,618,510)

#### 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 15% to 25% of dollars received. For the year ended December 31, 2017, the System has provided local funds to meet matching requirements. In future years, the System will have to provide additional local funds to meet the matching requirements of existing grants. Similar commitments existed as of December 31, 2016.

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

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#### Note 11. Self Insurance and Legal Claims

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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, 2017 and 2016, accrued claims liabilities of \$2,198,406 and \$2,030,953, respectively, were included in the Proprietary Fund's statements of net position, as follows:

	2017	2016
Current Portion	\$ 883,056	\$ 612,395
Long-Term Portion	1,315,350	1,418,558
<b>Total</b>	<b>\$ 2,198,406</b>	<b>\$ 2,030,953</b>

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, 2017 and 2016. In addition, the claims will not be paid until appropriated by the System. Changes in claims liability during the years ended December 31, 2017 and 2016, were as follows:

	2017	2016
Beginning of Year Liability	\$ 2,030,953	\$ 1,979,403
Current Year Claims and Changes in Estimates	1,563,370	1,408,052
Claim Payments	(1,395,917)	(1,356,502)
<b>End of Year Liability</b>	<b>\$ 2,198,406</b>	<b>\$ 2,030,953</b>

#### Note 12. Capital Lease Obligations

The System is the lessee of 10 Gillig transit buses under a lease agreement with Bank of America. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the inception date which was June 1, 2017. Lease terms include 14 semiannual payments of \$328,137 with interest at 2.31%. At December 31, 2017, book value of leased equipment, net of depreciation, was \$3,924,897.

## CAPITAL AREA TRANSIT SYSTEM

### Notes to Financial Statements

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#### Note 12. Capital Lease Obligations (Continued)

Changes in the capital lease liability during the years ended December 31, 2017 and 2016, were as follows:

	2017	2016
Beginning of Year Liability	\$ -	\$ 803,902
Lease Proceeds	4,217,800	-
Principal Payments	(279,210)	(803,902)
<b>End of Year Liability</b>	<b>\$ 3,938,590</b>	<b>\$ -</b>

Minimum future lease payments under these capital leases as of December 31, 2017 are:

Year Ended December 31,	Amount
2018	\$ 656,273
2019	656,273
2020	656,273
2021	656,273
2022	656,273
2023 to 2024	954,446
<b>Total Minimum Lease Payments</b>	<b>4,235,811</b>
<b>Less: Amount Representing Interest</b>	<b>(397,221)</b>
<b>Present Value of Minimum Lease Payments</b>	<b>\$ 3,838,590</b>

#### Note 13. Prior Period Adjustment

During the year ended December 31, 2017, the System found that it had incorrectly accrued maintenance expenses in the amount of \$174,785 as of December 31, 2016. The error was corrected and the comparative information for 2016 included in the financial statements has been restated.

#### Note 14. Concentrations

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

## **CAPITAL AREA TRANSIT SYSTEM**

### **Notes to Financial Statements**

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#### **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. During the year ended December 31, 2017, the System used the designated assets to fund operations. Management of the System plans to restore the designated assets during the year ending December 31, 2018.

#### **Note 16. Tax Abatements**

Louisiana Economic Development provides incentives for economic development which include an industrial ad valorem tax exemption for up to ten years. During the year ended December 31, 2017, tax abatements under the industrial tax exemption resulted in estimated total ad valorem taxes abated of \$530,000.

**REQUIRED SUPPLEMENTARY INFORMATION  
UNDER GASB STATEMENT NO. 67**

**CAPITAL AREA TRANSIT SYSTEM**  
**Required Supplementary Information Under**  
**GASB Statement No. 67**  
**Schedule of Changes in Net Pension Liability**  
**For the Years Ended December 31, 2017, 2016, and 2015**

