

MICHIGAN DEPARTMENT OF TRANSPORTATION

ANNUAL FINANCIAL REPORT

Fiscal Years Ended September 30, 2008 & 2007

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Mission: Providing the highest quality integrated transportation services for economic benefit and improved quality of life.

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MICHIGAN DEPARTMENT OF TRANSPORTATION
ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

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Statements and schedules are rounded to thousands of dollars. Because of this, they may not add to the totals.



STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

KIRK T. STEUDLE
DIRECTOR

July 1, 2009

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, 2007 and 2008. 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) 2008, the Department continued to deliver high quality products and services with slightly lower revenues. The State of Michigan's economic situation continues to pose financial challenges for the Department. With population declining and automobile sales decreasing, the revenues from vehicle registrations decreased for FY 2008. Reduced fuel consumption for FY 2008 resulted from gasoline prices reaching more than \$4 per gallon. These factors contributed to a decrease in revenues deposited in the Michigan Transportation Fund (MTF) for the fourth consecutive year. Further revenue declines for FY 2009 and FY 2010 are forecasted as well. Total MTF revenue decreased from \$1.943 billion in FY 2007 to \$1.890 billion in FY 2008, a 2.7 percent decrease. Between FY 2007 and FY 2008, a decrease of \$38.5 million in gasoline and diesel taxes collected was compounded by a decrease of \$16.7 million in vehicle registration taxes.

In FY 2008, the Comprehensive Transportation Fund (CTF) received \$159.9 million total MTF revenue, a \$4.8 million or 3.0 percent decrease compared to FY 2007 in MTF revenues for public transportation services. The CTF also receives \$82.1 million in sales tax revenue from vehicle-related sales, which had an increase of \$14.4 million or 21.3 percent in FY 2008 due to \$4 per gallon gasoline. The amount of aviation fuel tax revenue deposited in the Aeronautics Fund decreased by \$1.0 million, or 15.6 percent, over the previous fiscal year. Aviation fuel tax revenues remain well below FY 2005 levels.

In 2005, the authorizations that provided federal transportation dollars were replaced with the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). Michigan received \$805.9 million in apportionments and \$769.5 million in new obligation authority for FY 2008.

PROGRAM OVERVIEW

In FY 2008, the Department continued the Jobs Today Program, which focuses resources on improving the condition of existing roads and bridges while providing economic stimulus for the state's economy. The Department continues to exceed its goals for pavement and bridge condition ratings. Currently, pavement and bridge conditions are rated at 92 percent and 89 percent good and fair, respectively. The overall system health of trunkline pavements has improved from 6.8 years average remaining life in FY 1996 to 9.6 years average remaining life at the end of FY 2008, this represents a 41 percent improvement. Asset management technology and strategies continue to enhance accurate forecasting of pavement condition and assist prioritization of future projects. Over \$1.1 billion was spent on capital outlay expenditures for roads and bridges in FY 2008.

The Department's comprehensive highway safety program began a three-year program to reduce lane departure related crashes. An additional \$17 million was used to install cable barriers on 65 miles of critical divided highway corridors and 2,742 miles of shoulder and centerline rumble strips on non-freeways during FY 2008. MDOT estimates a reduction of 1,860 minor injury and property damage only crashes and 79 severe injuries and fatalities.

Accomplishments in FY 2008 included adding 150 million feet of pavement markings statewide and replacing special markings in approximately 40 of Michigan's 83 counties. The Department also upgraded signs on 153 miles of non-freeway facilities and 272 miles of freeway. The Department installed seven new traffic signals, upgraded or modernized 174 traffic signals and beacons, six school devices, and re-timed 550 signals.

In FY 2008, the Department's focus continued to be on preservation of existing public transportation services by distributing \$166.6 million in CTF monies for local transit operations, and expending over \$15 million in CTF funds plus over \$12 million in toll credits to match over \$124 million in federal transit capital funds. CTF funds were also used to provide intercity capital and operating assistance of \$1.8 million and passenger rail operating assistance of \$6.4 million. In FY 2008, ridership continued to increase as state and federal funds were used to maintain intercity bus services in many Michigan communities. State funds continued to support passenger rail services along two existing corridors. A combination of state and federal funds was used to improve intercity bus facilities, and the closing of both private and public railgrade crossings increased safety for rail passengers. Safety was also the focus of the Department's ongoing oversight of private motor bus and limousine carriers. The Department's public

transportation program focused on environmental stewardship with continued growth in the MichiVan Vanpool Program and financial support of local agency advancements in the area of "green" transit facilities, transit buses, and bus technology. Transit facility renovations also assisted with community redevelopment in several areas of the state. Transit agencies continued to have success passing local millages.

In FY 2008, the Department's Freight Services and Safety Division continued to make targeted capital investments designed to help maintain efficient freight service on the 530 miles of state-owned rail lines operated, under contract, by four railroad companies. Through the Freight Economic Development Program and Michigan Rail Loan Assistance Program, the Department loaned monies for four projects, investing over \$900,000 to provide rail access for new and expanding businesses or improve existing railroad infrastructure. The Department provided funding for 57 grade crossing safety enhancement projects and three crossing closure efforts on roads under county, city, or village jurisdiction, investing a total of approximately \$8.1 million. The Department also provided \$500,000 in legislatively mandated operating assistance to the Detroit-Wayne County Port Authority for administrative and marketing expenditures.

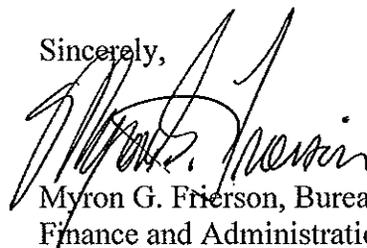
During FY 2008, the Department contracted for 162 airport improvement projects, all having significant safety benefits. In addition to the safety benefit, 70 percent of the projects were developed to preserve the existing infrastructure and 30 percent were to expand the runway capacity. These projects totaled \$124 million. Through the All Weather Airport Access Program, all eligible airports in Michigan now have achieved all weather accessibility. Annual inspections at 220 public use airports and heliports were conducted and licenses provided for 235 public use landing sites, 77 hospital heliports, 63 flight schools, and 214 aircraft dealers. Approximately 7,250 aircraft were registered. Important safety publications, the *Michigan Aeronautical Chart* (distributed to 18,000 pilots) and the *Airport Directory* were made available on the Aeronautics Web site. Additionally, over 1,800 charts and 2,100 directories were sold, as well.

CONCLUSION

In FY 2008, \$4.0 billion was expended from all sources to address Michigan's transportation needs. The Department's challenge continues to be making wise investment decisions with its limited resources to maximize the results achieved. This has fostered many innovative ideas in the Department and will undoubtedly promote even more in the future.

We wish to express our appreciation to the many people whose dedicated efforts made possible the preparation of this report. Their combined efforts have produced a report that will enable decision-makers and concerned citizens to better understand and evaluate the Department's financial condition.

Sincerely,



Myron G. Frierson, Bureau Director
Finance and Administration



GENERAL PURPOSE FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
 SEPTEMBER 30, 2008 and 2007
 (In Thousands)

GOVERNMENTAL FUND TYPES

| | GOVERNMENTAL FUND TYPES | | | | TOTALS | |
|------------------------------------------------------------|-------------------------|---------------------|--------------|---------------|---------------------|---------------------|
| | SPECIAL REVENUE | | DEBT SERVICE | | (Memorandum Only) | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | \$ 803 | \$ 521 | \$ - | \$ - | \$ 803 | \$ 521 |
| Equity in Common Cash | 516,702 | 491,281 | - | 124 | 516,702 | 491,405 |
| Receivables: | | | | | | |
| Taxes, interest, and penalties (at net) | 96,184 | 92,927 | - | - | 96,184 | 92,927 |
| Federal aid | 185,028 | 163,402 | - | - | 185,028 | 163,402 |
| Local units | 169,409 | 111,305 | - | - | 169,409 | 111,305 |
| Other funds and Component Units | 508,403 | 1,020,121 | - | - | 508,403 | 1,020,121 |
| Miscellaneous | 4,150 | 4,277 | - | - | 4,150 | 4,277 |
| Inventories | 5,487 | 6,683 | - | - | 5,487 | 6,683 |
| Total Current Assets | <u>1,486,167</u> | <u>1,890,518</u> | <u>-</u> | <u>124</u> | <u>1,486,167</u> | <u>1,890,642</u> |
| Noncurrent Assets: | | | | | | |
| Receivables: | | | | | | |
| Taxes | 5,819 | 4,122 | - | - | 5,819 | 4,122 |
| Federal aid | - | - | - | - | - | - |
| Local units | 37,627 | 37,876 | - | - | 37,627 | 37,876 |
| Advances to other funds | - | - | - | - | - | - |
| Land contracts | 2,136 | 2,286 | - | - | 2,136 | 2,286 |
| Miscellaneous | 846 | 1,039 | - | - | 846 | 1,039 |
| Total Noncurrent Assets | <u>46,427</u> | <u>45,324</u> | <u>-</u> | <u>-</u> | <u>46,427</u> | <u>45,324</u> |
| Total Assets | <u>\$ 1,532,594</u> | <u>\$ 1,935,842</u> | <u>\$ -</u> | <u>\$ 124</u> | <u>\$ 1,532,594</u> | <u>\$ 1,935,966</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Current Liabilities: | | | | | | |
| Warrants outstanding | \$ 3,308 | \$ 10,369 | \$ - | \$ 10 | \$ 3,308 | \$ 10,379 |
| Accounts payable | 512,187 | 535,315 | - | 114 | 512,187 | 535,429 |
| Contract reserve payable | 2,869 | 3,701 | - | - | 2,869 | 3,701 |
| Due to other funds and Components | 45,390 | 56,555 | - | - | 45,390 | 56,555 |
| Deposits, permits and other liabilities | 61,553 | 27,702 | - | - | 61,553 | 27,702 |
| Deferred revenue | 11,814 | 12,275 | - | - | 11,814 | 12,275 |
| Total Current Liabilities | <u>637,121</u> | <u>645,917</u> | <u>-</u> | <u>124</u> | <u>637,121</u> | <u>646,041</u> |
| Long-Term Liabilities: | | | | | | |
| Deferred revenue | 8,800 | 7,447 | - | - | 8,800 | 7,447 |
| Advances from other funds | - | - | - | - | - | - |
| Total Liabilities | <u>645,921</u> | <u>653,365</u> | <u>-</u> | <u>124</u> | <u>645,921</u> | <u>653,488</u> |
| Fund Balance: | | | | | | |
| Reserved for encumbrances | 124,690 | 143,241 | - | - | 124,690 | 143,241 |
| Reserved for unencumbered restricted revenue balances | 226,529 | 358,591 | - | - | 226,529 | 358,591 |
| Reserved for unencumbered capital outlay and work projects | 248,730 | 282,818 | - | - | 248,730 | 282,818 |
| Reserved for revolving funds | 37,455 | 36,000 | - | - | 37,455 | 36,000 |
| Reserved for construction & debt service | 116,470 | 115,854 | - | - | 116,470 | 115,854 |
| Reserved for noncurrent assets | 24,163 | 25,646 | - | - | 24,163 | 25,646 |
| Total Reserves | <u>778,038</u> | <u>962,150</u> | <u>-</u> | <u>-</u> | <u>778,038</u> | <u>962,150</u> |
| Unreserved | <u>108,635</u> | <u>320,328</u> | <u>-</u> | <u>-</u> | <u>108,635</u> | <u>320,328</u> |
| Total Fund Balances | <u>886,673</u> | <u>1,282,478</u> | <u>-</u> | <u>-</u> | <u>886,673</u> | <u>1,282,478</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,532,594</u> | <u>\$ 1,935,842</u> | <u>\$ -</u> | <u>\$ 124</u> | <u>\$ 1,532,594</u> | <u>\$ 1,935,966</u> |

