

CAPITAL AREA TRANSIT SYSTEM EMPLOYEES' PENSION FUND

Management's Discussion and Analysis
and Financial Statements

December 31, 2020 and 2019



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Independent Auditor's Report

To the Board of Trustees
Capital Area Transit System
Employees' Pension Fund

Report on Financial Statements

We have audited the accompanying financial statements of Capital Area Transit System Employees' Pension Fund (the Plan) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of and for the years ended December 31, 2020 and 2019, and the related statements of changes in fiduciary net position 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 4, and the required supplementary information under Governmental Accounting Standards Board (GASB) Statement No. 67, beginning on page 25, 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plan's basic financial statements. The schedule of compensation, benefits, and other payments to agency head 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2021, on our consideration of Capital Area Transit System Employees' Pension 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Capital Area Transit System Employees' Pension Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

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

A Professional Accounting Corporation

Baton Rouge, LA
April 16, 2021

CAPITAL AREA TRANSIT SYSTEM EMPLOYEES' PENSION FUND

Management's Discussion and Analysis

This discussion of Capital Area Transit System Employees' Pension Fund (the Plan) financial statements provides an overview and analysis of the Plan's financial position and activities for the year ended December 31, 2020. Please read it in conjunction with the Plan's financial statements and related notes.

Financial Highlights

The Plan's net position was \$18.4 million and \$15.9 million as of December 31, 2020 and 2019, respectively.

The net position increased by \$2.5 million (or 16%) from the reported December 31, 2019 balances, and increased by \$3.4 million (or 27%) from December 31, 2018 to December 31, 2019. The net increase in 2020 is primarily due to investment market performance.

The average overall rate of return on investments for the year was a positive 12.5% on a fair value basis for the year ended December 31, 2020, compared to last year's positive 21.2%. Factors affecting the rate of return include changes in world equity markets during the last two years. Overall rates of return are also affected by the amounts and timing of participant and employer contributions and participant distributions throughout the plan year.

The Plan's investments offered to participants consist of U.S. treasury and agency bonds, corporate bonds, corporate stocks, equity mutual funds, and annuities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements. The annual report is comprised of three components: 1) the Plan's financial statements, 2) the notes to the financial statements, and 3) the required supplementary information (management's discussion and analysis and required supplementary information under Governmental Accounting Standards Board (GASB) Statement No. 67). The information available in each of the first two components is summarized as follows:

Financial Statements

The statements of fiduciary net position present information on the Plan's assets, liabilities, and the resulting net position held in trust for benefit of the Plan's participants. These statements reflect the Plan's investments at estimated fair value, along with cash and other assets and liabilities as applicable. These statements indicate the net position available to pay future benefits and give a snapshot of the Plan's financial position at a particular point in time.

CAPITAL AREA TRANSIT SYSTEM EMPLOYEES' PENSION FUND

Management's Discussion and Analysis

The statements of changes in fiduciary net position present information showing how the Plan's net position held in the trust changed during the years ended December 31, 2020 and 2019. They reflect contributions by the Plan Sponsor (Capital Area Transit System), along with deductions for benefits paid to participants upon retirement or other separation of employment.

Investment income is also presented showing income from the Plan's investments.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the Plan's financial statements.

Financial Analysis

Total assets of the Plan were \$18.4 million as of December 31, 2020, compared with \$15.9 million as of December 31, 2019, and \$12.5 million as of December 31, 2018. The Plan's invested assets consist principally of U.S. treasury and agency bonds, corporate bonds, corporate stocks, equity mutual funds, and annuities. The Plan has not reported any liabilities during 2020, 2019, and 2018.