**Schedule I**

	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service Cost	\$ 694,880	\$ 609,044	\$ 577,109	\$ 444,547
Interest	685,993	661,807	684,863	638,511
Differences Between Expected and Actual Experience	(177,108)	(141,782)	(332,043)	255,430
Changes of Assumptions	-	-	414,840	-
Benefit Payments	(534,895)	(545,869)	(507,571)	(542,297)
Refunds of Member Contributions	(174,467)	(375,062)	(348,156)	(122,221)
Other	-	9,620	1,348	-
<b>Net Change in Total Pension Liability</b>	<b>494,403</b>	<b>217,758</b>	<b>490,390</b>	<b>673,970</b>
<b>Total Pension Liability - Beginning</b>	<b>11,087,851</b>	<b>10,870,093</b>	<b>10,379,703</b>	<b>9,705,733</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 11,582,254</b>	<b>\$ 11,087,851</b>	<b>\$ 10,870,093</b>	<b>\$ 10,379,703</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Member	\$ 607,307	\$ 589,279	\$ 560,795	\$ 448,920
Contributions - Employer	684,668	669,552	649,425	515,424
Net Investment Income	1,933,099	562,303	646,520	536,268
Difference Between Projected and Actual Earnings	-	-	(885,354)	-
Benefit Payments	(534,895)	(545,869)	(507,571)	(542,297)
Refunds of Member Contributions	(174,467)	(375,062)	(348,156)	(122,221)
Administrative Expenses	(124,891)	(114,605)	(102,373)	(104,336)
Other	-	9,620	1,348	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>2,390,821</b>	<b>795,218</b>	<b>14,634</b>	<b>731,758</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>10,626,848</b>	<b>9,831,630</b>	<b>9,816,996</b>	<b>9,085,238</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 13,017,669</b>	<b>\$ 10,626,848</b>	<b>\$ 9,831,630</b>	<b>\$ 9,816,996</b>
<b>Net Pension (Asset) Liability Ending (a-b)</b>	<b>\$ (1,435,415)</b>	<b>\$ 461,003</b>	<b>\$ 1,038,463</b>	<b>\$ 562,707</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>112.39%</b>	<b>95.84%</b>	<b>90.45%</b>	<b>94.58%</b>
<b>Covered-Employee Payroll</b>	<b>\$ 8,558,350</b>	<b>\$ 8,369,400</b>	<b>\$ 8,238,063</b>	<b>\$ 6,442,800</b>
<b>Net Pension (Asset) Liability as a Percentage of Covered-Employee Payroll</b>	<b>-16.77%</b>	<b>5.51%</b>	<b>12.61%</b>	<b>8.73%</b>

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

See independent auditor's report.

**CAPITAL AREA TRANSIT SYSTEM**  
**Required Supplementary Information Under**  
**GASB Statement No. 67**  
**Schedule of Contributions**  
**For the Years Ended December 31, 2017, 2016, and 2015**

**Schedule II**

	2017	2016	2015	2014
Actuarially Determined Contribution (Determined as of the Prior Fiscal Year)	\$ 240,490	\$ 373,275	\$ 331,994	\$ 324,152
Contributions in Relation to the Actuarially Determined Contribution	684,668	669,552	649,425	515,424
Contribution Deficiency (Excess)	\$ (444,178)	\$ (296,277)	\$ (317,431)	\$ (191,272)
Covered-Employee Payroll	\$ 8,558,350	\$ 8,369,400	\$ 8,238,063	\$ 6,442,800
Contributions as a Percentage of Covered- Employee Payroll	8.00%	8.00%	7.88%	8.00%

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

See independent auditor's report.

**CAPITAL AREA TRANSIT SYSTEM**  
**Required Supplementary Information Under**  
**GASB Statement No. 67**  
**Schedule of Investment Returns**  
**For the Years Ended December 31, 2017, 2016, and 2015**

**Schedule III**

	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	16.35%	5.49%	-2.41%	5.67%

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

See independent auditor's report.

**CAPITAL AREA TRANSIT SYSTEM**  
**Notes to Required Supplementary Information Under**  
**GASB Statement No. 67**

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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, 2017											
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 (Discount Rate)	6.00%, net of pension plan investment expense, including inflation.											
Projected Salary Increases, Including Inflation and Merit Increases	<table border="0"> <thead> <tr> <th style="text-align: center;">Years of Service</th> <th style="text-align: center;">Salary Growth Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">17.00%</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">10.00%</td> </tr> <tr> <td style="text-align: center;">3 - 10</td> <td style="text-align: center;">5.25%</td> </tr> <tr> <td style="text-align: center;">11 and Over</td> <td style="text-align: center;">3.75%</td> </tr> </tbody> </table>	Years of Service	Salary Growth Rate	1	17.00%	2	10.00%	3 - 10	5.25%	11 and Over	3.75%	
Years of Service	Salary Growth Rate											
1	17.00%											
2	10.00%											
3 - 10	5.25%											
11 and Over	3.75%											
Inflation	2.50%											

See independent auditor's report.