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

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FISCAL YEARS ENDED SEPTEMBER 30, 2008 and 2007
(In Thousands)

| | GOVERNMENTAL FUND TYPES | | | | TOTALS (Memorandum Only) | |
|-------------------------------------------------------------------------------------|-------------------------|---------------------|------------------|------------------|-----------------------------|---------------------|
| | SPECIAL REVENUE | | DEBT SERVICE | | 2008 | 2007 |
| | 2008 | 2007 | 2008 | 2007 | | |
| REVENUES | | | | | | |
| Taxes | \$ 1,931,831 | \$ 1,973,563 | \$ - | \$ - | \$ 1,931,831 | \$ 1,973,563 |
| License and permits | 39,687 | 50,025 | - | - | 39,687 | 50,025 |
| Federal aid | 1,180,781 | 1,229,657 | - | - | 1,180,781 | 1,229,657 |
| Local participation | 12,978 | 23,030 | - | - | 12,978 | 23,030 |
| Interest earnings | 36,610 | 41,516 | 2 | 1 | 36,612 | 41,517 |
| Non-operating revenue-bridges | 2,966 | 2,790 | - | - | 2,966 | 2,790 |
| Miscellaneous and Service revenue | 132,156 | 51,312 | - | - | 132,156 | 51,312 |
| Total Revenues | <u>3,337,008</u> | <u>3,371,893</u> | <u>2</u> | <u>1</u> | <u>3,337,010</u> | <u>3,371,893</u> |
| EXPENDITURES | | | | | | |
| Administration and Operations: | | | | | | |
| Administration and maintenance | 591,255 | 474,015 | 2 | 1 | 591,257 | 474,016 |
| Bus operating assistance grants | 184,024 | 184,089 | - | - | 184,024 | 184,089 |
| Other grants | 1,148,527 | 1,168,079 | - | - | 1,148,527 | 1,168,079 |
| Airport development | 120,088 | 144,416 | - | - | 120,088 | 144,416 |
| Non-operating expenditures-bridges | 2,891 | 2,716 | - | - | 2,891 | 2,716 |
| Trust fund construction activity | 292,120 | 205,607 | - | - | 292,120 | 205,607 |
| Capital lease payments | 90 | 78 | - | - | 90 | 78 |
| Costs of issuance | - | - | - | - | - | - |
| Bond principal retirement | - | - | 96,798 | 92,224 | 96,798 | 92,224 |
| Bond interest and fiscal charges | - | - | 124,651 | 99,402 | 124,651 | 99,402 |
| Total Administration and Operations | <u>2,338,995</u> | <u>2,179,000</u> | <u>221,450</u> | <u>191,627</u> | <u>2,560,445</u> | <u>2,370,626</u> |
| Capital Outlay: | | | | | | |
| Roads and bridges | 1,130,594 | 1,238,296 | - | - | 1,130,594 | 1,238,296 |
| Other capital outlay | 15,004 | 15,589 | - | - | 15,004 | 15,589 |
| Total Capital Outlay | <u>1,145,598</u> | <u>1,253,885</u> | <u>-</u> | <u>-</u> | <u>1,145,598</u> | <u>1,253,885</u> |
| Total Expenditures | <u>3,484,593</u> | <u>3,432,885</u> | <u>221,450</u> | <u>191,627</u> | <u>3,706,043</u> | <u>3,624,511</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(147,584)</u> | <u>(60,992)</u> | <u>(221,449)</u> | <u>(191,626)</u> | <u>(369,033)</u> | <u>(252,618)</u> |
| OTHER FINANCING SOURCES | | | | | | |
| Michigan Transportation Fund distribution | 764,926 | 789,736 | - | - | 764,926 | 789,736 |
| Grants and transfers from other funds | 228,980 | 231,844 | 221,449 | 191,626 | 450,428 | 423,470 |
| Capital Lease Acquisitions | 464 | - | - | - | 464 | - |
| Proceeds from sale of capital assets | 3,006 | 2,840 | - | - | 3,006 | 2,840 |
| Proceeds from bonds and notes issued | - | 485,115 | - | - | - | 485,115 |
| Premium on bonds issued | - | 18,662 | - | - | - | 18,662 |
| Total Other Financing Sources | <u>997,376</u> | <u>1,528,197</u> | <u>221,449</u> | <u>191,626</u> | <u>1,218,824</u> | <u>1,719,823</u> |
| OTHER FINANCING USES | | | | | | |
| Michigan Transportation Fund distribution | 764,926 | 789,736 | - | - | 764,926 | 789,736 |
| Grants and transfers to other funds | 259,221 | 260,435 | - | - | 259,221 | 260,435 |
| Debt service | 221,449 | 191,626 | - | - | 221,449 | 191,626 |
| Payment to refunded bond escrow agent | - | - | - | - | - | - |
| Total Other Financing Uses | <u>1,245,596</u> | <u>1,241,797</u> | <u>-</u> | <u>-</u> | <u>1,245,596</u> | <u>1,241,797</u> |
| Excess of Other Financing Sources Over (Under) Other Financing Uses | <u>(248,220)</u> | <u>286,400</u> | <u>221,449</u> | <u>191,626</u> | <u>(26,771)</u> | <u>478,026</u> |
| Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses | <u>(395,804)</u> | <u>225,408</u> | <u>-</u> | <u>-</u> | <u>(395,804)</u> | <u>225,408</u> |
| Fund balances-Beginning of fiscal year | 1,282,478 | 1,057,069 | - | - | 1,282,478 | 1,057,069 |
| Fund balances-End of fiscal year | <u>\$ 886,673</u> | <u>\$ 1,282,478</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 886,673</u> | <u>\$ 1,282,478</u> |

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

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

Note 1: Significant Accounting Policies

A. Reporting Entity

These financial statements report the financial activity of transportation related funds administered by the Department of Transportation (Department). Department administered funds by classification are:

Special Revenue

State Aeronautics Fund
State Trunkline Fund
Michigan Transportation Fund
Transportation Related Trust Fund
Blue Water Bridge Fund
Comprehensive Transportation Fund
Combined State Trunkline Bond Proceeds Fund
Combined Comprehensive Transportation Bond Proceeds Fund

Debt Service

Combined State Trunkline Bond and Interest Redemption Fund
Combined Comprehensive Transportation Bond and Interest Redemption Fund

The above funds are a part of the State of Michigan reporting entity and are reported in the State of Michigan Comprehensive Annual Financial Report (SOMCAFR). The SOMCAFR provides general disclosures regarding summary of significant accounting policies, treasurer's common cash, pension benefits, compensated absences (annual leave and sick leave accumulations), general long-term obligations, interfund receivables and payables, contingencies, and commitments.

There exist, in the financial statements and notes, variations from SOMCAFR in the presentation and descriptions of information. None of these variations misrepresent the information as it was published in the SOMCAFR. The Department requested and received a waiver from Department of Management and Budget, Office of Financial Management to present these differences.

Note 1 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

On September 1, 2000, the International Bridge Authority paid off the 40 year bonds which financed the construction of the International Bridge at Sault Ste. Marie, Michigan. As a result, the International Bridge Authority was dissolved, and the Michigan Department of Transportation (MDOT) and the St. Mary's River Bridge Company (SMRBC), a Canadian Corporation, share ownership of the International Bridge. A 40 year intergovernmental agreement between MDOT and SMRBC went into effect on September 1, 2000. This agreement formed the Joint International Bridge Authority (JIBA) and the International Bridge Administration (IBA). The JIBA is a non-profit organization with six members. Three members are selected by the Governor of Michigan and three by SMRBC, which is controlled by the Minister of Transport. The IBA is made up of MDOT employees who are responsible for the administration, operation, repair, and improvement of the International Bridge. Revenue from bridge tolls covers the expenses of the IBA. Neither owner is required to provide financial support for the bridge.

Summary financial information for the International Bridge Authority's audit periods ending December 31, 2007 and December 31, 2006 follows (In Thousands):

| | <u>December 31, 2007</u> | <u>December 31, 2006</u> |
|----------------------------------------------------------------------------------|--------------------------|--------------------------|
| Assets | \$ 8,502 | \$ 6,221 |
| Liabilities | 2,455 | 1,290 |
| Total Equity | 6,048 | 4,931 |
| Total Revenues and Other Sources | 6,566 | 4,831 |
| Total Expenditures and Other Uses | 5,449 | 5,015 |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | \$ 1,117 | \$ (184) |

The Mackinac Bridge Authority (Authority), a component unit of the State of Michigan, is reported in the SOMCAFR and is not reported in these statements. The Authority issues its own audited financial statements. Further information regarding the relationship between the Department and the Authority is provided in Note 11 of this report.

B. Basis of Presentation

The financial transactions of the Department are recorded in individual funds in the Michigan Administrative Information System (MAIN). The various transportation funds are combined in the SOMCAFR into fund types described as follows:

Note I continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

Governmental Fund Types

Special Revenue Funds: This fund group includes operating funds that account for the proceeds of certain specific revenue sources, which are legally restricted for specified purposes.

Debt Service Funds: This group accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

TOTALS (MEMORANDUM ONLY)

Amounts in the "total - memorandum only" columns represent summations of the fund types and account groups and are presented only for analytical purposes. The summations include interfund transactions, which have not been eliminated, and the captioned "amounts to be provided," which are not assets in the usual sense. Consequently, amounts shown in the "total - memorandum only" columns are not comparable to a consolidation.

C. Basis of Accounting

The financial statements contained in this report are prepared on the modified accrual basis of accounting. The modified accrual basis of accounting, fiscal year ends, and accounting practices are explained in more detail in the SOMCAFR.

D. Calculation Practice

Amounts recorded in the Department's financial statements are rounded to thousands of dollars, unless otherwise noted. Because of this, the amounts may not add to the totals.

E. Special Items

Local Jobs Today Grant - As part of Governor Granholm's Jobs Today initiative it was announced that MDOT would grant to local governments \$80 million to provide match money for federal funds. These projects were not part of the state-owned system of roads and bridges and therefore could not be funded with State Trunkline Fund (STF) restricted revenues. It was determined to use STF Jobs Today bond proceeds to provide this grant. Eligible trunkline projects which had previously been programmed and funded with bond proceeds were reprogrammed to be paid for with STF funds. Generally accepted accounting principles require the recognition of revenue when an expenditure from a prior fiscal year is reimbursed. As a result, \$72.4M was recorded as revenue in the STF Jobs Today bond proceeds fund.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

Note 2: Equity in Common Cash

Custodial Credit Risk: All of MDOT’s deposits are managed by the State Treasurer. “Equity in common cash” represents an interest in the State’s common cash pool, which is used by most State funds as a short-term investment vehicle. MDOT’s deposits are included in the State of Michigan equity in common cash.

MDOT’s common cash balances were as follows (in thousands) as of September 30:

| | <u>Special Revenue Funds</u> | | <u>Debt Service Funds</u> | |
|-----------------------|------------------------------|-------------|---------------------------|-------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Equity in Common Cash | \$516,702 | \$491,281 | \$0 | \$124 |

The balances for the Special Revenue Funds averaged approximately \$1,148.7 million and \$1,096.7 million during fiscal year 2007-08 and 2006-07, respectively.

The Governmental Accounting Standards Board (GASB) requires certain disclosures related to custodial credit risk for deposits. Custodial credit risk of deposits is the risk that, in the event of a bank failure, MDOT’s deposits will not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized, collateralized with securities held by pledging financial institutions, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in MDOT’s name. The State Treasurer evaluates each financial institution it deposits common cash funds with and assesses the level of risk of each institution. The State Treasurer's policy requires all financial institutions holding the State's money must pledge collateral equal to the amount of the account balance for all demand and time deposits, to secure the State's funds. Only those institutions with an acceptable estimated risk are used as depositories.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

Note 3: Current Receivables

A. Contested Receivables

Current receivables recorded in the financial statements represent amounts due to the Department as of September 30, 2008 and 2007, and are expected to be collected within 12 months. Receivables not due for collection within 12 months are classified as noncurrent assets with an offsetting deferred revenue or fund balance reserve. Due to the uncertainty associated with contested receivables in litigation or pending litigation, these receivables are recorded in an allowance for doubtful accounts, with the net amount reported in the financial statements. Receivables referred to Treasury for collection will no longer be classified as a receivable with a corresponding entry to allowance for doubtful accounts, but will instead be written-off as uncollectible at the time of referral.

| | <u>Contested Receivables</u> | |
|---------------------------------------|------------------------------|----------------|
| | (In Thousands) | |
| | <u>2008</u> | <u>2007</u> |
| State Aeronautics Fund | \$5,606 | \$3,550 |
| State Trunkline Fund | 680 | 6,012 |
| Comprehensive Transportation Fund | <u>2</u> | <u>8</u> |
| Total Allowance for Doubtful Accounts | <u>\$6,288</u> | <u>\$9,570</u> |

B. Taxes Receivable

In the Michigan Transportation Fund, the net amount of current receivables, \$188.1 million and \$200.4 million, and allowances for uncollectible receivables, \$92.0 million and \$109.2 million, were recorded for motor fuel taxes due to the fund as of September 30, 2008 and 2007, respectively. The reporting of a gross receivable net of a related allowance for uncollectible accounts is consistent with the treatment of other taxes receivable reported in the SOMCAFR.

C. Federal Highway Administration (FHWA) Receivable

The Department recorded federal aid receivables in the State Trunkline Fund, State Trunkline Bond Proceeds Fund, and Transportation Related Trust Fund totaling \$154.9 million and \$115.9 million for the fiscal years ending September 30, 2008 and 2007, respectively. No noncurrent federal aid receivables were recorded for fiscal year ending September 30, 2008 and 2007.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

Note 4: Capital Assets

Capital assets owned by the Department, including property, plant, equipment, and infrastructure items (roads, bridges, ramps, railroads, rest areas, and welcome centers) are reported in the government-wide financial statements of the SOMCAFR. The capital assets reported by the Department have been expanded due to the implementation of GASB Statement No. 34. For more information on the reporting of capital assets under this Statement, see Note 9 of the SOMCAFR.