A summary of the Plan's fiduciary net position for each of the last three years is presented below:

	December 31,		
	2020	2019	2018
Assets			
Cash and Cash Equivalents	\$ 650,917	\$ 1,106,295	\$ 1,727,476
Receivables	58,374	59,419	75,649
Investments at Estimated Fair Value	17,727,487	14,732,937	10,735,239
Total Assets	18,436,778	15,898,651	12,538,364
Net Position - Restricted for Pension Benefits	\$ 18,436,778	\$ 15,898,651	\$ 12,538,364

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND**

Management's Discussion and Analysis

A summary of the changes in fiduciary net position during the years ended December 31, 2020, 2019, and 2018 follows:

	December 31,		
	2020	2019	2018
Additions			
Employer Contributions	\$ 726,785	\$ 719,883	\$ 720,360
Employee Contributions	639,979	636,414	604,736
Net Investment Income (Loss)	2,143,824	3,014,272	(803,684)
Total Additions, Net	3,510,588	4,370,569	521,412
Deductions			
Benefits Paid to Participants, Including			
Refunds of Member Contributions	830,563	859,896	852,316
Administrative Expenses	141,898	150,386	148,401
Total Deductions	972,461	1,010,282	1,000,717
Increase (Decrease) in Net Position	\$ 2,538,127	\$ 3,360,287	\$ (479,305)

The Plan's increase (decrease) in net position during the plan years ended December 31, 2020, 2019, and 2018 reflect a net increase of \$2.5 million, a net increase of \$3.4 million, and a decrease of \$0.5 million, respectively, which represent the Plan's net investment income or loss for those years, contributions from the Plan Sponsor, net of distributions, and other benefits paid to plan participants. For the years ended December 31, 2020, 2019, and 2018, the Plan's investments earned income at rates comparable to those of the underlying securities and/or stated interest rates.

The Plan's changes in net position, as shown above, also reflect approximately \$0.7 million of employer contributions in the Plan for each of the years ended December 31, 2020 and 2019, and \$0.6 million of employee contributions in the Plan for each of the years ended December 31, 2020 and 2019. The employer contributions and employee contributions were calculated as a percentage of eligible salaries based on the rates established in the collective bargaining agreement. Employer contributions and employee contributions have remained fairly consistent with only minor fluctuations in the years ended December 31, 2020, 2019, and 2018. Benefits paid to participants primarily include retirement benefits and payments and rollovers of the vested account balances of participants withdrawing from participation in the Plan upon termination of employment with Capital Area Transit System. The number of participants who received benefit payments remained fairly consistent with only minor fluctuations in the years ended December 31, 2020, 2019, and 2018.

Requests for Additional Information

If you have questions concerning any of the information provided herein or requests for additional financial information, contact Capital Area Transit System at (225) 389-8920.

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND**
Statements of Fiduciary Net Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and Cash Equivalents	<u>\$ 650,917</u>	<u>\$ 1,106,295</u>
Receivables		
Employer Contribution Receivable	27,143	28,724
Employee Contribution Receivable	<u>31,231</u>	<u>30,695</u>
Total Receivables	<u>58,374</u>	<u>59,419</u>
Investments at Estimated Fair Value		
Equities	15,712,806	12,897,127
Fixed Income	930,658	882,299
Annuities	<u>1,084,023</u>	<u>953,511</u>
Total Investments at Estimated Fair Value	<u>17,727,487</u>	<u>14,732,937</u>
Total Assets	<u>18,436,778</u>	<u>15,898,651</u>
Net Position Restricted for Pensions	<u>\$ 18,436,778</u>	<u>\$ 15,898,651</u>

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

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND**
Statements of Changes in Fiduciary Net Position
For the Years Ended December 31, 2020 and 2019

	2020	2019
Additions		
Contributions		
Employer Contributions	\$ 726,785	\$ 719,883
Employee Contributions	639,979	636,414
Total Contributions	1,366,764	1,356,297
Investment Income		
Net Appreciation in Fair Value of Investments	2,101,092	2,929,326
Interest and Dividends	209,829	239,424
Class Action Settlements	3,603	80
Less Investment Expense	(170,700)	(154,558)
Total Net Investment Income	2,143,824	3,014,272
Total Additions, Net	3,510,588	4,370,569
Deductions		
Benefits Paid to Participants, Including Refunds of Member Contributions	830,563	859,896
Administrative Expenses	141,898	150,386
Total Deductions	972,461	1,010,282
Net Increase in Net Position	2,538,127	3,360,287
Net Position Restricted for Pensions, Beginning of Year	15,898,651	12,538,364
Net Position Restricted for Pensions, End of Year	\$ 18,436,778	\$ 15,898,651

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

CAPITAL AREA TRANSIT SYSTEM EMPLOYEES' PENSION FUND

Notes to Financial Statements

Note 1. Description of the Plan

The following description of Capital Area Transit System Employees' Pension Fund (the Plan) provides only general information. Participants should refer to the Plan adoption agreement and the relevant Summary Plan Descriptions of the Plan, which are made available to all participants, for a complete description of the Plan's provisions.

