

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Caro Transit Authority		County Tuscola	
Fiscal Year End 9/30/07		Opinion Date 3/24/08		Date Audit Report Submitted to State 3/31/08			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

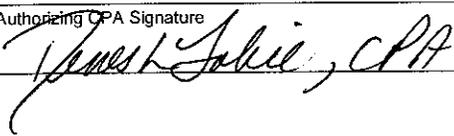
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO Check each applicable box below. (See instructions for further detail.)**

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Wipfli LLP		Telephone Number 608-274-1980		
Street Address 2901 West Beltline Highway		City Madison	State WI	Zip 53575
Authorizing CPA Signature 		Printed Name Denes Tobie		License Number 1101027328

# **Caro Transit Authority**

Caro, Michigan

Financial Statements and Supplementary Information  
Year Ended September 30, 2007

# Caro Transit Authority

Financial Statements and Supplementary Information  
Year Ended September 30, 2007

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## Independent Auditor's Report

Board of Directors  
Caro Transit Authority  
Caro, Michigan

We have audited the accompanying statement of net assets of Caro Transit Authority as of September 30, 2007, and the related statements of revenue, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Caro Transit Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and the *Michigan Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 6, Caro Transit Authority previously expensed the purchase of equipment purchased with grant award funds. In the current year, Caro Transit Authority corrected this treatment of grant purchased equipment by depreciating grant awarded equipment over its economic useful life.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Caro Transit Authority as of September 30, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2008, on our consideration of Caro Transit Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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* and should be considered in assessing the results of our audit.

Caro Transit Authority has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not a required part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information presented on pages 10 through 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

March 28, 2008  
Madison, Wisconsin

# Caro Transit Authority

## Statement of Net Assets

September 30, 2007

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<i>Assets</i>	
Current assets:	
Cash and cash equivalents	\$ 304,384
Grants receivable	16,976
<hr/>	
Total current assets	321,360
<hr/>	
Capital assets:	
Equipment, net	175,565
<hr/>	
<b>TOTAL ASSETS</b>	<b>\$ 496,925</b>

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<i>Liabilities and Net Assets</i>	
Current liabilities:	
Accounts payable	\$ 84,303
<hr/>	
Total liabilities	84,303
<hr/>	
Unrestricted net assets	412,622
<hr/>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 496,925</b>

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See accompanying notes to financial statements.

# Caro Transit Authority

## Statement of Revenue, Expenses, and Changes in Net Assets Year Ended September 30, 2007

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Operating revenue (Schedule 1)	\$ 124,772
Operating expenses (Schedule 2)	( 858,456)
<hr/>	
Operating loss	( 733,684)
<hr/>	
Nonoperating revenue (Schedule 3)	678,739
Equipment award (Schedule 9)	57,187
<hr/>	
Excess revenue over expenses	2,242
<hr/>	
Unrestricted net assets - September 30, 2006, as previously stated	297,079
Prior period adjustment	113,301
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Unrestricted net assets - September 30, 2006, as restated	410,380
<hr/>	
Unrestricted net assets - September 30, 2007	\$ 412,622

# Caro Transit Authority

## Statement of Cash Flows

Year Ended September 30, 2007

Cash flows from operating activities:	
Farebox receipts	\$ 124,772
Payments to subcontractor	( 778,081)
<hr/>	
Net cash used in operating activities	( 653,309)
<hr/>	
Cash flows from non-capital financing activities:	
County millage receipts	213,994
Operating grant receipts	461,010
<hr/>	
Net cash provided by non-capital financing activities	675,004
<hr/>	
Cash flows from investing activities:	
Interest received	5,267
<hr/>	
Net cash provided by investing activities	5,267
<hr/>	
Cash flows from capital and related financing activities:	
Equipment grant receipts	77,649
Purchase of capital assets	( 57,187)
Proceeds from sale of capital assets	2,150
<hr/>	
Net cash provided by capital and related financing activities	22,612
<hr/>	
Change in cash and cash equivalents	49,574
Cash and cash equivalents - September 30, 2006	254,810
<hr/>	
Cash and cash equivalents - September 30, 2007	\$ 304,384
<hr/>	
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$ 733,684)
<hr/>	
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	59,286
Changes in operating assets and liabilities:	
Accounts payable	21,089
<hr/>	
Net cash used in operating activities	(\$ 653,309)
<hr/>	
<b>Supplemental schedule of noncash operating activity:</b>	
Forgiveness of accounts payable	\$ 15,677

See accompanying notes to financial statements.