Classification: The following tables summarize, by major class of asset, fiscal year 2008 changes in reported costs for the Department's capital assets (In Millions):

| | Changes in Capital Assets Fiscal Year 2008 | | | | |
|--------------------------------------------------|-----------------------------------------------|-----------------------|-------------------------|-----------------------|--------------------------|
| | Beginning Balance | Additions | Deletions | Adjustments | Ending Balance |
| <u>Capital assets, not depreciated:</u> | | | | | |
| Roads | \$10,956.1 | \$56.9 | (\$47.8) | (\$20.4) | \$10,944.8 |
| Land | 2,933.9 | 21.0 | (0.4) | (3.5) | 2,951.0 |
| Bridges | 1,580.6 | 160.0 | (48.5) | -- | 1,692.1 |
| Construction in Progress | 957.6 | 394.5 | (227.1) | 5.5 | 1,130.4 |
| <u>Capital assets, depreciated:</u> | | | | | |
| Ramps | 581.4 | 0.2 | -- | 0.3 | 581.9 |
| Equipment | 129.6 | 5.9 | (5.1) | 2.4 | 132.8 |
| Buildings | 138.8 | 1.1 | -- | 7.2 | 147.1 |
| Railroads | 32.5 | -- | -- | -- | 32.5 |
| Rest Areas & Welcome Centers | 74.0 | 3.3 | (0.6) | 3.6 | 80.2 |
| Land Improvements | 2.8 | -- | -- | -- | 2.8 |
| Airports | 1.9 | -- | -- | -- | 1.9 |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Ramps | (371.1) | (23.3) | -- | -- | (394.4) |
| Equipment | (76.2) | (6.9) | 4.6 | (0.2) | (78.8) |
| Buildings | (52.8) | (3.6) | -- | (2.8) | (59.2) |
| Railroads | (21.0) | (0.8) | -- | -- | (21.8) |
| Rest Areas & Welcome Centers | (30.6) | (1.8) | 0.6 | (0.1) | (31.9) |
| Land Improvements | (1.1) | (0.1) | -- | -- | (1.2) |
| Airports | (0.6) | (0.1) | -- | -- | (0.7) |
| Total Capital Assets | <u>\$16,835.8</u> | <u>\$606.1</u> | <u>(\$324.3)</u> | <u>(\$8.1)</u> | <u>\$17,109.5</u> |

Note 4 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

Funding Source: Following is a summary of funding sources for investments in capital assets as of September 30, 2008 (In Millions):

| <u>Fund</u> | <u>Investment</u> |
|-------------------------------------------|---------------------------|
| State Trunkline Fund | \$ 17,060.5 |
| Comprehensive Transportation Fund | 28.5 |
| State Aeronautics Fund | <u>20.6</u> |
| Total Investment in Capital Assets | <u>\$ 17,109.5</u> |

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
 NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

Note 5: General Long-Term Obligations

A. Revenue Dedicated Bonded Debt

The Department has periodically issued long-term bonds for specific purposes, with the pledge that financing of debt requirements is to come strictly from designated revenue sources, including State Trunkline Funds (STF), Comprehensive Transportation Funds (CTF) and federal grants. The State of Michigan's general credit does not support such issues. Public Act 51 of 1951, as amended, provides that monies deposited in the (STF) and/or the (CTF) are appropriated for specific purposes, with debt service being the first priority. A sufficient portion of the STF and the CTF is appropriated to pay, when due, the principal of and interest outstanding on bonds and notes. The STF Series 1989-A, and the STF Series 1992 A and B bond issues included capital appreciation bonds (zero coupon bonds) with an ultimate maturity value of \$6.0 million and \$65.5 million, respectively. These bonds are recorded in the amounts of \$5.6 million and \$57.7 million, respectively, which are the accreted values at September 30, 2008. These bonds mature in the years 2004 to 2009, and 2006 to 2013, respectively.

Revenue Dedicated Bonded Debt
 Department of Transportation (In Thousands)

| | Amounts Issued | Outstanding | | Maturities | | Average Interest Rate % |
|------------------------------------------------|---------------------|---------------------|---------------------|---------------|--------------|-------------------------------|
| | | 9/30/08 | 9/30/07 | First Year | Last Year | |
| <u>MI Comprehensive Transportation:</u> | | | | | | |
| 1998 (Series A Refunding) | \$ 38,640 | \$ 25,345 | \$ 29,700 | 2005 | 2011 | 4.81 |
| 2001 (Series A Refunding) | 27,765 | 26,480 | 27,765 | 2008 | 2022 | 5.01 |
| 2002 (Series A Refunding) | 89,620 | 25,330 | 36,130 | 2003 | 2011 | 5.07 |
| 2002 (Series B) | 82,310 | 14,665 | 17,895 | 2004 | 2012 | 5.13 |
| 2003 (Series A) | 35,020 | 18,275 | 19,665 | 2004 | 2023 | 3.61 |
| 2005 (Series A Refunding) | 62,180 | 62,180 | 62,180 | 2009 | 2023 | 5.15 |
| Series 2006 and Refunding | 53,685 | 52,060 | 52,275 | 2007 | 2031 | 4.54 |
| Total Michigan Comprehensive Transportation | \$ 389,220 | \$ 224,335 | \$ 245,610 | | | |
| <u>State Trunkline Funds:</u> | | | | | | |
| 1989 (Series A) | \$ 135,780 | \$ 5,610 | \$ 10,849 | 1994 | 2009 | 6.75 |
| 1992 (Series A) | 253,618 | 50,627 | 56,708 | 2000 | 2013 | 5.76 |
| 1992 (Series B Refunding) | 99,592 | 7,088 | 8,260 | 2000 | 2013 | 5.68 |
| 1998 (Series A Refunding) | 377,890 | 371,745 | 374,410 | 2006 | 2027 | 5.03 |
| 2001 (Series A) | 308,200 | 26,815 | 32,715 | 2003 | 2012 | 4.96 |
| 2002 (Series A Refunding) | 97,870 | 64,165 | 68,615 | 2004 | 2022 | 4.71 |
| 2004 (Series A Refunding) | 103,450 | 98,395 | 99,740 | 2006 | 2022 | 4.13 |
| 2004 | 185,710 | 88,565 | 100,480 | 2008 | 2019 | 4.36 |
| 2005 (Series A Refunding) | 223,020 | 223,020 | 223,020 | 2010 | 2023 | 5.10 |
| 2005 (Series B Refunding) | 378,250 | 378,250 | 378,250 | 2010 | 2019 | 4.81 |
| Series 2006 | 244,525 | 233,165 | 244,525 | 2008 | 2022 | 4.74 |
| Total State Trunkline Funds | \$ 2,407,904 | \$ 1,547,445 | \$ 1,597,573 | | | |
| <u>Grant Anticipation Bonds:</u> | | | | | | |
| Series 2007 | \$ 485,115 | \$ 485,115 | \$ 485,115 | 2009 | 2027 | 4.87 |
| Total Revenue | | | | | | |
| Dedicated Bonded Debt | \$ 3,282,239 | \$ 2,256,895 | \$ 2,328,298 | | | |

Note 5 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

Advance Refunding and Defeasance

The Department has issued refunding bond issues to finance the advance refunding of selected bond issues. A portion of the proceeds of the refunding issues were placed in trust and used to purchase securities of the U.S. Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by a trustee and are restricted for the retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements, as the Department defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transaction.

The following table summarizes the defeased bonds outstanding at September 30, 2008 and 2007:

Summary of Refunding Transactions
 (In Millions)

| <u>Bond Series</u> | <u>Amount Refunded</u> | <u>Balance with Trustee</u> | |
|--------------------------------------------------|----------------------------|-----------------------------|----------------|
| | | <u>2008</u> | <u>2007</u> |
| State Trunkline Fund Bonds: | | | |
| Series 2001A | \$245.8 | \$245.8 | \$245.8 |
| Series 2004 | <u>85.2</u> | <u>85.2</u> | <u>85.2</u> |
| Total State Trunkline Fund Bonds | <u>\$331.1</u> | <u>\$331.1</u> | <u>\$331.1</u> |
| Comprehensive Transportation Fund Bonds: | | | |
| Series 2002B | \$ 55.2 | \$ 52.9 | \$ 52.9 |
| Series 2003 | <u>9.9</u> | <u>9.9</u> | <u>9.9</u> |
| Total Comprehensive Transportation Fund Bonds | <u>\$ 65.1</u> | <u>\$ 62.8</u> | <u>\$ 62.8</u> |
| Total | <u>\$396.2</u> | <u>\$393.9</u> | <u>\$393.9</u> |

Note 5 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

B. Debt Service Requirements

The following table summarizes debt service requirements for outstanding bonds (In Thousands):

| FISCAL YEARS ENDING SEPTEMBER 30 | STATE TRUNKLINE FUND | | | COMPREHENSIVE TRANSPORTATION FUND | | | GRANT ANTICIPATION BONDS | | | COMBINED TOTAL | | |
|-------------------------------------------|----------------------|------------------|--------------------|--------------------------------------|-----------------|------------------|--------------------------|------------------|------------------|--------------------|--------------------|--------------------|
| | PRINCIPAL | INTEREST | TOTAL | PRINCIPAL | INTEREST | TOTAL | PRINCIPAL | INTEREST | TOTAL | PRINCIPAL | INTEREST | TOTAL |
| 2009 | \$56,080 | \$73,899 | \$129,979 | \$22,325 | \$10,997 | \$33,322 | \$3,505 | \$24,974 | \$28,479 | \$81,910 | \$109,870 | \$191,780 |
| 2010 | 88,210 | 71,938 | 160,148 | 23,555 | 9,760 | 33,315 | 7,025 | 24,825 | 31,850 | 118,790 | 106,523 | 225,313 |
| 2011 | 91,910 | 68,226 | 160,136 | 24,765 | 8,544 | 33,309 | 7,340 | 24,520 | 31,860 | 124,015 | 101,290 | 225,305 |
| 2012 | 95,840 | 64,293 | 160,133 | 12,310 | 7,553 | 19,863 | 7,695 | 24,171 | 31,866 | 115,845 | 96,016 | 211,861 |
| 2013 | 99,985 | 60,118 | 160,103 | 12,790 | 6,990 | 19,780 | 8,045 | 23,850 | 31,895 | 120,820 | 90,958 | 211,778 |
| 2014 | 104,730 | 55,328 | 160,058 | 13,365 | 6,401 | 19,766 | 8,450 | 23,490 | 31,940 | 126,545 | 85,219 | 211,764 |
| 2015 | 110,725 | 49,520 | 160,245 | 9,215 | 5,784 | 14,999 | 8,655 | 23,099 | 31,754 | 128,595 | 78,403 | 206,998 |
| 2016 | 116,430 | 43,772 | 160,202 | 9,670 | 5,329 | 14,999 | 9,075 | 22,720 | 31,795 | 135,175 | 71,820 | 206,995 |
| 2017 | 122,520 | 37,682 | 160,202 | 10,145 | 4,851 | 14,996 | 9,515 | 22,281 | 31,796 | 142,180 | 64,814 | 206,994 |
| 2018 | 128,505 | 31,673 | 160,178 | 10,650 | 4,347 | 14,997 | 9,990 | 21,830 | 31,820 | 149,145 | 57,850 | 206,995 |
| 2019 | 134,885 | 25,262 | 160,147 | 11,190 | 3,808 | 14,998 | 10,545 | 21,306 | 31,851 | 156,620 | 50,376 | 206,996 |
| 2020 | 93,640 | 18,224 | 111,854 | 11,775 | 3,220 | 14,995 | 56,390 | 20,752 | 77,142 | 161,795 | 42,196 | 203,991 |
| 2021 | 98,470 | 13,359 | 111,829 | 12,390 | 2,608 | 14,998 | 33,375 | 17,791 | 51,166 | 144,235 | 33,759 | 177,994 |
| 2022 | 103,620 | 8,180 | 111,800 | 13,035 | 1,965 | 15,000 | 35,160 | 16,039 | 51,199 | 151,815 | 26,184 | 177,999 |
| 2023 | 76,650 | 3,587 | 80,237 | 2,635 | 1,356 | 3,991 | 45,500 | 14,193 | 59,693 | 124,785 | 19,136 | 143,921 |
| 2024 | 12,800 | 1,350 | 14,150 | 2,770 | 1,226 | 3,996 | 47,045 | 11,805 | 58,850 | 62,615 | 14,381 | 76,996 |
| 2025 | 13,455 | 694 | 14,149 | 2,910 | 1,088 | 3,998 | 49,515 | 9,335 | 58,850 | 65,880 | 11,116 | 76,996 |
| 2026 | 3,485 | 270 | 3,755 | 3,055 | 942 | 3,997 | 62,505 | 6,735 | 69,240 | 69,045 | 7,948 | 76,993 |
| 2027 | 3,665 | 92 | 3,757 | 3,210 | 789 | 3,999 | 65,785 | 3,454 | 69,239 | 72,660 | 4,335 | 76,995 |
| 2028 | - | - | - | 3,370 | 629 | 3,999 | - | - | - | 3,370 | 629 | 3,999 |
| 2029 | - | - | - | 3,535 | 460 | 3,995 | - | - | - | 3,535 | 460 | 3,995 |
| 2030 | - | - | - | 3,715 | 284 | 3,999 | - | - | - | 3,715 | 284 | 3,999 |
| 2031 | - | - | - | 1,955 | 98 | 2,053 | - | - | - | 1,955 | 98 | 2,053 |
| TOTAL | \$1,555,595 | \$627,466 | \$2,183,061 | \$224,335 | \$89,027 | \$313,362 | \$485,115 | \$357,170 | \$842,285 | \$2,265,045 | \$1,073,663 | \$3,338,708 |

Note 5 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

C. Revenue Dedicated Notes Payable

The Department issued \$200.0 million of Grant Anticipation Notes in fiscal year ending 2002. The Notes have variable rates that may bear interest at a daily interest rate, a weekly rate, note interest term rate, long-term interest rate, or an ARS interest rate. The Notes were issued in accordance with the authorization provided in P.A. 51 of 1951, as amended. The principal and interest on the Notes are payable solely from and are secured by an irrevocable pledge of the State share of all federal grants received each year under the Federal-Aid Highway Program. As of September 30, 2008 and September 30, 2007 there was zero and \$32.0 million, respectively, outstanding in four series maturing in 2009.