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

Capital Area Transit System Employees' Pension Trust Fund is included as a component unit within the financial statements of the System. Capital Area Transit System Employees' Pension Trust Fund 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.

General

The Plan is a single-employer, defined benefit pension plan that provides pensions for all employees of Capital Area Transit System (CATS) covered by the collective bargaining agreement. The Plan is intended to satisfy all of the requirements for a qualified retirement plan under the appropriate provisions of the Internal Revenue Code (IRC) and similar state tax laws.

The Plan is classified as a governmental plan and is not subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan, accordingly, does not file Form 5500, which was developed by the Internal Revenue Service, Department of Labor, and the Pension Benefit Guaranty Corporation to satisfy the reporting requirements of the Internal Revenue Service (IRS) and ERISA.

Eligibility

Any individual employed by 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 are eligible to participate in the Plan.

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND**

Notes to Financial Statements

Note 1. Description of the Plan (Continued)

Plan Membership

At December 31, 2020 and 2019, pension plan membership consisted of the following:

	2020	2019
Inactive Plan Members or Beneficiaries		
Currently Receiving Benefits	78	76
Inactive Plan Members Entitled to but not yet Receiving Benefits	148	138
Active Plan Members	193	200
Total	419	414

Contributions

According to the Plan Document, all contributions required to fund the Plan, on a sound actuarial basis, will be made by the employer and each participating employee as determined under the collective bargaining agreement. All benefits will be provided from the Plan, and will be attributable to employer and employee contributions. Contributions are expressed as a percentage of covered payroll. The contribution rates in effect for the years ended December 31, 2020 and 2019 were 8% for CATS and 7% for covered employees. The employer contributions for the years ended December 31, 2020 and 2019 were \$726,785 and \$719,883, respectively.

Contributions are remitted to the custodian in conjunction with the bi-weekly payroll periods and are invested in accordance with the provisions of the Plan.

Benefits Provided

Through December 31, 2018, a participating employee was eligible to receive a normal retirement benefit on the first of the month after which the employee has attained age sixty-two and completed ten years of service. On January 1, 2019, the Plan was amended to change the normal retirement eligibility criteria to the first of the month after which the employee has attained age sixty-two and completed seven years of service. The 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
EMPLOYEES' PENSION FUND**

Notes to Financial Statements

Note 1. Description of the Plan (Continued)

Benefits Provided (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 were 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.

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.

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

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

In the event of the death of an active 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.

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND**

Notes to Financial Statements

Note 1. Description of the Plan (Continued)

Benefits Provided (Continued)

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 his estate or named beneficiary.

Deferred Retirement Option Program

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

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

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND**

Notes to Financial Statements

Note 1. Description of the Plan (Continued)

Deferred Retirement Option Program (Continued)

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

The Plan had no participants in DROP as of December 31, 2020 and 2019.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared in accordance with standards established by the Governmental Accounting Standards Board (GASB). These financial statements include the provisions of GASB Statement No. 34, *Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments*, and related standards.

The financial statements of Capital Area Transit System Employees' Pension Fund have been prepared on the accrual basis of accounting. Contributions from CATS and its employees are recognized as revenue in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Interest and dividend income is recognized when earned. Under the Governmental Accounting Standards Board's Accounting Standards Codification, the Plan's investment contract is required to be reported at fair value.

Use of 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, liabilities, and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of additions to and deductions from net position restricted for benefits during the reporting period. Actual results could differ from those estimates.