**CAPITAL AREA TRANSIT SYSTEM**  
**Notes to Required Supplementary Information Under**  
**GASB Statement No. 67 (Continued)**

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Actuarial Assumptions (Continued)

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 62 and completed 10 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 55 and completed 15 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, since the System's size is so small, no credible experience could be established for mortality. In the absence of such experience, mortality rates for active employees were based on the RP-2000 Employee Tables with a set back of four years for males and set back of three years for females. Mortality for retirees and beneficiaries was based on the RP-2000 Combined Healthy Table with Blue Collar Adjustment projected to 2032 using Scale AA. The RP-2000 Disabled Lives Mortality Table (set back five years for males and set back three years for females) was selected for disabled annuitants.

See independent auditor's report.

**OTHER SUPPLEMENTARY INFORMATION**

**CAPITAL AREA TRANSIT SYSTEM**  
**Schedule of Compensation, Benefits, and Other Payments**  
**to Agency Head**  
**For the Year Ended December 31, 2017**

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**Agency Head**  
 Bill Deville, Chief Executive Officer

<b>Purpose</b>	<b>Amount</b>
Salary	\$181,904
Benefits - Insurance	\$6,281
Benefits - Retirement	\$0
Benefits - Cell Phone	\$744
Executive(Car) Allowance	\$3,600
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

**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, 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated April 25, 2018 .

**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. We did identify certain deficiencies that we consider to be material weaknesses which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002.

**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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 2017-001.

**Responses to Findings**

Capital Area Transit System's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the System's responses 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.



A Professional Accounting Corporation

Covington, LA  
April 25, 2018



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**REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 Uniform Guidance that could have a direct and material effect on each of the System's major federal programs for the year ended December 31, 2017. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**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 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-003.

### **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 the Uniform Guidance, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However we identified a deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-003 that we consider to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA  
April 25, 2018

**CAPITAL AREA TRANSIT SYSTEM  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017**

Federal Grantor/ Program Title	CFDA Number	Project Number	Expenditures (Repayments)
<b><u>Federal Transportation Administration</u></b>			
2008 - 2009 Job Access and Reverse Commute	20.507	LA-37-X029	\$ 115,903
2009 - 2010 Job Access and Reverse Commute	20.507	LA 37-x041	31,943
2013 Congestion Mitigation and Air Quality	20.507	LA-95-0003	674,848
2016 Congestion Mitigation and Air Quality	20.507	LA-95-4012	1,403,632
DOTD Bus Shelters	20.507	LA 95-0010	130,127
2008 Formula Grant	20.507	LA 90-0032	26,045
2013 Formula Grant	20.507	LA-90-0404	(3,422)
2015 Formula Grant	20.507	LA 90-0437	16,667
2016 Formula Grant	20.507	LA-90-0451	189,583
2017 Formula Grant	20.507	LA-2017-026	<u>2,629,669</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 5,214,995</u></b>

See accompanying notes to schedule of expenditures of federal awards.

**CAPITAL AREA TRANSIT SYSTEM**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

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**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, 2017. 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	\$ 5,651,784
Planning and Technical Study Grants	206,250
Capital Contributions	1,090,107
Less Reimbursement for Expenditures in Prior Years	<u>(1,733,146)</u>
<b>Total Expenditures of Federal Awards</b>	<b><u>\$ 5,214,995</u></b>

**CAPITAL AREA TRANSIT SYSTEM**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2017**

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**Part I - Summary of Auditor's Results**

Financial Statements

- |  |            |
|--|------------|
| 1. Type of auditor's report issued:                          | Unmodified |
| 2. Internal control over financial reporting:                |            |
| a. Material weaknesses identified?                           | Yes        |
| b. Significant deficiencies identified?                      | No         |
| 3. Noncompliance material to the financial statements noted? | No         |