D. Other General Long-Term Obligations

Capital Leases:

Capitalized lease liabilities are described in more detail in Note 6.

Compensated Absences:

Compensated absences liabilities are detailed in Note 7.

Claims and Judgments:

The liability recorded for claims and judgments consists of projected amounts for highway-related negligence cases based upon historical loss ratios. It should be stressed that the Department continues to vigorously contest all of these claims and that the Department may incur no liability in the individual cases involved. Therefore, the allowance for litigation losses may be overstated (to the extent that losses do not occur) or understated (if the losses exceed the projected amounts).

Note 5 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

Changes in General Long-term Obligations:

Changes in general long-term obligations (In Thousands) for the fiscal years ended September 30, 2008 and 2007, are summarized as follows:

| | <u>Revenue</u> <u>Dedicated Debt -</u> <u>Oversight Entity</u> | | <u>Capital Lease</u> <u>Obligations</u> | |
|-------------------------------------------------------------------|----------------------------------------------------------------------|---------------------|--------------------------------------------|---------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Bonds and Capital Lease Obligations: | | | | |
| Balance – Beginning | \$ 2,328,298 | \$ 1,888,819 | \$ 374 | \$ 530 |
| New bond issues/capital lease additions and adjustments | -- | 485,115 | 464 | -- |
| Accretion on Capital Appreciation Bonds | 4,202 | 4,979 | -- | -- |
| Bond principal retirements/capital lease payments and adjustments | <u>(75,605)</u> | <u>(50,615)</u> | <u>(54)</u> | <u>(156)</u> |
| Balance – Ending | <u>\$ 2,256,895</u> | <u>\$ 2,328,298</u> | <u>\$ 784</u> | <u>\$ 374</u> |

| | <u>Claims and</u> <u>Judgments</u> | | <u>Compensated</u> <u>Absences Liabilities</u> | |
|--------------------------------------------------|---------------------------------------|---------------|---------------------------------------------------|------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Other Obligations: | | | | |
| Balance - Beginning | \$ 751 | \$ 1,543 | \$ 33,339 | \$ 34,909 |
| Net increase (decrease) in estimated liabilities | <u>(391)</u> | <u>(792)</u> | <u>682</u> | <u>(1,570)</u> |
| Balance - Ending | <u>\$ 360</u> | <u>\$ 751</u> | <u>\$ 34,022</u> | <u>\$ 33,339</u> |

The FY 2008 ending balance for claims and judgments includes four more pending cases than were presented in the liability reported in the SOMCAFR. The Department requested and received a waiver from Department of Management and Budget, Office of Financial Management to present this difference.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

Note 6: Leases

The Department leases office facilities under noncancelable leasing arrangements. Most leases have cancellation clauses with one to six month notice requirements in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered in the determination of whether a lease is cancelable because the likelihood that such clauses will be exercised is considered remote. Leases that are in the nature of acquisitions are classified as "capital" leases, therefore assets and liabilities are recorded at lease inception. Other leases are classified as "operating" leases, and these are treated as rent commitments rather than acquisitions.

Actual rental expenditures incurred under operating leases totaled \$1,666,022 and \$1,164,625 during fiscal years 2008 and 2007, respectively.

Summary of the noncancelable operating and capital leasing commitments to maturity for fiscal year 2008 follows (In Thousands):

| Noncancelable Lease Commitments As of September 30, 2008 | | | | | |
|-------------------------------------------------------------|----------------------------|-----------------------|-----------------|------------------|-----------------|
| Fiscal Year Ended <u>September 30</u> | Operating <u>Leases</u> | <u>Capital Leases</u> | | | |
| | | <u>Principal</u> | <u>Interest</u> | <u>Executory</u> | <u>Total</u> |
| 2009 | \$ 1,466 | \$ 61 | \$ 110 | \$ 58 | \$ 229 |
| 2010 | 1,070 | 67 | 104 | 58 | 229 |
| 2011 | 436 | 74 | 97 | 58 | 229 |
| 2012 | 196 | 83 | 88 | 58 | 229 |
| 2013 | 98 | 93 | 79 | 58 | 229 |
| <u>2014- 2018</u> | <u>--</u> | <u>406</u> | <u>194</u> | <u>241</u> | <u>842</u> |
| Total | <u>\$ 3,266</u> | <u>\$ 784</u> | <u>\$ 672</u> | <u>\$ 530</u> | <u>\$ 1,986</u> |

The above schedule is consistent with SOMCAFR in that it does not include leases for state owned buildings, leases for an amount less than \$10,000, lease extensions less than 12 months and lease payment changes less than \$200.

All of the above capital leases are related to governmental fund operations and the total of capital lease principal is recorded in the government-wide statements of the SOMCAFR.

Note 6 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

The historical cost of assets acquired under capital leases, which are included in the government-wide statements of the SOMCAFR, at September 30, 2008 and 2007 follows (In Thousands):

| | <u>2008</u> | <u>2007</u> |
|-----------|----------------|---------------|
| Buildings | \$1,098 | \$ 634 |
| Equipment | --- | --- |
| TOTAL | <u>\$1,098</u> | <u>\$ 634</u> |

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

Note 7: Employee Benefits - Retirement and Compensated Absences

A. Retirement Contributions

Department of Transportation employees are members of the State Employees' Retirement System. Retirement contributions are expended from the Department's special revenue funds to the State Employees' Retirement Fund, the State Employees' Other Postemployment Benefits Fund and the State Employees' Defined Contribution Retirement Fund.

The Department's retirement contributions were as follows (In Thousands):

| | <u>2008</u> | <u>2007</u> |
|---------------------------------------------------------|---------------------|---------------------|
| State Trunkline Fund | \$38,253 | \$30,785 |
| Comprehensive Transportation Fund | 1,091 | 779 |
| State Aeronautics Fund | 860 | 637 |
| Blue Water Bridge | <u>458</u> | <u>372</u> |
| Total Department of Transportation Contributions | <u>\$40,662</u> | <u>\$32,573</u> |

B. Compensated Absences

The Department has accrued liabilities for compensated absences as required by GASB. Liabilities related to governmental fund types are recorded in the government-wide statements in the SOMCAFR, unless the liability is "due and payable" (i.e., liabilities are recognized in the year employee leaves State service) at year-end. The amount "due and payable" is reflected in the "Accounts payable" line of the applicable fund's balance sheet.

Note 7 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

The following table summarizes Department of Transportation related compensated absences liabilities as of September 30, 2008 and 2007 (In Thousands):

| | <u>Sick Leave</u> | | <u>Annual Leave</u> | | <u>Banked Leave</u> | | <u>Total</u> | |
|-----------------------------------|-----------------------|-----------------------|------------------------|------------------------|-----------------------|-----------------------|------------------------|------------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| State Trunkline Fund | \$9,100 | \$9,020 | \$16,925 | \$16,061 | \$5,671 | \$5,849 | \$31,697 | \$30,930 |
| Comprehensive Transportation Fund | 389 | 448 | 515 | 579 | 212 | 225 | 1,117 | 1,252 |
| State Aeronautics Fund | 370 | 351 | 369 | 358 | 176 | 177 | 915 | 886 |
| Blue Water Bridge | <u>107</u> | <u>98</u> | <u>147</u> | <u>136</u> | <u>39</u> | <u>37</u> | <u>293</u> | <u>271</u> |
| TOTAL | <u>\$9,966</u> | <u>\$9,917</u> | <u>\$17,957</u> | <u>\$17,134</u> | <u>\$6,098</u> | <u>\$6,288</u> | <u>\$34,022</u> | <u>\$33,339</u> |

If a Department employee transfers to another department, the related compensated absence liability is assumed by the employee's new department.

Compensated absences liabilities for persons employed at the Michigan Welcome Centers have been included in the Department's totals. The operation of the Centers is overseen by the Michigan Economic Development Corporation while the funding authorization is included in the Department's annual appropriation bill.

For a more detailed explanation of retirement benefits, other post-employment benefits and compensated absence accruals, refer to Notes 10, 11 and 1, respectively, of the SOMCAFR.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

Note 8: Excess of Expenditures Over Appropriation

Budgetary control for State Trunkline Fund, Blue Water Bridge Fund, State Aeronautics Fund, Michigan Transportation Fund, and Comprehensive Transportation Fund expenditures is established by line-item appropriation within each fund's total appropriation.

The Department incurred no overexpenditures in fiscal year 2008 or in fiscal year 2007.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

Note 9: Interfund Transactions by the Michigan Transportation Fund

MDOT's most significant interfund transaction is the distribution of Michigan Transportation Fund (MTF) revenues to the State Trunkline Fund (STF) and Comprehensive Transportation Fund (CTF). This distribution is in accordance with section 247.660 of Public Act 51 of 1951, as amended.

MTF collects various taxes such as gasoline taxes, diesel taxes, motor carrier taxes, and vehicle license taxes. Before the distribution is calculated, various deductions are taken from MTF's total gross receipts. These deductions include funding for debt service payments, the Rail Grade crossing program, administrative costs for divisions within MDOT, and grants with other State agencies.

CTF receives ten percent of the remaining balance from MTF. After CTF's balance is distributed, additional deductions are taken for the Local Bridge program, the Economic Development program, and the Local Road program. Three of the four cents a gallon that MTF receives for gasoline taxes is then added to the total. The remaining penny is dedicated to bridge repair and is distributed evenly between STF and the Local Bridge fund. STF receives 39.1 percent of the remaining balance.

Other transactions from MTF are also required by P.A. 51 of 1951, or the current year's appropriation bill. See the table below for MTF's interfund transactions in fiscal years 2008 and 2007.

| <u>Interfund Transactions</u> | <u>FY 08</u> | <u>FY 07</u> |
|-----------------------------------------|--------------------------|----------------------------|
| MTF Distribution – STF | \$605,004,737 | \$624,986,264 |
| MTF Distribution - CTF | 159,921,258 | 164,749,547 |
| Other State agencies | 45,476,600 | 46,538,098 |
| Debt Service | 43,000,000 | 43,000,000 |
| Economic Development Program | 40,275,000 | 40,275,000 |
| Local Road Program | 33,000,000 | 33,000,000 |
| Local Bridge Fund | 30,276,172 | 31,117,133 |
| Transportation Planning | 7,782,157 | 7,494,586 |
| Design and Engineering Services | 4,856,943 | 3,566,696 |
| Rail Grade Crossing Program | 3,000,000 | 3,000,000 |
| Freight and Safety Services | 1,861,000 | 1,840,224 |
| Finance, Contracts and Support Services | 1,891,567 | 1,187,566 |
| Enhancement Program | <u>179,000</u> | <u>141,835</u> |
| Total | <u>\$976,524,434</u> | <u>\$1,000,896,947</u> |

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

Note 10: Reserved Fund Balance

A comparative analysis of the State Trunkline Fund reserved fund balance at September 30, 2008 and September 30, 2007 follows (In Thousands):

| | <u>FY 2008</u> | <u>FY 2007</u> |
|---------------------------------|-----------------------|-----------------------|
| Budgetary carry-forwards: | | |
| Encumbrances | \$ 80,888 | \$ 95,647 |
| Restricted Revenues | 225,365 | 355,990 |
| Capital Outlay: | | |
| Facilities | 31,281 | 28,508 |
| Institutional Roads | 1,123 | 1,356 |
| Rail Grade Crossing | -- | -- |
| Local Bridge | -- | -- |
| Road and Bridge | <u>201,996</u> | <u>245,259</u> |
| Total Capital Outlay Reserves | 234,401 | 275,123 |
| Work Projects | -- | -- |
| Construction and Debt Service | 116,470 | 115,854 |
| Revolving Loan Program | 21,773 | 21,133 |
| Noncurrent Assets: | | |
| Capital Equipment Loans | 13,905 | 16,180 |
| Maintenance Advances | <u>10,258</u> | <u>9,466</u> |
| Total Noncurrent Assets | <u>24,163</u> | <u>25,646</u> |
| Total Reserved Fund Balance | <u>\$ 703,060</u> | <u>\$ 889,393</u> |

For a more detailed explanation of reserved fund balance, refer to the SOMCAFR note 22.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

Note 11: Component Unit - Mackinac Bridge Authority

The Mackinac Bridge Authority (Authority), which is reported as a governmental component unit in the SOMCAFR, has over the years received \$75.3 million of subsidies for operations (\$12.3 million) and debt service (\$63.0 million). These subsidies were provided by the State Trunkline Fund and the Michigan Transportation Fund, respectively, both of which are special revenue funds. The Authority redeemed its remaining bonds on July 1, 1986.

State statutes require that the Authority continue charging bridge tolls and begin repaying the State Trunkline Fund and the Michigan Transportation Fund for the subsidies provided. These repayments would continue until such time as the subsidies have been completely returned. Executive Order 1986-14 created the Governor's Mackinac Bridge Task Force to develop an advisory proposal concerning reimbursement of the subsidies, future funding of repair and renovation costs, and the bridge toll structure. The Authority has not recorded a liability, and the state funds have not recorded receivables for these subsidies, because the reimbursements are contingent upon future net revenues and because the repayment commitment is long-term and budgetary in nature. Repayments may be authorized by the Authority after consideration of the Authority's annual needs for its operations and planned repairs and improvements.