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies

Use of Estimates (Continued)

The Plan utilizes various investment instruments, which, by nature, are exposed to a variety of risk levels and risk types, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of the investment securities will occur in the near-term, and those changes could materially affect the amounts reported in the statement of fiduciary net position.

New Accounting And Reporting Pronouncements

The GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Plan implemented GASB Statement No. 84 in the year ended December 31, 2020. The primary impact of the pronouncement was changes to the presentation of the statement of fiduciary net position and the statement of changes in fiduciary net position.

Investments

Investment Policy

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

The following was the Board's adopted asset allocation policy as of December 31, 2020 and 2019:

Asset Class	Target Allocation
Domestic Large Cap Growth Equity	15%
Domestic Large Cap Value Equity	15%
Domestic Small to Mid Cap Growth Equity	8%
International Equity	15%
Domestic Investment Grade Fixed Income	25%
Convertible Bonds	10%
Cash and Cash Equivalents	10%
Real Estate Investment Trusts	2%
Total	100%

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investments (Continued)

Rate of Return

For the years ended December 31, 2020 and 2019, the annual money-weighted rate of return pension plan investments, net of pension plan investment expense, was 12.5% and 21.2%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The components of the net pension liability as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Total Pension Liability	\$ 14,266,902	\$ 13,362,387
Plan Fiduciary Net Position	<u>18,436,778</u>	<u>15,898,651</u>
Net Pension Asset	<u>\$ (4,169,876)</u>	<u>\$ (2,536,264)</u>
Plan Fiduciary Net Position as a Total Percentage of the Total Pension Liability	<u>129.23%</u>	<u>118.98%</u>

Actuarial Methods and Assumptions

The Total Pension Liability is based on the Individual Entry Age Normal actuarial cost method as described in GASB Statement No. 67. Calculations were made as of December 31, 2020 and were based on December 31, 2020 data. The current year actuarial assumptions utilized are based on the assumptions used in the December 31, 2020 actuarial funding valuation which were based on the results of an actuarial experience study performed in 2020. The prior year actuarial assumptions utilized were based on the assumptions used in the December 31, 2019 actuarial funding valuation which (with the exception of mortality) were based on the results of an actuarial experience study performed in 2005, unless otherwise specified. All assumptions selected were determined to be reasonable and represent expectations of future experience for the fund.

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Actuarial Methods and Assumptions (Continued)

The Total Pension Liability was determined by an actuarial valuation as of December 31, 2020 and 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2020		December 31, 2019	
Actuarial Cost Method	The Individual Entry Age Normal		The Individual Entry Age Normal	
Asset Valuation Method	The actuarial value of assets has been set equal to the market value of assets.		The actuarial value of assets has been set equal to the market value of assets.	
Inflation	2.10%		2.10%	
	<u>Years of Service</u>	<u>Salary Growth Rate</u>	<u>Years of Service</u>	<u>Salary Growth Rate</u>
Projected Salary Increases, Including Inflation and Merit Increases	1 - 2	14.50%	1	17.00%
	3 - 10	5.75%	2	10.00%
	11 and Over	4.25%	3 - 10	5.25%
			11 and Over	3.75%
Investment Rate of Return (Discount Rate)	5.75%, net of pension plan investment expense, including inflation.		5.75%, net of pension plan investment expense, including inflation.	

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

Mortality rates for the actuarial valuation as of December 31, 2019 for active employees, were based on the RP-2000 Employee Tables with a setback of four years for males and a 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
EMPLOYEES' PENSION FUND**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Actuarial Methods and Assumptions (Continued)

In order to determine future expected returns, standard deviation of returns, and correlations between asset classes, forecast information from the Plan's investment consultant and other national investment consultants was gathered. From these forecasts, an average estimated real rate of return for key asset classes was compiled along with average expected standard deviations and correlations. The target asset allocations of the Plan's investment consultant were combined with the consultant average expected returns, standard deviations, and correlations in order to produce an expected geometric rate of return for the portfolio over a long-term period (i.e., 30 years). It was determined that a reasonable range for the assumed rate of return was 5.56% to 6.93%, with a net portfolio adjusted nominal expected rate of return of 6.23%. For the 2020 and 2019 valuations, the Board elected to use the rate of 5.75%, which lies within the reasonable range. The average assumed long-term inflation rate was 2.10%. This was added to the real rates of return to determine expected long-term nominal rates of return for each asset class. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2020 are summarized in the following table:

	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	-0.27%
U.S. Core Fixed Income	0.97%
U.S. Investment Grade Corporate Fixed Income	1.57%
U.S. Large Cap Equities	5.78%
U.S. Small/Mid Cap Equities	6.13%
International Developed Equities	6.44%
Emerging Market Equities	8.64%

Discount Rate - The discount rate used to measure the total pension liability was 5.75% at December 31, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that CATS contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Actuarial Methods and Assumptions (Continued)

Sensitivity to Changes in the Discount Rate - The following presents the net pension asset of CATS calculated using the discount rate of 5.75%, as well as what the CATS net pension asset would be if it were calculated using a discount rate that is one percentage point lower (4.75%) or one percentage point higher (6.75%) than the current rate (assuming all other assumptions remain unchanged):

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
Net Pension Asset	\$ (2,291,722)	\$ (4,169,876)	\$ (5,729,240)

Expected Remaining Service Lives - The effects of certain other changes in the net pension asset are required to be included in pension expense over the current and future periods. The effects of the Total Pension Liability of (1) changes of economic and demographic assumptions or of other inputs, and (2) differences between expected and actual experience, are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the Plan (active 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 and previous years are:

Beginning of Year	ERSL (in Years)
2020	3
2019	3

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND**

Notes to Financial Statements

Note 3. Cash and Cash Equivalents and Investments

Cash and Cash Equivalents

The Plan's cash and cash equivalents consisted of the following as of December 31, 2020 and 2019:

December 31, 2020	Fiduciary Pension Trust Fund	Total
Money Market Accounts	\$ 650,917	\$ 650,917
Total Cash and Cash Equivalents	\$ 650,917	\$ 650,917
December 31, 2019	Fiduciary Pension Trust Fund	Total
Money Market Accounts	\$ 1,106,295	\$ 1,106,295
Total Cash and Cash Equivalents	\$ 1,106,295	\$ 1,106,295

Deposits in financial institutions can be exposed to custodial credit risk. Custodial credit risk for deposits is the risk that in the event of financial institution failure, the System's deposits may not be recovered. To guard against this risk, under state law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. The Plan had no custodial credit risk as of December 31, 2020 or 2019.

Investments

As of December 31, 2020 and 2019, assets classified as investments in accordance with the investment policy and state law were as follows:

	Fair Values	
	2020	2019
U.S. Treasury and Agency Bonds	\$ 539,037	\$ 533,001
Corporate Bonds	391,621	349,298
Corporate Stocks	13,693,515	11,379,702
Equity Mutual Fund	2,019,291	1,517,425
Annuities	1,084,023	953,511
Total	\$ 17,727,487	\$ 14,732,937

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND**

Notes to Financial Statements

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

Investments (Continued)

As of December 31, 2020, the maturities of the Plan'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	\$ 539,037	\$ 87,946	\$ 376,327	\$ 74,764	\$ -
Corporate Bonds	391,621	-	204,813	186,808	-
Total	\$ 930,658	\$ 87,946	\$ 581,140	\$ 261,572	\$ -

Interest Rate Risk. In accordance with its investment policy, the Plan 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 thirty years for any single security.

Credit Risk - The investment policy of the Plan 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, 2020 and 2019, the Plan held no commercial paper investments. The Plan's investments in domestic corporate bonds as of December 31, 2020 and 2019 varied between ratings of AA+ and BBB, consistent with the investment policy. The Plan's investments in U.S. Agencies all carry the explicit guarantee of the U.S. government.

Concentration of Credit Risk - The Plan's investment policy does not allow for an investment in any one issuer that is in excess of 15% of the Plan'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 Plan 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 Plan's name. At December 31, 2020 and 2019, all of the Plan's investments were held by an agent in the name of the Plan.