Federal Awards

- |   |            |
|---|------------|
| 1. Internal control over major programs:  |            |
| a. Material weaknesses identified?  | No         |
| 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 the Uniform Guidance: | Yes        |
| 5. Identification of major programs:  |            |

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.507	Transit Formula Grants

- |   |           |
|---|-----------|
| 6. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 7. Auditee qualified as low-risk auditee?                                   | No        |

**CAPITAL AREA TRANSIT SYSTEM**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended December 31, 2017**

---

**Part II - Financial Statements Findings**

**2017-001 Timely Deposit of Terminal Receipts**

*Criteria:* Effective controls over cash receipts require that monies be safeguarded and deposited on a timely basis. Louisiana Revised Statute 39:1212 requires that all deposits shall be deposited daily whenever practicable.

*Condition:* During our testing of cash collections, we noted that terminal receipts were not being deposited on a daily basis.

*Cause:* Terminal receipts are deposited into the safe at the terminal, but bank deposit of collections was delayed.

*Effect:* Noncompliance with Louisiana Revised Statute 39:1212.

*Recommendation:* In 2017, management instituted procedures whereby terminal receipts would be counted in the same manner as bus fares. We recommend that management monitor collections to ensure that terminal receipts are deposited timely.

*Management's Response:* CATS is actively monitoring the results of the new procedures written in 2017, where terminal receipts are being counted in the same manner as bus fares in CATS' money room. The terminal count report and a copy of the terminal deposit slip are emailed to the Director of Finance on a daily basis, immediately after the terminal money count is complete. In addition, CATS has been receiving daily reports from the bank confirming the deposits. This new verification procedure ensures that terminal deposits are made daily. The finding is expected to be formally closed by July 1, 2018.

**2017-002 Testing of Payroll Disbursements**

*Criteria:* Proper controls over payroll require that personnel files be updated on a timely basis.

*Condition:* We performed a test of 30 payroll disbursements. Of the 30 disbursements tested, we noted that the pay rate for 14 employees was different from that in the personnel file.

*Cause:* Unknown.

*Effect:* Ineffective internal controls over personnel files.

**CAPITAL AREA TRANSIT SYSTEM**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended December 31, 2017**

---

*Recommendation:* We recommend that the System adopt policies and procedures to ensure that internal controls are effective over payroll and that pay rates per the personnel files are updated and agree to actual pay rate.

*Management's Response:*

CATS' Controller will conduct a complete review of all active personnel files in August 2018 to verify that required documentation in each personnel file matches data on its payroll documentation. This will correct all prior documentation by September 1, 2018.

CATS is developing procedural checklists for the Human Resources Department personnel to use for completing processes. Each checklist will include each item that is required to be obtained or developed for that process. When an item has been appropriately handled, the employee completing that task will sign his/her name next to the task to identify who has performed the task. When all tasks on the checklist have been completed, the checklist will be filed in the appropriate personnel file. This checklist will ensure that documentation is correctly gathered and maintained in the files going forward.

The Controller will conduct semi-annual reviews of controls in the Human Resources Department. Each review will conclude with a written report to the Chief Administrative Officer.

**CAPITAL AREA TRANSIT SYSTEM**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended December 31, 2017**

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**Part III - Findings and Questioned Costs for Federal Awards**

**2017-003 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 recommendation by item number was 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:* CATS has been working on finding the most cost effective solution to this finding. The Chief Administrative Officer has indicated that the proposed resolution to this item will be brought to the Board at its July 2018 meeting.

**CAPITAL AREA TRANSIT SYSTEM**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2017**

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**2016-001 Theft of Terminal Receipts**

This finding has been partially resolved. See current year finding 2017-001.

**2016-002 Possible Violation of Article 7 Section 14 of the Louisiana Constitution**

This finding has been resolved.

**2016-003 Testing of Payroll Disbursements and Paid Time Off (PTO)**

This finding has been partially resolved. See current year finding 2017-002.

**2016-004 Financial Management Oversight Review (CFDA 20.507)**

This finding has not been resolved. See current year finding 2017-003.