The Authority repaid \$11,000,000 between fiscal years 1993 and 2007, with an additional \$250,000 repaid in fiscal year 2008, to the Michigan Transportation Fund. These repayments come directly from the revenue generated by bridge tolls and are not included as a financing use of the State Trunkline Fund. A balance of \$51,750,000 is owed to the Michigan Transportation Fund and a balance of \$12,306,172 is owed to the State Trunkline Fund.

For the fiscal year ended September 30, 2008, a current receivable of \$1,513,641.30 is recorded in the State Trunkline Fund's balance sheet as an amount due from component units for the authority's reimbursement of payroll and related expenses. An account payable due to the Department is recorded in the Authority's balance sheet.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

Note 12: Contingencies and Commitments

A. Litigation

The Department is party to various legal proceedings seeking damages and other relief including injunctive or mandatory relief. The ultimate disposition of such legal proceedings is not presently determinable, but such ultimate disposition and consequences of all these legal proceedings will not, themselves, in the opinion of the State of Michigan's Attorney General, have a materially adverse effect on the Department's financial position.

The Department accrues fund liabilities at year-end related to settled cases where the outcome and dollar amount of the claim is final. For unsettled cases, liability recognition or disclosure is recorded at the statewide level, dependent on whether the loss is probable or reasonably possible.

In March 2002, the County Road Association of Michigan (CRAM) and the Chippewa County Road Commission filed a lawsuit against John A. Engler, et al concerning the provisions of Executive Order 2001-9. The lawsuit challenged the constitutionality of the reduction of funds by the Executive Order that would, in effect, make more funds available to the Department of State and the Department of the Treasury to offset their expenses. In part, the lawsuit challenges the constitutionality of that use of the funds. Additionally, funds were transferred from the Economic Development Fund to the General Fund. A trial was conducted and an appeal has been taken from a ruling against the Governor. An Order has been entered staying enforcement of the trial court's decision, pending the appeal.

For more information, see Note 24 of the financial statements included in the fiscal year 2008 SOMCAFR.

B. Federal Grants

Federal revenues are generally subject to review and audit by grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grant. As of September 30, 2008 and 2007 the Department estimates the disallowance of recognized revenues will not be material to the financial statements.

Note 12 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

C. Construction Projects

The Department has entered into construction contracts for transportation related special revenue funds and trust funds. As of September 30, 2008 and 2007 the balances remaining on these contracts equaled \$835.0 million and \$901.3 million, respectively. As of September 30, 2008 and 2007, the balances remaining on these contracts, less the Transportation Related Trust Funds equaled \$771.9 million and \$821.3 million, respectively. As of September 30, 2008 and 2007, the balances remaining on these contracts in the State Trunkline Fund equaled \$563.3 million and \$482.9 million, respectively.

D. Advance Construction

Under an agreement with FHWA, the Department has, over a period of years, qualified a number of construction projects without placing them under a reimbursement agreement. These deferred federal aid projects may be converted to current reimbursement at the option of the Department, provided that there are adequate federal aid allocations. The arrangement was worked out between the states and the federal government so that the states could obtain federal reimbursement not received during the construction period, in case a relatively greater amount of federal aid became available at some later date or to assist in balancing the federal aid from year to year. At the end of fiscal year 2007, the Department had \$358.2 million of State Trunkline expenditures on projects not under reimbursement agreement. \$39.0 million of these expenditures were placed under reimbursement agreement by the end of fiscal year 2008. The remaining \$319.2 million is included in the fiscal year 2008 amount below. At the end of fiscal year 2008, the Department had \$551.0 million of State Trunkline expenditures on projects not under reimbursement agreement.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

Note 13: Subsequent Events

In May 2009, the Department issued Comprehensive Transportation Fund (CTF) Refunding Bonds Series 2009 in the aggregated amount of \$42.3 million as fully registered bonds bearing interest, which is payable semi-annually commencing November 15, 2009. Proceeds from this issuance were used to refund \$20.8 million of CTF Bonds, Series 1998A, \$11.4 million of CTF Bonds, Series 2002A, \$9.3 million of CTF Bonds, Series 2002B, and \$1.5 million of CTF Bonds, Series 2003.

In June 2009, MDOT issued Grant Anticipation Bonds (GARVEE) Series 2009 in the aggregated principal amount of \$281.9 million as fully registered bonds bearing interest, which is payable semiannually commencing March 15, 2010. Proceeds from this issuance are being used to fund the Jobs Today and Economic Stimulus Programs.



FUND DESCRIPTIONS

COMBINING FINANCIAL STATEMENTS
AND
SCHEDULES

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

MICHIGAN TRANSPORTATION FUND

This fund, established by Public Act 51 of 1951, Section 10, as amended, is administered jointly by the Department of Transportation and the Department of State. In addition, some of the fund revenue is collected by the Department of Treasury. The fund is a receiving fund for the several tax revenues dedicated to highway purposes. Transfers are made to state agencies to pay the cost of collection of the dedicated revenues and to the State Trunkline Fund, Comprehensive Transportation Fund, the Economic Development Sub-Fund, Local Bridge Sub-Fund, and the Recreation Improvement Sub-Fund in accordance with the statutory formula. Expenditures consist of grants to counties, cities, and villages for highway purposes in accordance with statutory formula.

STATE TRUNKLINE FUND

This fund provides for construction and maintenance of highways. Its overall budget is subject to annual legislative review and appropriation, but the Transportation Commission has significant discretion in determining the funding of individual projects. Major financing sources are transfers from the Michigan Transportation Fund, federal aid, and local participation. Expenditures and transfers are for administration, highway maintenance and construction, debt service, and various contractual obligations. In accordance with the annual appropriation act, unencumbered balances at fiscal year end are transferred to the road and bridge construction account.

In fiscal year 1988, the Economic Development Fund (EDF), a sub-fund, was created within the State Trunkline Fund. The statements for the State Trunkline Fund include the financial activity for EDF. A separate schedule summarizing EDF activity is included in the Statistical Section of this report.

BLUE WATER BRIDGE FUND

The fund was administratively established to account for the Blue Water Bridge project. Through provisions of Section 1012 in the federal ISTEA Act of 1991, the State Trunkline Fund received federal funds to be loaned to the Blue Water Bridge Fund for construction of the Blue Water Bridge project. Repayment of the \$45 million loan began in 1998. The loan was fully repaid during fiscal year 2007.

COMPREHENSIVE TRANSPORTATION FUND

The Comprehensive Transportation Fund was created for the purpose of planning, developing and funding public transportation systems within the State. It was created by Public Acts 326, 327, and 328 of 1972, and Public Act 197 of 1973. In 1975, Public Acts 195, 196, and 239 were enacted, providing further additions and amendments to the laws governing this fund. Fund revenues consist primarily of federal revenues, a portion of vehicle-related sales tax, and transfers from the Michigan

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

Transportation Fund. Expenditures and transfers are for administration, transit and intercity bus operating and capital assistance, debt service, and rail freight services and safety programs. In accordance with statutory provisions, any unencumbered balance at fiscal year end lapses and reverts to the fund for appropriation in the following fiscal year.

STATE AERONAUTICS FUND

This fund, established by Public Act 327 of 1945, administers development and capital improvement projects for local airports. Its budget is subject to annual legislative review and appropriation. Financing consists mostly of federal revenues, airport parking taxes, and aviation fuel taxes. Expenditures and transfers are for administration and local airport improvement project costs. At fiscal year end, in accordance with the annual appropriation act, any unencumbered balance lapses and reverts to the fund for appropriation in the following fiscal year.

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND

A separate fund is established to account for the proceeds of each bond issue. Revenue and expenditure data by individual proceeds fund is available in the Statistical Section, Schedule of Revenues and Expenditures by Fund.

The Combined State Trunkline Fund Bond Proceeds Fund consists of the following funds:

2001 BUILD MICHIGAN III BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of Public Act 51 of 1951, as amended, to account for the proceeds of up to \$308.2 million of state trunkline bonds. The bonds are not general obligations of the State of Michigan but are payable solely out of funds restricted as to use for state trunkline purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund. The proceeds are to be used to finance the construction of various trunkline transportation projects and to pay the costs of issuance of the bonds.

2006 STATE TRUNKLINE FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of Public Act 51 of 1951, as amended, to account for the proceeds of up to \$244.5 million of state trunkline bonds. The bonds are not general obligations of the State of Michigan but are payable solely out of funds restricted as to use for state trunkline purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund. The proceeds are to be used to finance the construction of various trunkline transportation projects and to pay the costs of issuance of the bonds.

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND (continued)

2007 JOBS TODAY GRANT ANTICIPATION BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of Public Act 51 of 1951, as amended, to account for the proceeds of up to \$485.1 million of grant anticipation bonds. The Series 2007 bonds will be secured by a pledge of, and be payable solely from, (i) the State's share of federal reimbursements for projects administered by the Department and other eligible federal assistance that the Department shall receive from the Federal Highway Administration with respect to federally-aided highway construction projects under or in accordance with Title 23 of the United States Code or any successor highway program established under federal law, and (ii) the moneys in the Note Payment Fund. Proceeds from the sale of the Series 2007 Bonds together with investment earnings on such proceeds and other available moneys will be used to pay a portion of the costs of the Jobs Today highway program, and to pay the costs of issuance of the Series 2007 Bonds.

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND

A separate fund is established to account for the proceeds of each bond issue. Revenue and expenditure data by individual proceeds fund is available in the Statistical Section, Schedule of Revenues and Expenditures by Fund.

The Combined Comprehensive Transportation Bond Proceeds Fund consists of the following funds:

2002 COMPREHENSIVE TRANSPORTATION FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of Public Act 51 of 1951, as amended, to account for the proceeds of up to \$82.3 million of comprehensive transportation bonds. The bonds are not general obligations of the State of Michigan but are payable solely out of the funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund.

2003 COMPREHENSIVE TRANSPORTATION FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of Public Act 51 of 1951, as amended, to account for the proceeds of up to \$35.0 million of comprehensive transportation bonds. The bonds are not general obligations of the State of Michigan but are payable solely out of the funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund.

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTORS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND (continued)

2006 COMPREHENSIVE TRANSPORTATION FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of Public Act 51 of 1951, as amended, to account for the proceeds of up to \$35.0 million of comprehensive transportation bonds. The bonds are not general obligations of the State of Michigan but are payable solely out of the funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund.

TRANSPORTATION RELATED TRUST FUND

To achieve administrative efficiencies, effective October 1, 1990, the Special Federal Bridge Replacement Trust Fund, the Federal County Road Trust Fund, the Federal Urban Transportation System Trust Fund, and the Highway Topics and Safety Program Trust Fund were combined in a single trust fund. The Metropolitan Planning Fund was added in fiscal year 2000. The functions and purposes of these funds, although combined in a single fund, remain unchanged. The following sub-funds are included:

SPECIAL FEDERAL BRIDGE REPLACEMENT TRUST FUND

This fund was established in conjunction with the Federal Highway Act of 1970, Section 144. The fund accounts for the federal and state funding used to upgrade state and locally-owned bridges.

FEDERAL COUNTY ROAD TRUST FUND

This fund was established in conjunction with the Federal Highway Act of 1944, as amended. The fund accounts for the federal and state money expended to meet the road construction needs of rural areas and communities with populations less than 5,000.

FEDERAL URBAN TRANSPORTATION SYSTEM TRUST FUND

This fund was created to administer provisions of the Federal Highway Act of 1970, as amended. The fund accounts for the federal and state money expended to meet the road construction needs of communities with populations 5,000 or more.

HIGHWAY TOPICS AND SAFETY PROGRAM TRUST FUND

This fund was established in conjunction with the Federal Highway Acts of 1968 and 1973. The fund accounts for federal and state money used to fund urban and road safety projects.

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

TRANSPORTATION RELATED TRUST FUND (continued)

METROPOLITAN PLANNING FUND

This fund was established by the Federal Highway Act of 1973, Sections 112 and 134, to account for federal funds that reimburse local regional planning agencies for operating expenses.