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND**

Notes to Financial Statements

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

Fair Value of Investments

As required by GASB Statement No. 72, investments are reported at fair value. Fair value is described as an exit price. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. The following levels indicate the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 Investments with inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly.
- Level 3 Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular 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.

Short-term investments are reported at market value when published prices are available, or at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rate. Investments that do not have an established market are reported at estimated fair value. Gains and losses are reported in the statements of changes in fiduciary net position as net appreciation (depreciation) in fair value of investments during the period the instruments are held, and when the instruments are sold or expire.

The method described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND**

Notes to Financial Statements

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

Fair Value of Investments (Continued)

The following tables reflect the Plan's investments by fair value level as of December 31, 2020 and 2019:

December 31, 2020	Total	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
<i>Debt Securities</i>				
U.S. Treasury and Agency Bonds	\$ 539,037	\$ 539,037	\$ -	\$ -
Corporate Bonds	391,621	391,621	-	-
<i>Equity Securities</i>				
Corporate Stocks	13,693,515	13,693,515	-	-
Corporate Equity Mutual Funds	2,019,291	2,019,291	-	-
<i>Alternative Investments</i>				
Annuities	1,084,023	-	-	1,084,023
Total Investments by Fair Value Level	\$ 17,727,487	\$ 16,643,464	\$ -	\$ 1,084,023

December 31, 2019	total	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
<i>Debt Securities</i>				
U.S. Treasury and Agency Bonds	\$ 533,001	\$ 533,001	\$ -	\$ -
Corporate Bonds	349,298	349,298	-	-
<i>Equity Securities</i>				
Corporate Stocks	11,379,702	11,379,702	-	-
Corporate Equity Mutual Funds	1,517,425	1,517,425	-	-
<i>Alternative Investments</i>				
Annuities	953,511	-	-	953,511
Total Investments by Fair Value Level	\$ 14,732,937	\$ 13,779,426	\$ -	\$ 953,511

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND**

Notes to Financial Statements

Note 4. Plan Termination

Although the Plan Sponsor has not expressed any intent to do so, the Plan Sponsor has the right to modify, suspend, or discontinue contributions to the Plan at any time, and such action shall not be deemed to be a termination of the Plan.

In the event the Plan terminates, the balance in each participant's or retired participant's account shall immediately become fully vested and non-forfeitable. Each participant, retired participant, or beneficiary shall be entitled to receive any amounts then credited to his or her account.

Note 5. Income Tax Status

The IRS has ruled that the Plan qualifies under Section 414(d) of the IRC and is, therefore, not subject to tax under present income tax law. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The Board of Trustees is not aware of any course of action or series of events that have occurred that might adversely affect the Plan's qualified status.

Note 6. Related-Party Transactions

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

Note 7. Contingencies

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Plan operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Plan. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near-term as a result of these conditions.

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND**

Notes to Financial Statements

Note 8. Subsequent Events

On January 1, 2021, the Plan was amended to change the normal retirement eligibility criteria to the first of the month after which the employee has attained age sixty-two and completed six years of service, or 30 years of service regardless of age.

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

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND
Required Supplementary Information Under
GASB Statement No. 67
Schedule of Changes in Net Pension Liability
and Related Ratios
For the Year Ended December 31, 2020**

