



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

KIRK T. STEUDLE  
DIRECTOR

March 3, 2008

State Transportation Commission  
and  
Kirk T. Steudle, Director  
Michigan Department of Transportation

We are pleased to submit the Annual Financial Report for the Michigan Department of Transportation (Department) for the fiscal years ended September 30, 2006 and 2007. This report is prepared by the Bureau of Finance and Administration, which is responsible for both the accuracy of the data and the completeness and fairness of the presentation. The data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of the Department's operations.

This report is in compliance with Department of Management and Budget's Administrative Guide to State Government, which requires state agencies issuing financial reports to be consistent with the State of Michigan Comprehensive Annual Financial Report. In complying with state agency reporting guidelines, this report does not fully comply with all generally accepted accounting principles. For example, the combined balance sheet does not include long-term obligations or capitalized assets, but all disclosures necessary to enable the reader to gain a reasonable understanding of the Department's financial affairs are included. A summary of the Department's financial information follows.

### **FINANCIAL UPDATE**

During fiscal year (FY) 2007, the Department delivered products and services with slightly lower revenues. The State of Michigan's economic situation continues to pose financial challenges for the Department. Increased retail prices for gasoline resulted in reduced fuel consumption for FY 2007. These factors contributed to a decrease in revenues deposited in the Michigan Transportation Fund (MTF) for the third straight year. Further revenue declines for FY 2008 and FY 2009 are forecasted as well. Total MTF revenue decreased from \$1.967 billion in FY 2006 to \$1.943 billion in FY 2007, a 1.2 percent decrease. Between FY 2006 and FY 2007, a decrease of \$27.5 million in gasoline and diesel taxes collected was only partially offset by an increase of \$4.1 million in vehicle registration taxes. Revenues from fuel taxes and registration taxes collected were 5.2 percent and 6.0 percent, respectively, lower than estimates initially prepared by the Economic Revenue Forecasting Division of the Department of Treasury.