2250 Florida Boulevard  
Baton Rouge, LA 70802  
PHONE: 225.389.8920

**CONTACT**

**Darrell Brown**  
*Chief Administrative Officer*  
dbrown@brcats.com

**Rhonda M. Williams**  
*Director of Finance*  
rwilliams@brcats.com

brcats.com



May 11, 2018

Mr. John Murray  
Director – Audit  
LaPorte CPA's and Business Advisors  
Covington, LA

Dear Mr. Murray:

Please accept this letter as satisfaction regarding the Federal Clearinghouse request to itemize the federal finding regarding the insurance of rolling stock. The material audit item, 2017-003 is addressed as follows:

- The insurance coverage provided does not address rolling stock.

Management has experienced turnover in key positions. Currently the Chief Administrative Officer has undertaken the task of addressing this issue and is in the process of identifying the most cost effective means to satisfying the finding. CATS is projected to bring this item to a resolution at the July 2018 Board meeting.

Please contact me should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Darrell Brown", written over a white background.

Darrell Brown  
Chief Administrative Officer  
Capital Area Transit System

A handwritten signature in black ink, appearing to read "Rhonda M. Williams", written over a white background.

Rhonda M. Williams  
Director of Finance  
Capital Area Transit System



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April 25, 2018

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

In planning and performing our audit 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, as of and for the years ended December 31, 2017 and 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Capital Area Transit System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on Capital Area Transit System's internal control. Accordingly, we do not express an opinion on the effectiveness of Capital Area Transit System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control. 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. We identified the following control deficiencies:

#### 2017-001 Controls over Credit Card Transactions

During our testing of credit card transactions, we identified 4 transactions out of a total of 15 tested did not have supporting documentation. In addition, we noted that 3 transactions out of a total of 15 tested did not have documentation of business purpose.

#### **Recommendation**

We recommend that management match supporting documentation to the credit card statement to ensure that supporting documentation is present for all credit card charges and that business purpose of charge is documented. We further recommend that management institute a credit card charge form for each charge which identifies business purpose as well as provides for signature of approval by supervisory personnel.

#### **Management's Response**

CATS' Board has approved a new credit card policy which requires that individuals using CATS' credit cards annually sign an agreement indicating they accept the terms of the credit card policy. The policy guidelines ensure that adequate supporting documentation and approvals are collected before payment is made on the credit card account. This finding has been corrected.

#### 2017-002 Accounts Receivable Aging

During our testing of accounts receivable, we noted that there were 23 receivable balances that were over 90 days. Management has been pursuing collections of accounts over 90 days. During our inquiry of management, it was noted that the accounts receivable aging report had not been updated and reviewed on a monthly basis during the year.

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**Recommendation**

We recommend that management continue to pursue collection and that management review accounts receivable aging report and send out statements to customers on a monthly basis.

**Management's Response**

Management agrees with this finding and will be developing new procedures in Financial Edge, CATS' new financial reporting package, to correct this finding. One individual has been assigned the responsibility of entering all accounts receivable data in the system monthly and a separate person will be responsible for ensuring that all receivables are collected within a 90 day period. These procedures will be completed by October 1, 2018.

2017-003 Pension Plan Data Retention

During our testing of participant data for the Pension Plan, we noted that out of 25 participants tested, 2 did not have a completed beneficiary form in their file, 2 did not have a completed personnel history form in their file, and 1 did not have a completed pension information form in their file.

**Recommendation**

We recommend that management review participant data to determine that required participant data and forms are maintained in participant's file.

**Management's Response**

CATS' Controller will conduct a complete review of all active personnel files in August 2018 to verify that required pension plan data has been placed in each personnel file. This will correct all prior documentation by September 1, 2018.

CATS is developing procedural checklists for the Human Resources Department personnel to use for completing processes. Each checklist will include each item that is required to be obtained or developed for that process. When an item has been appropriately handled, the employee completing that task will sign his/her name next to the task to identify who has performed the task. When all tasks on the checklist have been completed, the checklist will be filed in the appropriate personnel file. This checklist will ensure that documentation is correctly gathered and maintained in the files going forward.