# Caro Transit Authority

## Notes to Financial Statements

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### **Note 1      Summary of Significant Accounting Policies**

#### **Nature of Operations**

Caro Transit Authority (CTA) was organized under Public Act 196 of 1986 to provide transportation services within a prescribed service area of the Caro area of Michigan. CTA is governed by a Board of Directors, which has been appointed by the common council of the Village of Caro and the Boards of Indianfields and Almer Townships. A property tax levy is assessed by both townships to provide capital for operations. CTA contracts with Human Development Commission, a nonprofit organization, to operate the bus system. The Michigan Department of Transportation (MDOT) provided CTA with 59% of its revenue for the year ended September 30, 2007.

#### **Significant Policies**

The financial statements of CTA have been prepared in conformity with accounting principles generally accepted in the United States as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The significant accounting principles and policies utilized by CTA are described below.

#### **Reporting Entity**

CTA is organized as a quasi-governmental agency. CTA is governed by a Board of Directors, which has been appointed by the common council of the Village of Caro and the Boards of Indianfields and Almer Townships.

The accompanying financial statements present the activities of CTA. CTA is not a component unit of another reporting entity, nor does it have any component units.

The reporting entity consists of: (a) organizations for which the standalone government is financially accountable; and (b) the standalone government that is controlled by a separately elected governing body that is legally separate and is fiscally independent. All of the accounts of CTA comprise the standalone government.

# Caro Transit Authority

## Notes to Financial Statements

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

#### **Basis of Presentation**

CTA is reported as an enterprise fund in the financial statements. An enterprise fund accounts for operations: (a) that are financed and operating in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that period determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The financial statements are prepared using the accrual basis of accounting.

The accounting policies of CTA conform to accounting principles generally accepted in the United States as applicable to governmental units.

#### **Capital Assets**

Capital assets consist of vehicles and equipment which are capitalized at cost and depreciated over five years on the straight-line method. CTA capitalizes capital assets with a cost of at least \$5,000 and a useful life of more than one year.

Capital assets purchased with MDOT grant awards are owned by CTA; however, MDOT has a reversionary interest in capital assets purchased with grant award funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to MDOT regulations. MDOT's capital assets net of depreciation were \$127,251 at September 30, 2007.

#### **Cost Allocation Plan**

The cost allocation plan used to allocate various administrative expenses has been approved by MDOT.

#### **Use of Estimates**

The preparation of financial statements with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

CTA maintains cash and cash equivalents at a financial institution. CTA considers certificates of deposit with an original maturity of 90 days or less to be cash equivalents.

# Caro Transit Authority

## Notes to Financial Statements

### Note 2 Deposits

Custodial credit risk: Custodial credit risk is the risk that in the event of a financial institution failure, CTA's deposits may not be returned. CTA's deposit policy is that cash is deposited in financial institutions with Federal Deposit Insurance Corporation (FDIC) coverage.

CTA maintains cash at a financial institution. The account is insured by FDIC up to \$100,000. Balances in excess of \$100,000 at individual financial institutions are not collaterally secured. At September 30, 2007, the amount of cash and cash equivalents in excess of FDIC coverage was \$204,411.

### Note 3 Grants Receivable

The grants receivable are as follows:

	Grants Receivable 10/1/2006	Funds Earned	Less Funds Received	Grants Receivable 9/30/2007
Operating grant	\$ 10,867	\$ 325,424	(\$ 319,315)	\$ 16,976
Section 5311 - 2007	10,300	121,299	( 131,599)	0
Section 5311 - PY reconciliation	6,713	0	( 6,713)	0
RTAP	0	732	( 732)	0
Equipment grant	23,113	57,187	( 80,300)	0
<b>Totals</b>	<b>\$ 50,993</b>	<b>\$ 504,642</b>	<b>(\$ 538,659)</b>	<b>\$ 16,976</b>

### Note 4 Capital Assets

The activity relating to capital assets during the program year ended September 30, 2007, is as follows:

	Balance 10/1/2006 as restated	Additions	Deletions	Balance 9/30/2007
Vehicles	\$ 497,189	\$ 57,187	(\$ 10,450)	\$ 543,926
Other equipment	20,166	0	0	20,166
Accumulated depreciation	( 339,691)	( 59,286)	10,450	( 388,527)
<b>Capital assets - net</b>	<b>\$ 177,664</b>	<b>(\$ 2,099)</b>	<b>\$ 0</b>	<b>\$ 175,565</b>

# Caro Transit Authority

## Notes to Financial Statements

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### Note 4 Capital Assets (Continued)

Equipment purchased with MDOT grant funds and CTA funds are as follows:

	<b>Grant Purchased</b>	<b>CTA Purchased</b>	<b>Total</b>
Vehicles	\$ 463,681	\$ 80,245	\$ 543,926
Other equipment	20,166	0	20,166
Accumulated depreciation	( 356,596)	( 31,931)	( 388,527)
Capital assets - net	\$ 127,251	\$ 48,314	\$ 175,565

### Note 5 Risk Management

Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

### Note 6 Prior Period Adjustment

In prior years, CTA expensed equipment purchased with MDOT grant award funds in accordance with accounting and financial reporting requirements promulgated by MDOT that provided the preponderance of CTA's funding which was not in accordance with generally accepted accounting principles (GAAP). In the current year, CTA has capitalized and is depreciating all MDOT purchased equipment in accordance with GAAP. The change resulted in a net increase in unrestricted net assets of \$113,301 for the net book value of MDOT purchased property and equipment at September 30, 2006.

# **Supplementary Information**

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# Caro Transit Authority

Schedule 1

Operating Revenue

Subcontractor - Human Development Commission

Year Ended September 30, 2007

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Operating revenue:

Line-haul (fare box)	\$ 124,772
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Operating revenue	\$ 124,772
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# Caro Transit Authority

## Schedule 2

### Operating Expenses

#### Subcontractor - Human Development Commission

Year Ended September 30, 2007

	Operations	Maintenance	General Administration	Total
Operating Expenses:				
Labor	\$ 283,443	\$ 56,019	\$ 87,375	\$ 426,837
Fringe benefits	73,652	13,156	14,859	101,667
Services	1,241	59,915	21,239	82,395
Materials and supplies	70,429	9,617	3,985	84,031
Utilities	11,638	0	0	11,638
Insurance	66,650	0	3,600	70,250
Miscellaneous expenses	0	0	12,500	12,500
Operating leases and rentals	8,818	0	0	8,818
Depreciation	16,049	0	0	16,049
<b>Total operating expenses</b>	<b>\$ 531,920</b>	<b>\$ 138,707</b>	<b>\$ 143,558</b>	<b>814,185</b>
Other Activity:				
GAAP depreciation				43,237
Other expenses				1,034
<b>Total other activity</b>				<b>44,271</b>
<b>Total expenses</b>				<b>\$ 858,456</b>

Note: Caro Transit Authority delegates operation of the transit program to Human Development Commission.  
All of the above services were paid by Human Development Commission.

# Caro Transit Authority

Schedule 3  
Nonoperating Revenue  
Subcontractor - Human Development Commission  
Year Ended September 30, 2007

	<b>Program Operations</b>
Local revenue:	
Indianfields and Almer Townships	\$ 208,190
State of Michigan grants:	
Operating grant award	325,424
Subtotal State of Michigan grants	325,424
Federal grants:	
U.S. DOT operating grant - Section 5311	121,299
RTAP	732
Subtotal federal grants	122,031
Other revenue:	
Sale of equipment	2,150
Miscellaneous income	15,677
Interest income	5,267
Total other revenue	23,094
<b>Total nonoperating revenue</b>	<b>\$ 678,739</b>

# Caro Transit Authority

## Schedule 4

### Schedule of Expenses by Contract and General Operations

#### Subcontractor - Human Development Commission

Year Ended September 30, 2007

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	<b>Operating Contract</b>	<b>Equipment Contract</b>	<b>GAAP Adjustments</b>	<b>Other Expenses</b>	<b>Total Expenses</b>
Contracted expenses	\$ 814,185	\$ 57,187	(\$ 13,950)	\$ 1,034	\$ 858,456
Total expenses	\$ 814,185	\$ 57,187	(\$ 13,950)	\$ 1,034	\$ 858,456