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MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2008 and 2007
 (In Thousands)

| ASSETS | MICHIGAN TRANSPORTATION FUND | | STATE TRUNKLINE FUND (excluding Blue Water Bridge Fund) | |
|------------------------------------------------------------|------------------------------------|--------------------------|---------------------------------------------------------------|----------------------------|
| | 2008 | 2007 | 2008 | 2007 |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 747 | \$ 92 |
| Equity in Common Cash | 155,771 | 64,320 | 154,264 | - |
| Taxes, interest, and penalties (at net) | 96,117 | 92,393 | - | - |
| Federal aid | - | - | 121,569 | 82,328 |
| Local units | - | - | 81,982 | 49,583 |
| Other funds and component units | - | 104,390 | 501,331 | 897,599 |
| Miscellaneous | 4 | (1,199) | 3,532 | 5,050 |
| Inventories | - | - | 5,487 | 6,683 |
| Total Current Assets | <u>251,891</u> | <u>259,905</u> | <u>868,912</u> | <u>1,041,336</u> |
| Noncurrent Assets: | | | | |
| Receivables: | | | | |
| Taxes | 5,484 | 4,118 | - | - |
| Federal aid | - | - | - | - |
| Local units | - | - | 32,888 | 32,604 |
| Advances to other funds | - | - | - | - |
| Land contracts | - | - | 2,136 | 2,286 |
| Miscellaneous | - | - | - | - |
| Total Noncurrent Assets | <u>5,484</u> | <u>4,118</u> | <u>35,024</u> | <u>34,891</u> |
| Total Assets | <u>\$ 257,375</u> | <u>\$ 264,023</u> | <u>\$ 903,936</u> | <u>\$ 1,076,226</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Current Liabilities: | | | | |
| Warrants outstanding | \$ 190 | \$ 394 | \$ 2,579 | \$ 8,592 |
| Accounts payable | 213,846 | 216,991 | 193,914 | 171,434 |
| Contract reserve payable | - | - | 1,981 | 2,431 |
| Amounts due to other funds | 31,955 | 38,120 | 2,825 | 1,560 |
| Deposits, permits and other liabilities | - | - | 459 | 962 |
| Deferred revenue | 5,900 | 4,400 | 2,503 | 4,361 |
| Total Current Liabilities | <u>251,891</u> | <u>259,905</u> | <u>204,259</u> | <u>189,340</u> |
| Long-Term Liabilities: | | | | |
| Deferred revenue | 5,484 | 4,118 | 2,136 | 2,286 |
| Advances from other funds | - | - | - | - |
| Total Liabilities | <u>257,375</u> | <u>264,023</u> | <u>206,395</u> | <u>191,627</u> |
| Fund Balances: | | | | |
| Reserved for encumbrances | - | - | 80,888 | 95,647 |
| Reserved for unencumbered restricted revenue balances | - | - | 225,365 | 355,990 |
| Reserved for unencumbered capital outlay and work projects | - | - | 234,401 | 275,123 |
| Reserved for revolving loan programs | - | - | 21,773 | 21,133 |
| Reserved for construction & debt service | - | - | 116,470 | 115,854 |
| Reserved for noncurrent assets | - | - | 24,163 | 25,646 |
| Total Reserved | <u>-</u> | <u>-</u> | <u>703,060</u> | <u>889,393</u> |
| Unreserved | - | - | (5,519) | (4,793) |
| Total Fund Balances | <u>-</u> | <u>-</u> | <u>697,541</u> | <u>884,600</u> |
| Total Liabilities and Fund Balances | <u>\$ 257,375</u> | <u>\$ 264,023</u> | <u>\$ 903,936</u> | <u>\$ 1,076,226</u> |

| BLUE WATER BRIDGE FUND | | COMPREHENSIVE TRANSPORTATION FUND | | STATE AERONAUTICS FUND | | COMBINED TRUNKLINE FUND BOND PROCEEDS FUND | |
|------------------------------|-----------------|-----------------------------------------|------------------|------------------------------|------------------|-----------------------------------------------------|-------------------|
| 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| \$ 40 | \$ 79 | \$ 1 | \$ 59 | \$ 2 | \$ 2 | \$ - | \$ 9 |
| 13,241 | - | 60,437 | 51,972 | 20,534 | 15,460 | 53,348 | 287,788 |
| - | - | - | - | 67 | 534 | - | - |
| - | - | 9,606 | 9,335 | 20,543 | 38,134 | 225 | 949 |
| - | - | 1,194 | 1,141 | 27,582 | 22,473 | 2,617 | 2,254 |
| - | 9,697 | 7,071 | 8,435 | - | - | - | - |
| 483 | 167 | 101 | 213 | 30 | 45 | - | - |
| - | - | - | - | - | - | - | - |
| <u>13,765</u> | <u>9,943</u> | <u>78,411</u> | <u>71,156</u> | <u>68,759</u> | <u>76,648</u> | <u>56,189</u> | <u>290,999</u> |
| - | - | - | - | 335 | 4 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 4,439 | 4,904 | 299 | 368 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 846 | 1,039 | - | - | - | - |
| - | - | <u>5,285</u> | <u>5,943</u> | <u>634</u> | <u>372</u> | - | - |
| <u>\$ 13,765</u> | <u>\$ 9,943</u> | <u>\$ 83,696</u> | <u>\$ 77,099</u> | <u>\$ 69,393</u> | <u>\$ 77,020</u> | <u>\$ 56,189</u> | <u>\$ 290,999</u> |
| \$ 3 | \$ 11 | \$ 239 | \$ 240 | \$ 24 | \$ 255 | \$ - | \$ - |
| 1,363 | 595 | 15,986 | 15,165 | 22,672 | 44,010 | 18,202 | 46,471 |
| - | - | 2 | 10 | 116 | 158 | 162 | 121 |
| - | - | 79 | 35 | 61 | 23 | - | - |
| - | - | 2,091 | 3,007 | 23,167 | 10,593 | - | - |
| 996 | 1,079 | 2 | - | 7 | 8 | 2,407 | 2,428 |
| <u>2,362</u> | <u>1,684</u> | <u>18,399</u> | <u>18,457</u> | <u>46,046</u> | <u>55,048</u> | <u>20,771</u> | <u>49,019</u> |
| - | - | 846 | 1,039 | 335 | 4 | - | - |
| - | - | - | - | - | - | - | - |
| <u>2,362</u> | <u>1,684</u> | <u>19,245</u> | <u>19,496</u> | <u>46,381</u> | <u>55,052</u> | <u>20,771</u> | <u>49,019</u> |
| 826 | 619 | 38,019 | 41,036 | 4,958 | 5,938 | - | - |
| - | - | 897 | 745 | 268 | 1,856 | - | - |
| 5,057 | 2,846 | - | - | 9,272 | 4,849 | - | - |
| - | - | 13,482 | 12,667 | 2,200 | 2,200 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>5,883</u> | <u>3,465</u> | <u>52,397</u> | <u>54,448</u> | <u>16,697</u> | <u>14,844</u> | - | - |
| <u>5,519</u> | <u>4,793</u> | <u>12,054</u> | <u>3,155</u> | <u>6,315</u> | <u>7,124</u> | <u>35,418</u> | <u>241,981</u> |
| <u>11,402</u> | <u>8,258</u> | <u>64,451</u> | <u>57,603</u> | <u>23,012</u> | <u>21,968</u> | <u>35,418</u> | <u>241,981</u> |
| <u>\$ 13,765</u> | <u>\$ 9,943</u> | <u>\$ 83,696</u> | <u>\$ 77,099</u> | <u>\$ 69,393</u> | <u>\$ 77,020</u> | <u>\$ 56,189</u> | <u>\$ 290,999</u> |

| ASSETS | COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND | | TRANSPORTATION RELATED TRUST FUND | | TOTALS | |
|------------------------------------------------------------|----------------------------------------------------------------------|------------------|-----------------------------------------|------------------|---------------------|---------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 13 | \$ 281 | \$ 803 | \$ 521 |
| Equity in Common Cash | 59,108 | 71,740 | - | - | 516,702 | 491,281 |
| Taxes, interest, and penalties (at net) | - | - | - | - | 96,184 | 92,927 |
| Federal aid | - | - | 33,085 | 32,656 | 185,028 | 163,402 |
| Local units | - | - | 56,035 | 35,855 | 169,409 | 111,305 |
| Other funds and component units | - | - | - | - | 508,403 | 1,020,121 |
| Miscellaneous | - | - | - | - | 4,150 | 4,277 |
| Inventories | - | - | - | - | 5,487 | 6,683 |
| Total Current Assets | 59,108 | 71,740 | 89,133 | 68,792 | 1,486,167 | 1,890,518 |
| Noncurrent Assets: | | | | | | |
| Receivables: | | | | | | |
| Taxes | - | - | - | - | 5,819 | 4,122 |
| Federal aid | - | - | - | - | - | - |
| Local units | - | - | - | - | 37,627 | 37,876 |
| Bus and rail lease purchase | - | - | - | - | - | - |
| Land contracts | - | - | - | - | 2,136 | 2,286 |
| Miscellaneous | - | - | - | - | 846 | 1,039 |
| Total Noncurrent Assets | - | - | - | - | 46,427 | 45,324 |
| Total Assets | \$ 59,108 | \$ 71,740 | \$ 89,133 | \$ 68,792 | \$ 1,532,594 | \$ 1,935,842 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Current Liabilities: | | | | | | |
| Warrants outstanding | \$ 8 | \$ 1 | \$ 266 | \$ 876 | \$ 3,308 | \$ 10,369 |
| Accounts payable | 4,232 | 3,650 | 41,972 | 36,999 | 512,187 | 535,315 |
| Contract reserve payable | 20 | 21 | 587 | 960 | 2,869 | 3,701 |
| Amounts due to other funds | - | - | 10,471 | 16,817 | 45,390 | 56,555 |
| Deposits, permits and other liabilities | - | - | 35,836 | 13,140 | 61,553 | 27,702 |
| Deferred revenue | - | - | - | - | 11,814 | 12,275 |
| Total Current Liabilities | 4,259 | 3,673 | 89,133 | 68,792 | 637,121 | 645,917 |
| Long-Term Liabilities: | | | | | | |
| Deferred revenue | - | - | - | - | 8,800 | 7,447 |
| Advances from other funds | - | - | - | - | - | - |
| Total Liabilities | 4,259 | 3,673 | 89,133 | 68,792 | 645,921 | 653,365 |
| Fund Balances: | | | | | | |
| Reserved for encumbrances | - | - | - | - | 124,690 | 143,241 |
| Reserved for unencumbered restricted revenue balances | - | - | - | - | 226,529 | 358,591 |
| Reserved for unencumbered capital outlay and work projects | - | - | - | - | 248,730 | 282,818 |
| Reserved for Revolving Loan Programs | - | - | - | - | 37,455 | 36,000 |
| Reserved for construction & debt service | - | - | - | - | 116,470 | 115,854 |
| Reserved for noncurrent assets | - | - | - | - | 24,163 | 25,646 |
| Total Reserved | - | - | - | - | 778,038 | 962,150 |
| Unreserved | 54,849 | 68,068 | - | - | 108,635 | 320,328 |
| Total Fund Balances | 54,849 | 68,068 | - | - | 886,673 | 1,282,478 |
| Total Liabilities and Fund Balances | \$ 59,108 | \$ 71,740 | \$ 89,133 | \$ 68,792 | \$ 1,532,594 | \$ 1,935,842 |



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MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
 FISCAL YEARS ENDED SEPTEMBER 30, 2008 and 2007
 (In Thousands)

| | MICHIGAN TRANSPORTATION FUND | | STATE TRUNKLINE FUND (excluding Blue Water Bridge Fund) | |
|------------------------------------------------------------------------------|------------------------------------|------------------|---------------------------------------------------------------|-------------------|
| | 2008 | 2007 | 2008 | 2007 |
| REVENUES | | | | |
| Taxes | \$ 1,844,372 | \$ 1,899,550 | \$ - | \$ - |
| License and permits | 33,076 | 32,786 | 5,996 | 16,611 |
| Federal aid | - | - | 692,226 | 833,073 |
| Local participation | - | - | 10,241 | 18,317 |
| Interest earnings on common cash | 5,220 | 6,933 | 21,831 | 24,843 |
| Non-operating revenue-bridges | - | - | 2,966 | 2,790 |
| Miscellaneous and Service revenue | 3,394 | 3,187 | 31,759 | 22,653 |
| Total Revenues | <u>1,886,063</u> | <u>1,942,456</u> | <u>765,020</u> | <u>918,287</u> |
| EXPENDITURES | | | | |
| Administration and Operations: | | | | |
| Administration and maintenance | 8,303 | 8,741 | 486,166 | 443,376 |
| Bus operating assistance grants | - | - | - | - |
| Other grants | 913,044 | 942,536 | 136,378 | 163,964 |
| Airport development | - | - | - | - |
| Non-operating expenditures-bridges | - | - | 2,891 | 2,716 |
| Trust fund construction activity | - | - | - | - |
| Capital lease payments | - | - | 90 | 78 |
| Total Administration and Operations | <u>921,347</u> | <u>951,277</u> | <u>625,524</u> | <u>610,134</u> |
| Capital Outlay: | | | | |
| Roads and bridges | - | - | 948,983 | 841,838 |
| Other capital outlay | - | - | 14,602 | 15,148 |
| Total Capital Outlay | <u>-</u> | <u>-</u> | <u>963,585</u> | <u>856,986</u> |
| Total Expenditures | <u>921,347</u> | <u>951,277</u> | <u>1,589,109</u> | <u>1,467,119</u> |
| Excess of Revenues Over (Under) Expenditure | <u>964,716</u> | <u>991,179</u> | <u>(824,089)</u> | <u>(548,832)</u> |
| OTHER FINANCING SOURCES | | | | |
| Michigan transportation fund distribution | - | - | 605,005 | 624,986 |
| Grants and transfers from other funds | 3,506 | 979 | 217,613 | 217,989 |
| Capital Lease Acquisitions | - | - | 464 | - |
| Proceeds from sale of capital assets | - | - | 3,006 | 2,840 |
| Proceeds from bonds and notes issued | - | - | - | - |
| Premium on bonds issued | - | - | - | - |
| Total Other Financing Sources | <u>3,506</u> | <u>979</u> | <u>826,088</u> | <u>845,815</u> |
| OTHER FINANCING USES | | | | |
| Michigan transportation fund distribution | 764,926 | 789,736 | - | - |
| Grants and transfers to other funds | 203,296 | 202,423 | 2,677 | 2,873 |
| Debt service | - | - | 186,380 | 155,939 |
| Total Other Financing Uses | <u>968,222</u> | <u>992,159</u> | <u>189,057</u> | <u>158,812</u> |
| Excess of Other Financing Sources Over (Under) Other Financing Uses | <u>(964,716)</u> | <u>(991,179)</u> | <u>637,030</u> | <u>687,003</u> |
| Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses | - | - | (187,059) | 138,171 |
| Fund balances-Beginning of fiscal year | - | - | 884,600 | 746,429 |
| Fund balances-End of fiscal year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 697,541</u> | <u>\$ 884,600</u> |