The Controller will conduct semi-annual reviews of controls in the Human Resources Department. Each review will conclude with a written report to the Chief Administrative Officer.

This communication is intended solely for the information and use of management, the Board of Commissioners, and the Louisiana Legislative Auditor and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,



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## AGREED-UPON PROCEDURES REPORT Capital Area Transit System

### Independent Accountant's Report On Applying Agreed-Upon Procedures

For the Period January 1, 2017 - December 31, 2017

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

We have performed the procedures enumerated below, which were agreed to by Capital Area Transit System (the System), on the control and compliance (C/C) areas identified in the System's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year January 1, 2017 through December 31, 2017. The System's management is responsible for those C/C areas identified in the SAUPs.

The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated results are as follows:

#### ***Written Policies and Procedures***

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1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) **Disbursements**, including processing, reviewing, and approving.
  - d) **Receipts**, including receiving, recording, and preparing deposits.

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- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: The System's written policies and procedures address each of the financial/business functions listed above in items a) through j) with the following exception. We noted that the contracting policy did not address item (3).

Management's Response: CATS' attorney developed a template for the Procurement Department staff to use to write its contracts. This template provides the format to be used for contracts and also ensures that all needed documents are included in each contract. CATS will insert in its procurement procedures that the Procurement Department will seek legal review on an "as-needed" basis. This procedure update will be completed by October 1, 2018

***Board (or Finance Committee, if applicable)***

---

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
  - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
  - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
    - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
  - c) Report whether the minutes referenced or included non-budgetary financial information (e.g., approval of contracts and disbursements) for at least one meeting during the fiscal period.

Results: This System met monthly. The System's board discussed financial performance during the meeting. The System's board discussed non-budgetary financial information at the meeting. We noted that a financial report was presented to the Board at each meeting which included a budget-to-actual comparison.

### ***Bank Reconciliations***

---

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

Results: Obtained a listing of client bank accounts from management and management's representation that the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than five accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared
- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Results: Selected all bank accounts and noted that all bank reconciliations have been prepared. We noted that the CFO, who is an authorized check signer, reviewed all bank reconciliations for the months of January through August. We noted that for the bank statements for the months of September through December, there was no documentation of review. The documentation contained evidence reflecting there was research of reconciling items that have been outstanding for more than 6 months.

Management's response: CATS has developed a new format/procedure whereby bank reconciliations will be completed online on its new financial reporting software package, Financial Edge. The review and approval of each reconciliation will also be completed online.

Reconciling items will be reviewed monthly and all reconciling items will be handled within three months.

This new procedure will be completed by October 1, 2018.

### ***Collections***

---

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

Results: Obtained a listing of cash/check/money order collection locations from management and management's representation that the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than five locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**
- a) Obtain existing written documentation (e.g., insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
  - b) Obtain existing written documentation (e.g., sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
  - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
    - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
    - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Results: Employees who handle cash collections are covered by a dishonesty insurance policy. We noted that the System has a formal process which consists of the monthly bank reconciliation. In addition, there is a reconciliation performed daily of bus fares processed by the bus fare collection system (Genfare) and the amount deposited in the bank. We were unable to select the highest week of collection so we selected the highest month (May) and tested all of the collections in that month. For each collection, we traced to deposit slip, bank statement, and to source documentation without exception. For the 105 collections tested, we noted that 6 items were deposited within one day of collection; for 11 items we were unable to determine the date of collection; and for 88 items the number of days from receipt to deposit ranged from 2 to 18 days.

Management's Response: CATS is actively monitoring the results of the new procedures written in 2017, where terminal receipts are being counted in the money room in the same manner as bus fares. Daily the terminal count report and a copy of the terminal deposit slip are emailed to the Director of Finance, immediately after the terminal money count is complete, as a confirmation. In addition, CATS has been receiving daily reports from the bank confirming daily deposits. This new verification procedure ensures terminal deposits are made daily. The finding is expected to be formally closed by July 1, 2018.

7. Obtain existing written documentation (e.g., policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Results: The System has a process specifically defined to determine completeness of the collection of funds by a person who is not responsible for collections.