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# Caro Transit Authority

## Schedule 5

### Net Eligible Expenses Computations of General Operations

#### Subcontractor - Human Development Commission

Year Ended September 30, 2007

	<b>Federal Section 5311</b>	<b>Local Bus Operating Assistance</b>
Expenses:		
Operating costs	\$ 814,185	\$ 814,185
Total expenses	814,185	814,185
Ineligible expenses:		
RTAP funds	( 732)	( 732)
Net eligible expenses	\$ 813,453	\$ 813,453
Maximum Section 5311:		
Reimbursement (17% of eligible expenses)	\$ 138,287	

# Caro Transit Authority

Schedule 6  
Mileage Data  
Subcontractor - Human Development Commission  
Year Ended September 30, 2007

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	<b>Public Transportation Mileage</b>
Line-haul/demand response:	
First quarter	63,663
Second quarter	63,627
Third quarter	53,396
Fourth quarter	41,262
<b>Total line-haul/demand response</b>	<b>221,948</b>

The methodology used for compiling mileage has been reviewed and found to be an adequate method for recording vehicle mileage.

# Caro Transit Authority

## Schedule 7

### Schedule of Caro Transit Authority and Subcontractor Agency Activity

#### Subcontractor - Human Development Commission

Year Ended September 30, 2007

	Caro Transit Authority	Human Development Commission	Total
Revenue:			
Local millage	\$ 208,190	\$ 0	\$ 208,190
State operating grant	325,424	0	325,424
U.S. DOT Section 5311	121,299	0	121,299
Equipment grant	57,187	0	57,187
RTAP	732	0	732
Sale of equipment	2,150	0	2,150
Transfers	( 733,684)	733,684	0
Miscellaneous	15,677	0	15,677
Interest	5,267	0	5,267
Line-haul (fare box)	0	124,772	124,772
Total revenue	2,242	858,456	860,698
Operating expenses	0	858,456	858,456
Excess of revenue over expense	2,242	0	2,242
Unrestricted net assets - September 30, 2006, as previously stated	297,079	0	297,079
Prior period adjustment	113,301	0	113,301
Unrestricted net assets - September 30, 2006, as restated	410,380	0	410,380
Net assets - September 30, 2007	\$ 412,622	\$ 0	\$ 412,622

# Caro Transit Authority

## Schedule 8

### Schedule of Financial Assistance - Federal, State, and Other Year Ended September 30, 2007

Federal Grantor/State Grantor/ Program Title/Other Income	Federal CFDA Number	Grantor Number	Program Award Amount	Federal Revenue	State/Local Revenue	Other Revenue	Expenditures	Excess Revenue/ (Expenses)
U.S. Department of Transportation:								
Section 5311	20.507	2007-0187	\$ 0	\$ 121,299	\$ 0	\$ 0	(\$ 121,299)	\$ 0
RTAP	20.507	N/A	0	732	0	0	( 732)	0
Subtotals			122,031	0	0	0	( 122,031)	0
Michigan Department of Transportation:								
Equipment contract		N/A	57,187	0	57,187	0	( 57,187)	0
State operating		N/A	325,424	0	325,424	0	( 325,424)	0
Subtotals			0	382,611	0	0	( 382,611)	0
Other revenue:								
Line-haul (fare box)			0	0	0	124,772	( 124,772)	0
Interest			0	0	0	5,267	( 5,267)	0
Sale of equipment			0	0	0	2,150	0	2,150
GAAP adjustments			0	0	0	13,950	13,950	13,950
Miscellaneous income			0	0	0	15,677	( 15,677)	0
Local millage			0	0	0	208,190	( 222,048)	( 13,858)
Subtotals			0	0	0	356,056	( 353,814)	2,242
Totals			\$ 122,031	\$ 382,611	\$ 356,056	(\$ 858,456)	\$ 2,242	

See Independent Auditor's Report.

# Caro Transit Authority

Schedule 9  
Schedule of Equipment Awards and Expenses  
Year Ended September 30, 2007

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	MDOT
Equipment award	\$ 57,187
Equipment acquisition	( 57,187)
Excess of revenue	\$ 0

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Directors  
Caro Transit Authority  
Caro, Michigan

We have audited the financial statements of Caro Transit Authority as of and for the year ended September 30, 2007, and have issued our report thereon dated March 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Caro Transit Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Caro Transit Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Caro Transit Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, others within Caro Transit Authority, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

March 28, 2008  
Madison, Wisconsin