| BLUE WATER BRIDGE FUND | | COMPREHENSIVE TRANSPORTATION FUND | | STATE AERONAUTICS FUND | | COMBINED TRUNKLINE FUND BOND PROCEEDS FUND | |
|------------------------------|-----------------|-----------------------------------------|------------------|------------------------------|------------------|-----------------------------------------------------|-------------------|
| 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| \$ - | \$ - | \$ 82,114 | \$ 67,678 | \$ 5,344 | \$ 6,335 | \$ - | \$ - |
| - | - | 312 | 314 | 302 | 315 | - | - |
| - | - | 31,997 | 26,171 | 108,295 | 112,674 | 56,434 | 56,823 |
| - | - | - | - | 34 | 30 | 2,703 | 4,683 |
| 355 | 237 | 582 | 233 | 711 | 607 | 5,752 | 4,223 |
| - | - | - | - | - | - | - | - |
| <u>15,604</u> | <u>13,987</u> | <u>818</u> | <u>1,143</u> | <u>4,039</u> | <u>3,825</u> | <u>75,824</u> | <u>409</u> |
| <u>15,959</u> | <u>14,225</u> | <u>115,824</u> | <u>95,538</u> | <u>118,725</u> | <u>123,785</u> | <u>140,713</u> | <u>66,138</u> |
| 4,891 | 5,143 | 8,670 | 8,410 | 6,965 | 6,498 | 75,835 | 430 |
| - | - | 184,024 | 184,089 | - | - | - | - |
| - | - | 48,155 | 39,737 | - | - | 42,866 | 16,076 |
| - | - | - | - | 112,873 | 124,242 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>4,891</u> | <u>5,143</u> | <u>240,849</u> | <u>232,236</u> | <u>119,838</u> | <u>130,740</u> | <u>118,701</u> | <u>16,505</u> |
| 6,146 | 2,452 | - | - | - | - | 175,465 | 394,007 |
| - | - | - | 122 | 323 | 264 | - | - |
| <u>6,146</u> | <u>2,452</u> | <u>-</u> | <u>122</u> | <u>323</u> | <u>264</u> | <u>175,465</u> | <u>394,007</u> |
| <u>11,038</u> | <u>7,594</u> | <u>240,849</u> | <u>232,358</u> | <u>120,160</u> | <u>131,004</u> | <u>294,166</u> | <u>410,512</u> |
| <u>4,921</u> | <u>6,630</u> | <u>(125,025)</u> | <u>(136,820)</u> | <u>(1,435)</u> | <u>(7,218)</u> | <u>(153,453)</u> | <u>(344,374)</u> |
| - | - | 159,921 | 164,750 | - | - | - | - |
| - | - | 1,861 | 1,840 | 6,000 | 11,000 | - | 36 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 485,115 |
| - | - | - | - | - | - | - | 18,662 |
| <u>-</u> | <u>-</u> | <u>161,782</u> | <u>166,590</u> | <u>6,000</u> | <u>11,000</u> | <u>-</u> | <u>503,813</u> |
| - | - | - | - | - | - | - | - |
| 26 | 23 | 67 | 72 | 47 | 46 | 53,109 | 54,999 |
| <u>1,752</u> | <u>2,528</u> | <u>29,842</u> | <u>28,808</u> | <u>3,475</u> | <u>4,352</u> | <u>-</u> | <u>-</u> |
| <u>1,777</u> | <u>2,551</u> | <u>29,909</u> | <u>28,880</u> | <u>3,521</u> | <u>4,398</u> | <u>53,109</u> | <u>54,999</u> |
| <u>(1,777)</u> | <u>(2,551)</u> | <u>131,874</u> | <u>137,710</u> | <u>2,479</u> | <u>6,602</u> | <u>(53,109)</u> | <u>448,814</u> |
| 3,144 | 4,080 | 6,848 | 891 | 1,044 | (616) | (206,562) | 104,441 |
| 8,258 | 4,179 | 57,603 | 56,712 | 21,968 | 22,584 | 241,981 | 137,540 |
| <u>\$ 11,402</u> | <u>\$ 8,258</u> | <u>\$ 64,451</u> | <u>\$ 57,603</u> | <u>\$ 23,012</u> | <u>\$ 21,968</u> | <u>\$ 35,418</u> | <u>\$ 241,981</u> |

| | COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND | | TRANSPORTATION RELATED TRUST FUND | | TOTALS | |
|------------------------------------------------------------------------------|----------------------------------------------------------------------|------------------|-----------------------------------------|----------------|-------------------|---------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | | | | | | |
| REVENUES | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 1,931,831 | \$ 1,973,563 |
| License and permits | - | - | - | - | 39,687 | 50,025 |
| Federal aid | - | - | 291,828 | 200,915 | 1,180,781 | 1,229,657 |
| Local participation | - | - | - | - | 12,978 | 23,030 |
| Interest earnings on common cash | 2,160 | 4,437 | - | 3 | 36,610 | 41,516 |
| Non-operating revenue-bridges | - | - | - | - | 2,966 | 2,790 |
| Miscellaneous and Service revenue | 426 | 1,418 | 291 | 4,689 | 132,156 | 51,312 |
| Total Revenues | <u>2,586</u> | <u>5,855</u> | <u>292,120</u> | <u>205,607</u> | <u>3,337,008</u> | <u>3,371,893</u> |
| EXPENDITURES | | | | | | |
| Administration and Operations: | | | | | | |
| Administration and maintenance | 426 | 1,417 | - | - | 591,255 | 474,015 |
| Bus operating assistance grants | - | - | - | - | 184,024 | 184,089 |
| Other grants | 8,084 | 5,767 | - | - | 1,148,527 | 1,168,079 |
| Airport development | 7,215 | 20,174 | - | - | 120,088 | 144,416 |
| Non-operating expenditures-bridges | - | - | - | - | 2,891 | 2,716 |
| Trust fund construction activity | - | - | 292,120 | 205,607 | 292,120 | 205,607 |
| Capital lease payments | - | - | - | - | 90 | 78 |
| Total Administration and Operations | <u>15,725</u> | <u>27,358</u> | <u>292,120</u> | <u>205,607</u> | <u>2,338,995</u> | <u>2,179,000</u> |
| Capital Outlay: | | | | | | |
| Roads and bridges | - | - | - | - | 1,130,594 | 1,238,296 |
| Other capital outlay | 80 | 55 | - | - | 15,004 | 15,589 |
| Total Capital Outlay | <u>80</u> | <u>55</u> | <u>-</u> | <u>-</u> | <u>1,145,598</u> | <u>1,253,885</u> |
| Total Expenditures | <u>15,805</u> | <u>27,413</u> | <u>292,120</u> | <u>205,607</u> | <u>3,484,593</u> | <u>3,432,885</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(13,219)</u> | <u>(21,557)</u> | <u>-</u> | <u>-</u> | <u>(147,584)</u> | <u>(60,992)</u> |
| OTHER FINANCING SOURCES | | | | | | |
| Michigan transportation fund distribution | - | - | - | - | 764,926 | 789,736 |
| Grants and transfers from other funds and Component | - | - | - | - | 228,980 | 231,844 |
| Capital Lease Acquisitions | - | - | - | - | 464 | - |
| Proceeds from sale of capital assets | - | - | - | - | 3,006 | 2,840 |
| Proceeds from bonds issued | - | - | - | - | - | 485,115 |
| Premium on bond issues | - | - | - | - | - | 18,662 |
| Total Other Financing Sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>997,376</u> | <u>1,528,197</u> |
| OTHER FINANCING USES | | | | | | |
| Michigan transportation fund distribution | - | - | - | - | 764,926 | 789,736 |
| Grants and transfers to other funds and Components | - | - | - | - | 259,221 | 260,435 |
| Debt service | - | - | - | - | 221,449 | 191,626 |
| Total Other Financing Uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,245,596</u> | <u>1,241,797</u> |
| Excess of Other Financing Sources Over (Under) Other Financing Uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(248,220)</u> | <u>286,400</u> |
| Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses | <u>(13,219)</u> | <u>(21,557)</u> | <u>-</u> | <u>-</u> | <u>(395,804)</u> | <u>225,408</u> |
| Fund balances-Beginning of fiscal year | 68,068 | 89,625 | - | - | 1,282,478 | 1,057,069 |
| Fund balances-End of fiscal year | <u>\$ 54,849</u> | <u>\$ 68,068</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 886,673</u> | <u>\$ 1,282,478</u> |



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MICHIGAN DEPARTMENT OF TRANSPORTATION
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 SPECIAL REVENUE FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008
 (In Thousands)

| (Statutory/Budgetary Basis) | MICHIGAN TRANSPORTATION FUND | | | STATE TRUNKLINE FUND (excluding Blue Water Bridge Fund) | | |
|---------------------------------------------------------------------------------------------------------------------|------------------------------|------------------|----------------------------------------|------------------------------------------------------------|-------------------|----------------------------------------|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| REVENUES | | | | | | |
| Taxes | \$ 1,844,372 | \$ 1,844,372 | \$ - | \$ - | \$ - | \$ - |
| License and permits | 33,076 | 33,076 | - | 5,996 | 5,996 | - |
| Federal aid | - | - | - | 692,226 | 692,226 | - |
| Local participation | - | - | - | 10,241 | 10,241 | - |
| Interest earnings | 5,220 | 5,220 | - | 21,831 | 21,831 | - |
| Non-operating revenue-bridges | - | - | - | 2,966 | 2,966 | - |
| Miscellaneous and Service revenue | 3,394 | 3,394 | - | 31,759 | 31,759 | - |
| Total Revenues | 1,886,063 | 1,886,063 | - | 765,020 | 765,020 | - |
| EXPENDITURES AND ENCUMBRANCES | | | | | | |
| Administration | 9,343 | 8,303 | 1,040 | 535,243 | 512,282 | 22,962 |
| Bus operating assistance grants | - | - | - | - | - | - |
| Other grants | 970,968 | 913,044 | 57,924 | 140,622 | 140,619 | 4 |
| Airport development | - | - | - | - | - | - |
| Nonoperating expenditure-bridges | - | - | - | 2,966 | 2,891 | 75 |
| Total Administration and Operations | 980,310 | 921,347 | 58,964 | 678,832 | 655,791 | 23,040 |
| Roads and bridges | - | - | - | 1,006,419 | 995,671 | 10,747 |
| Other capital outlay | - | - | - | 18,080 | 18,070 | 10 |
| Total Capital Outlay | - | - | - | 1,024,498 | 1,013,742 | 10,757 |
| Total Expenditures and Encumbrances | 980,310 | 921,347 | 58,964 | 1,703,330 | 1,669,533 | 33,797 |
| Excess of Revenue Over(Under) Expenditures and Encumbrances | 905,752 | 964,716 | 58,964 | (938,311) | (904,513) | 33,797 |
| OTHER FINANCING SOURCES | | | | | | |
| Michigan transportation fund distribution | - | - | - | 605,005 | 605,005 | - |
| Proceeds from sale of capital assets | - | - | - | 3,006 | 3,006 | - |
| Grants and transfers from other funds | 3,506 | 3,506 | - | 217,613 | 217,613 | - |
| Total Other Financing Sources | 3,506 | 3,506 | - | 825,624 | 825,624 | - |
| OTHER FINANCING USES | | | | | | |
| Michigan transportation fund distribution | 803,020 | 764,926 | 38,094 | - | - | - |
| Grants and transfers to other funds | 207,470 | 203,296 | 4,174 | 2,700 | 2,677 | 23 |
| Debt service | - | - | - | 186,381 | 186,380 | - |
| Total Other Financing Uses | 1,010,490 | 968,222 | 42,269 | 189,081 | 189,057 | 24 |
| Excess Other Financial Sources Over(Under) Other Financial Uses | (1,006,984) | (964,716) | 42,269 | 636,543 | 636,567 | 24 |
| Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses | \$ (101,232) | - | \$ 101,232 | \$ (301,767) | (267,947) | \$ 33,821 |
| RECONCILING ITEMS | | | | | | |
| Encumbrances at September 30 | - | - | - | - | 80,888 | - |
| Funds not annually budgeted | - | - | - | - | - | - |
| Net Reconciling Items | - | - | - | - | 80,888 | - |
| Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis) | - | - | - | - | (187,059) | - |
| FUND BALANCES (GAAP BASIS) | | | | | | |
| Beginning balance | - | - | - | - | 884,800 | - |
| Ending balances (GAAP Basis) | \$ - | \$ - | \$ - | \$ - | \$ 697,541 | \$ - |