***Disbursements - General (excluding credit card/debit card/fuel card/P-Card purchases or payments)***

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8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Results: Obtained a listing of disbursements from management and management's representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g., purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
  - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
  - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
  - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice

Results: The supporting documentation for the 25 randomly selected disbursements demonstrated each of the required elements in a), b), and c) listed above with the exception of 3 purchase orders that were not approved and 2 invoices that were not approved. We noted that for each of the 5 disbursements, authorized signers manually signed the checks.

Management's Response: CATS started using a new financial reporting software package, Financial Edge, on January 1, 2018. This software package requires all purchase requisitions and invoices to be approved in the system before a check is cut to the vendor. The new system will require that supporting documentation for each payment is uploaded in the system. This finding is considered to be closed at this time.

10. Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Results: The person responsible for processing payments does have the ability to add vendors to the System's purchasing/disbursement system.

Management's Response: The person responsible for printing checks from the new accounting software package, Financial Edge, does have the ability to add vendors to the system. However, CATS has controls in place to mitigate this risk. Financial Edge has a system prompt that notifies the Director of Finance when a vendor name has been added or edited. All payment documents go through a three tier level review and approval before a check can be printed. After checks are printed, CATS requires two check signers on each check. These controls ensure the appropriateness of each payment. This finding is considered to be closed.

11. Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Results: The persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Results: No exceptions noted as a result of the procedure performed.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Results: No exceptions noted as a result of the procedure performed.

#### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: Obtained a listing of all active cards from management and management's representation that the listing is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Results: There was evidence that the monthly statements were reviewed. However, there was no documentation of approval in writing, by someone other than the authorized card holder. There was a finance charge for one credit card in the amount of \$37.88 on the selected statement.

Management's response: For 2018, CATS has implemented an improved budget and financial analysis procedure, which has provided a more realistic spending review and approval plan. CATS has started using new accounting software, which will provide enhanced controls. Aging alerts will be part of the new system. CATS' Board of Commissioners has approved a new policy that requires invoice payments to be made within 30 days. This finding will be closed as of July 1, 2018.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e., each of the 10 cards should have one month of transactions subject to testing).
  - a) For each transaction, report whether the transaction is supported by:
    - An original itemized receipt (i.e., identifies precisely what was purchased).
    - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
    - Other documentation that may be required by written policy (e.g., purchase order, written authorization).
  - b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e., transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
  - c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., cash advances or non-business purchases, regardless of whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Results: Of the 16 credit card transactions tested, 4 charges did not have support and 3 charges did not have documentation of business purpose.

Management's Response: CATS' Board has approved a new credit card policy which requires that individuals using CATS' credit cards annually sign an agreement indicating they accept the terms of the credit card policy. The policy guidelines ensure that adequate supporting documentation and approvals are collected before payment is made on the credit card account. This finding has been corrected.

### ***Travel and Expense Reimbursement***

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17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Results: We obtained a list of travel and related expenses by employee and obtained management's representation that the listing is complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

Results: We obtained the System's travel policy and we noted that the mileage is reimbursed at the IRS rate. Lodging and meals are reimbursed based on actual costs up to \$60 per day for meals and up to \$200 per day for lodging.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
- b) Report whether each expense is supported by:
  - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
  - Documentation of the business/public purpose. (Note: For meal charges, there should also be documentation of the individuals participating.)
  - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: We noted no exceptions in performing these procedures.

### **Contracts**

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- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Results: Obtained a listing of all contracts in effect during the fiscal year from management and management's representation that the listing is complete.

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
  - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
  - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g., Lawrason Act or Home Rule Charter).

Results: Written contracts were obtained for each of the five vendors selected for testing. We noted that one of the contracts was subject to the Public Bid Law. We noted that one contract for a series of bus purchases was bid in 2015 and bus purchases in 2017 were made at the price that was bid in 2015. We noted that one contract was for paratransit services for which the procurement was done by RFP. The award under the RFP was awarded subsequent to year-end.

We noted that three contracts were amended during the year. One of the amendments was for managing self-insured claims for bus liability and workmen's compensation. We noted that this contract was at similar terms as the original. One of the amendments was an extension for contract management of bus shelter construction which resulted in an increase of \$69,630. For the aforementioned paratransit contract, we noted that the amendment increased the paratransit hourly rate from \$34.00 to \$39.35. This increase was approved by the System's Board of Commissioners.