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 763,995	\$ 709,832	\$ 705,207	\$ 694,880	\$ 609,044	\$ 577,109	\$ 444,547
Interest	788,722	733,100	712,051	685,993	661,807	684,863	638,511
Changes of Benefit Terms	-	101,812	-	-	-	-	-
Differences between Expected and Actual Experience	(459,611)	268,488	(215,003)	(177,108)	(141,782)	(332,043)	255,430
Changes of Assumptions	641,972	476,858	-	-	-	414,840	-
Benefit Payments	(569,144)	(576,499)	(615,135)	(534,895)	(545,869)	(507,571)	(542,297)
Refunds of Member Contributions	(209,670)	(254,732)	(237,181)	(174,467)	(375,062)	(348,156)	(122,221)
Other	(51,749)	(28,665)	-	-	9,620	1,348	-
Net Change in Total Pension Liability	904,515	1,430,194	349,939	494,403	217,758	490,390	673,970
Total Pension Liability - Beginning	13,362,387	11,932,193	11,582,254	11,087,851	10,870,093	10,379,703	9,705,733
Total Pension Liability - Ending (a)	\$ 14,266,902	\$ 13,362,387	\$ 11,932,193	\$ 11,582,254	\$ 11,087,851	\$ 10,870,093	\$ 10,379,703
Plan Fiduciary Net Position							
Contributions - Member	\$ 639,979	\$ 636,414	\$ 604,736	\$ 607,307	\$ 589,279	\$ 553,162	\$ 448,920
Contributions - Employer	726,785	719,883	720,360	684,668	669,552	657,058	515,424
Net Investment Income	2,143,824	3,014,272	(803,684)	1,933,099	562,303	(238,834)	536,268
Benefit Payments	(569,144)	(576,499)	(615,135)	(534,895)	(545,869)	(507,571)	(542,297)
Refunds of Member Contributions	(209,670)	(254,732)	(237,181)	(174,467)	(375,062)	(348,156)	(122,221)
Administrative Expenses	(141,898)	(150,386)	(148,401)	(124,891)	(114,605)	(102,373)	(104,336)
Other	(51,749)	(28,665)	-	-	9,620	1,348	-
Net Change in Plan Fiduciary Net Position	2,538,127	3,360,287	(479,305)	2,390,821	795,218	14,634	731,758
Plan Fiduciary Net Position - Beginning	15,898,651	12,538,364	13,017,669	10,626,848	9,831,630	9,816,996	9,085,238
Plan Fiduciary Net Position - Ending (b)	\$ 18,436,778	\$ 15,898,651	\$ 12,538,364	\$ 13,017,669	\$ 10,626,848	\$ 9,831,630	\$ 9,816,996
Net Pension (Asset) Liability Ending (a-b)	\$ (4,169,876)	\$ (2,536,264)	\$ (606,171)	\$ (1,435,415)	\$ 461,003	\$ 1,038,463	\$ 562,707
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	129.23%	118.98%	105.08%	112.39%	95.84%	90.45%	94.58%
Covered-Employee Payroll	\$ 9,084,813	\$ 8,998,538	\$ 9,004,500	\$ 8,558,350	\$ 8,369,400	\$ 8,213,225	\$ 6,442,800
Net Pension (Asset) Liability as a Percentage of Covered-Employee Payroll	-45.90%	-28.19%	-6.73%	-16.77%	5.51%	12.64%	8.73%

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

See notes to required supplementary information under GASB Statement No. 67 and independent auditor's report.

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND
Required Supplementary Information Under
GASB Statement No. 67
Schedule of Contributions
For the Year Ended December 31, 2020**

	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution (Determined as of the Prior Fiscal Year)	\$ (13,627)	\$ 191,669	\$ 18,909	\$ 240,490	\$ 373,275	\$ 330,993	\$ 324,152
Contributions in Relation to the Actuarially Determined Contribution	726,785	719,883	720,360	684,668	669,552	657,058	515,424
Contribution Deficiency (Excess)	<u>\$ (740,412)</u>	<u>\$ (528,214)</u>	<u>\$ (701,451)</u>	<u>\$ (444,178)</u>	<u>\$ (296,277)</u>	<u>\$ (326,065)</u>	<u>\$ (191,272)</u>
Covered-Employee Payroll	<u>\$ 9,084,813</u>	<u>\$ 8,998,538</u>	<u>\$ 9,004,500</u>	<u>\$ 8,558,350</u>	<u>\$ 8,369,400</u>	<u>\$ 8,213,225</u>	<u>\$ 6,442,800</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>8.00%</u>	<u>8.00%</u>	<u>8.00%</u>	<u>8.00%</u>	<u>8.00%</u>	<u>8.00%</u>	<u>8.00%</u>

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

See notes to required supplementary information under GASB Statement No. 67 and independent auditor's report.

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND
Required Supplementary Information Under
GASB Statement No. 67
Schedule of Investment Returns
For the Year Ended December 31, 2020**

	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	12.49%	21.20%	-5.98%	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 notes to required supplementary information under GASB Statement No. 67 and independent auditor's report.

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

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

Valuation Date	December 31, 2020	
Actuarial Cost Method	The Individual Entry Age Normal	
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.	
Inflation	2.10%	
	Years of Service	Salary Growth Rate
	1 - 2	14.50%
	3 - 10	5.75%
	11 and Over	4.25%
Projected Salary Increases, Including Inflation and Merit Increases		
Investment Rate of Return (Discount Rate)	5.75%, net of pension plan investment expense, including inflation.	

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

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 7 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 were 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 Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 115% for males and 115% for females, each with full generational projection using the appropriate MP 2020 scale. Mortality for retirees and beneficiaries was based on the Pub-2010 Public Retirement Plans Mortality Table for General Healthy Retirees multiplied by 115% for males and 115% for females. The Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 115% for males and 115% for females was selected for disabled annuitants.

OTHER SUPPLEMENTARY INFORMATION

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2020**

The Plan is sponsored by Capital Area Transit System. During the year ended December 31, 2020, the Plan had no employees and accordingly there was no compensation, benefits, or other such payment that met the reporting requirement for purposes of this schedule.

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 Trustees
Capital Area Transit System
Employees' Pension Fund

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 statements of Capital Area Transit System Employees' Pension Fund (the Plan) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements and have issued our report thereon dated April 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) as a basis for determining 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 Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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. We did identify certain deficiencies that we consider to be significant deficiencies which are described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Responses to Findings

The Plan's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Plan'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 Plan'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 Plan'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

Baton Rouge, LA
April 16, 2021

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND
Schedule of Findings and Responses
For the Year Ended December 31, 2020**

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | Yes |
| c. Noncompliance material to the financial statements? | No |
| d. Other matters identified? | No |
| 3. Management letter comment provided? | None |

Federal Awards

Not applicable.

Part II - Financial Statements Findings

2020-001 Untimely Enrollment

- Criteria:* The Plan requires enrollment to occur within ninety days of the commencement of an individual's employment with CATS.
- Condition:* There was 1 of 25 employees selected for data testing that were not timely enrolled into the Plan.
- Cause:* Misunderstanding by CATS' human resources department of the collective bargaining agreement definition of a covered employee and covered employment beginning on the date of hire rather than the date an employee completes training.
- Effect:* The Condition resulted in an instance where controls did not function properly to appropriately enroll covered employees.
- Recommendation:* We recommend that the CATS' human resources department review the collective bargaining agreement each year to stay up to date with any changes to that agreement.

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2020**

*Management's
Response:*

In addition to the yearly review of the collective bargaining agreement, we have hired a new Human Resources Director who will review the current procedures and implement a new policy going forward. We will make sure that all employees involved will have the proper training and also put a review process in place.

2020-002 Unremitted Contributions for Special Pay Dates

Criteria: 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. Contributions are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended December 31, 2020 were 8% for CATS and 7% for covered employees.

Condition: There were two special payroll dates during the year ended December 31, 2020 where contributions were not remitted to the Plan.

Cause: Lack of established written policies and procedures and lack of proper training of personnel.

Effect: The Condition resulted in an instance where controls did not function properly to ensure all contributions were remitted to the Plan.

Recommendation: We recommend that the CATS' human resources department adopt written procedures to ensure that all contributions are remitted to the Plan on a timely basis, and that these written procedures be reviewed with the CATS' human resources department on an annual basis.

*Management's
Response:*

In addition to the yearly review of the collective bargaining agreement, we have hired a new Human Resources Director who will review the current procedures and implement a new policy going forward. We will make sure that all employees involved will have the proper training and also put a review process in place.

**CAPITAL AREA TRANSIT SYSTEM
EMPLOYEES' PENSION FUND
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2020**

2019-001 Pension Plan Census Data

This finding has been resolved.