We noted that each contract and each amendment was approved by the Board of Commissioners. We noted that the largest payment for each contract was supported by an invoice and payment terms were in compliance with the contract.

We noted that the paratransit contract was not signed by the vendor but service continued throughout the year. However, in the opinion of legal counsel, the previous contract remained in effect.

### ***Payroll and Personnel***

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22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
  - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Results: Obtained the listing of employees with their related salaries and management's representation that the listing is complete. The compensation paid to the five selected employees was in accordance with the terms and conditions of the employment contract or pay rate structure and any changes made to pay rate during the fiscal year were approved in writing and in accordance with written policy.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Results: All of the documentation listed in items a) and c) above were present for the 25 employees randomly selected. We noted that for 11 of 25 employees, the written documentation of attendance was not signed by the employee's supervisor.

Management's Response: CATS' Board has approved a new time and attendance policy which requires attendance documentation for payroll purposes be signed by the employee and approved by the supervisor. CATS has had a change in leadership in the Finance Department. The new Director of Finance has provided new written procedures indicating that effective immediately, no payroll for an employee will be processed without the proper signature and approval on the time sheet. A written notification was sent to all employees advising them of this new directive. This finding will be formally closed by September 1, 2018.

- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Results: Obtained the listing of employees terminated during the fiscal year and management's representation that the listing is complete. The two largest payments selected were made in accordance with policy.

- 25. Obtain supporting documentation (e.g., cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Results: The employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

***Ethics (excluding nonprofits)***

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- 26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Results: We noted that 1 of the 5 employees did not provide documentation that they completed the ethics training.

Management's Response: CATS' Controller has been appointed to be Ethics Officer for 2018. The Controller and the Chief Administrative Officer have signed up for Ethics Seminar training for Liaison personnel which will be held on August 22, 2018. New procedures for handling this process will be written and approved by CATS' Executive Policy Committee. This finding will be closed by December 31, 2018.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Results: Management was not aware of any ethics violations in 2017.

#### ***Debt Service (excluding nonprofits)***

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28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Results: The System entered into a capital lease for the purchase of buses. We noted that the lease contained a non-appropriation clause.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Results: The System has no debt other than one capital lease.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Results: The System's only tax millage is not related to debt service.

#### ***Other***

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: Our inquiry of management regarding misappropriations of public funds or assets identified no such instances of misappropriations.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.la.gov/hotline](http://www.la.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: The System has posted the notice required by R.S. 24:523.1.

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

Results: No exceptions noted regarding management's representations.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not perform, an examination or review, the objective of which would be the expression of an opinion or conclusion. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Capital Area Transit System and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA  
April 25, 2018

To: Lorraine Dendinger <ldendinger@laporte.com>,  
Cc: John Murray <jmurray@laporte.com>,  
Bcc:  
Subject: Re: Resubmission of Capital Area Transit System for year ended December 31, 2017 ID#8075 SP [Original was issued on 6/6/18]  
This message will be sent with a digital signature.

Received Report.

Thanks,

Local Government Services  
Louisiana Legislative Auditor  
1600 N. 3rd Street (70802)  
P. O. Box 94397  
Baton Rouge, La 70804-9397  
Phone: 225-339-3800 | Fax: 225-339-3986

Lorraine Dendinger | Please see the attached letter of explanation fo... | 06/12/2018 02:22:03 PM

From: Lorraine Dendinger <ldendinger@laporte.com>  
To: 'e reports' <ereports@lla.state.la.us>,  
Cc: John Murray <jmurray@laporte.com>  
Date: 06/12/2018 02:22 PM  
Subject: Resubmission of Capital Area Transit System for year ended December 31, 2017 ID#8075 SP [Original was issued on 6/6/18]

Please see the attached letter of explanation for our resubmission and the attached revised financial statements.

Sincerely,  
Rani Dendinger



**Lorraine Dendinger**  
Audit Administrative Assistant

**Phone** 985-892-5850x3563  
**Fax** 985-871-5035

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