| BLUE WATER BRIDGE FUND | | | COMPREHENSIVE TRANSPORTATION FUND | | |
|------------------------|------------------|----------------------------------------|-----------------------------------|------------------|----------------------------------------|
| BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| \$ - | \$ - | \$ - | \$ 82,114 | \$ 82,114 | \$ - |
| - | - | - | 312 | 312 | - |
| - | - | - | 31,997 | 31,997 | - |
| - | - | - | - | - | - |
| 355 | 355 | - | 582 | 582 | - |
| - | - | - | - | - | - |
| <u>15,604</u> | <u>15,604</u> | <u>-</u> | <u>818</u> | <u>818</u> | <u>-</u> |
| <u>15,959</u> | <u>15,959</u> | <u>-</u> | <u>115,824</u> | <u>115,824</u> | <u>-</u> |
| 5,861 | 5,093 | 769 | 10,952 | 9,578 | 1,374 |
| - | - | - | 185,529 | 185,092 | 438 |
| - | - | - | 91,587 | 84,198 | 7,390 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>5,861</u> | <u>5,093</u> | <u>769</u> | <u>288,069</u> | <u>278,868</u> | <u>9,201</u> |
| <u>6,771</u> | <u>6,771</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>6,771</u> | <u>6,771</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>12,632</u> | <u>11,863</u> | <u>769</u> | <u>288,069</u> | <u>278,868</u> | <u>9,201</u> |
| <u>3,327</u> | <u>4,096</u> | <u>769</u> | <u>(172,245)</u> | <u>(163,044)</u> | <u>9,201</u> |
| - | - | - | 159,921 | 159,921 | - |
| - | - | - | - | - | - |
| - | - | - | <u>1,861</u> | <u>1,861</u> | <u>-</u> |
| - | - | - | <u>161,782</u> | <u>161,782</u> | <u>-</u> |
| - | - | - | - | - | - |
| - | 26 | (26) | 95 | 67 | 28 |
| <u>1,752</u> | <u>1,752</u> | <u>-</u> | <u>29,842</u> | <u>29,842</u> | <u>-</u> |
| <u>1,752</u> | <u>1,777</u> | <u>(26)</u> | <u>29,937</u> | <u>29,909</u> | <u>28</u> |
| <u>(1,752)</u> | <u>(1,777)</u> | <u>(26)</u> | <u>131,845</u> | <u>131,874</u> | <u>28</u> |
| \$ <u>1,575</u> | 2,318 | \$ <u>743</u> | \$ <u>(40,400)</u> | (31,171) | \$ <u>9,229</u> |
| | 826 | | | 38,019 | |
| | - | | | - | |
| | <u>826</u> | | | <u>38,019</u> | |
| | <u>3,144</u> | | | <u>6,848</u> | |
| | <u>8,258</u> | | | <u>57,603</u> | |
| | \$ <u>11,402</u> | | | \$ <u>64,451</u> | |

| (Statutory/Budgetary Basis) | STATE AERONAUTICS FUND | | | COMBINED |
|---------------------------------------------------------------------------------------------------------------------|------------------------|----------------|----------------------------------------|-----------------------------------------------|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | TRUNKLINE FUND BOND PROCEEDS FUND |
| REVENUES | | | | |
| Taxes | \$ 5,344 | \$ 5,344 | \$ - | \$ - |
| License and permits | 302 | 302 | - | - |
| Federal aid | 108,295 | 108,295 | - | - |
| Local participation | 34 | 34 | - | - |
| Interest earnings | 711 | 711 | - | - |
| Non-operating revenue-bridges | - | - | - | - |
| Miscellaneous and Service revenue | 4,039 | 4,039 | - | - |
| Total Revenues | 118,725 | 118,725 | - | - |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Administration | 8,551 | 6,995 | 1,557 | - |
| Bus operating assistance grants | - | - | - | - |
| Other grants | - | - | - | - |
| Airport development | 118,974 | 117,800 | 1,174 | - |
| Nonoperating expenditure-bridges | - | - | - | - |
| Total Administration and Operations | 127,525 | 124,794 | 2,731 | - |
| Roads and bridges | - | - | - | - |
| Other capital outlay | 324 | 324 | - | - |
| Total Capital Outlay | 324 | 324 | - | - |
| Total Expenditures and Encumbrances | 127,849 | 125,118 | 2,731 | - |
| Excess of Revenue Over(Under) | | | | |
| Expenditures and Encumbrances | (9,123) | (6,393) | 2,731 | - |
| OTHER FINANCING SOURCES | | | | |
| Michigan transportation fund distribution | - | - | - | - |
| Proceeds from sale of capital assets | - | - | - | - |
| Grants and transfers from other funds and components | 6,000 | 6,000 | - | - |
| Total Other Financing Sources | 6,000 | 6,000 | - | - |
| OTHER FINANCING USES | | | | |
| Michigan transportation fund distribution | - | - | - | - |
| Grants and transfers to other funds and components | 55 | 47 | 8 | - |
| Debt service | 3,475 | 3,475 | - | - |
| Total Other Financing Uses | 3,530 | 3,521 | 8 | - |
| Excess Other Financial Sources Over(Under) | | | | |
| Other Financial Uses | 2,470 | 2,479 | 8 | - |
| Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses | \$ (6,653) | (3,914) | \$ 2,739 | - |
| RECONCILING ITEMS | | | | |
| Encumbrances at September 30 | | 4,958 | | - |
| Funds not annually budgeted | | - | | (206,562) |
| Net Reconciling Items | | 4,958 | | (206,562) |
| Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis) | | 1,044 | | (206,562) |
| FUND BALANCES (GAAP BASIS) | | | | |
| Beginning balance | | 21,968 | | 241,981 |
| Ending balances (GAAP Basis) | | \$ 23,012 | | \$ 35,418 |

| COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND | TRANSPORTATION RELATED TRUST FUND | TOTALS | | |
|-------------------------------------------------------------------------|-----------------------------------------|--------------|--------------|----------------------------------------|
| | | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| \$ - | \$ - | \$ 1,931,831 | \$ 1,931,831 | \$ - |
| - | - | 39,687 | 39,687 | - |
| - | - | 832,518 | 832,518 | - |
| - | - | 10,275 | 10,275 | - |
| - | - | 28,699 | 28,699 | - |
| - | - | 2,966 | 2,966 | - |
| - | - | 55,614 | 55,614 | - |
| - | - | 2,901,590 | 2,901,590 | - |
| - | - | 569,950 | 542,250 | 27,701 |
| - | - | 185,529 | 185,092 | 438 |
| - | - | 1,203,177 | 1,137,861 | 65,317 |
| - | - | 118,974 | 117,800 | 1,174 |
| - | - | 2,966 | 2,891 | 75 |
| - | - | 2,080,597 | 1,985,893 | 94,704 |
| - | - | 1,013,189 | 1,002,442 | 10,747 |
| - | - | 18,403 | 18,394 | 10 |
| - | - | 1,031,593 | 1,020,836 | 10,757 |
| - | - | 3,112,190 | 3,006,729 | 105,461 |
| - | - | (210,600) | (105,139) | 105,461 |
| - | - | 764,926 | 764,926 | - |
| - | - | 3,006 | 3,006 | - |
| - | - | 228,980 | 228,980 | - |
| - | - | 996,912 | 996,912 | - |
| - | - | 803,020 | 764,926 | 38,094 |
| - | - | 210,320 | 206,112 | 4,208 |
| - | - | 221,449 | 221,449 | 1 |
| - | - | 1,234,790 | 1,192,486 | 42,303 |
| - | - | (237,877) | (195,574) | 42,303 |
| - | - | \$ (448,477) | (300,713) | \$ 147,764 |
| - | - | - | 124,690 | - |
| (13,219) | - | - | (219,781) | - |
| (13,219) | - | - | (95,091) | - |
| (13,219) | - | - | (395,804) | - |
| 68,068 | - | - | 1,282,478 | - |
| \$ 54,849 | \$ - | \$ - | \$ 886,673 | \$ - |

MICHIGAN DEPARTMENT OF TRANSPORTATION
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 SPECIAL REVENUE FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2007
 (In Thousands)

| (Statutory/Budgetary Basis) | MICHIGAN TRANSPORTATION FUND | | | STATE TRUNKLINE FUND (excluding Blue Water Bridge Fund) | | |
|---------------------------------------------------------------------------------------------------------------|------------------------------|------------------|----------------------------------------|------------------------------------------------------------|------------------|----------------------------------------|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| REVENUES | | | | | | |
| Taxes | \$ 1,899,550 | \$ 1,899,550 | \$ - | \$ - | \$ - | \$ - |
| License and permits | 32,786 | 32,786 | - | 16,611 | 16,611 | - |
| Federal aid | - | - | - | 833,073 | 833,073 | - |
| Local participation | - | - | - | 18,317 | 18,317 | - |
| Interest earnings | 6,933 | 6,933 | - | 24,843 | 24,843 | - |
| Non-operating revenue-bridges | - | - | - | 2,790 | 2,790 | - |
| Miscellaneous and Service revenue | 3,187 | 3,187 | - | 22,653 | 22,653 | - |
| Total Revenues | 1,942,456 | 1,942,456 | - | 918,287 | 918,287 | - |
| EXPENDITURES AND ENCUMBRANCES | | | | | | |
| Administration | 10,144 | 8,741 | 1,404 | 497,244 | 473,223 | 24,021 |
| Bus operating assistance grants | - | - | - | - | - | - |
| Other grants | 1,011,544 | 942,536 | 69,007 | 170,800 | 168,429 | 2,372 |
| Airport development | - | - | - | - | - | - |
| Nonoperating expenditure-bridges | - | - | - | 2,790 | 2,716 | 75 |
| Total Administration and Operations | 1,021,688 | 951,277 | 70,411 | 670,834 | 644,367 | 26,467 |
| Roads and bridges | - | - | - | 898,813 | 898,813 | - |
| Other capital outlay | - | - | - | 19,724 | 19,587 | 137 |
| Total Capital Outlay | - | - | - | 918,537 | 918,400 | 137 |
| Total Expenditures and Encumbrances | 1,021,688 | 951,277 | 70,411 | 1,589,371 | 1,562,767 | 26,604 |
| Excess of Revenue Over(Under) Expenditures and Encumbrances | 920,768 | 991,179 | 70,411 | (671,084) | (644,479) | 26,604 |
| OTHER FINANCING SOURCES | | | | | | |
| Michigan transportation fund distribution | - | - | - | 624,986 | 624,986 | - |
| Grants and transfers from other funds | 979 | 979 | - | 217,989 | 217,989 | - |
| Proceeds of sale of capital assets | - | - | - | 2,840 | 2,840 | - |
| Total Financing Sources | 979 | 979 | - | 845,815 | 845,815 | - |
| OTHER FINANCING USES | | | | | | |
| Michigan transportation fund distribution | 843,096 | 789,736 | 53,360 | - | - | - |
| Grants and transfers to other funds | 207,160 | 202,423 | 4,738 | 2,700 | 2,873 | (173) |
| Debt service | - | - | - | 168,116 | 155,939 | 12,177 |
| Total Financing Uses | 1,050,257 | 992,159 | 58,098 | 170,816 | 158,812 | 12,004 |
| Excess Other Financial Sources Over(Under) Other Financial Uses | (1,049,277) | (991,179) | 58,098 | 674,999 | 687,003 | 12,004 |
| Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses | \$ (128,509) | - | \$ 128,509 | \$ 3,915 | 42,523 | \$ 38,608 |
| RECONCILING ITEMS | | | | | | |
| Encumbrances at September 30 | | - | | | 95,647 | |
| Funds not annually budgeted | | - | | | - | |
| Net Reconciling Items | | - | | | 95,647 | |
| Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis) | | - | | | 138,171 | |
| FUND BALANCES (GAAP BASIS) | | | | | | |
| Beginning balance | | - | | | 746,429 | |
| Ending balances (GAAP Basis) | | \$ - | | | \$ 884,600 | |

| BLUE WATER BRIDGE FUND | | | COMPREHENSIVE TRANSPORTATION FUND | | |
|------------------------|----------|----------------------------------------|-----------------------------------|-----------|----------------------------------------|
| BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| \$ - | \$ - | \$ - | \$ 67,678 | \$ 67,678 | \$ - |
| - | - | - | 314 | 314 | - |
| - | - | - | 26,171 | 26,171 | - |
| - | - | - | - | - | - |
| 237 | 237 | - | 233 | 233 | - |
| - | - | - | - | - | - |
| 13,987 | 13,987 | - | 1,143 | 1,143 | - |
| 14,225 | 14,225 | - | 95,538 | 95,538 | - |
| 11,741 | 5,333 | 6,408 | 10,392 | 8,422 | 1,970 |
| - | - | - | 184,089 | 184,089 | - |
| - | - | - | 84,544 | 80,761 | 3,783 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 11,741 | 5,333 | 6,408 | 279,025 | 273,272 | 5,753 |
| 2,881 | 2,881 | - | - | - | - |
| - | - | - | 122 | 122 | - |
| 2,881 | 2,881 | - | 122 | 122 | - |
| 14,622 | 8,213 | 6,408 | 279,147 | 273,394 | 5,753 |
| (397) | 6,011 | 6,408 | (183,609) | (177,858) | 5,753 |
| - | - | - | 164,750 | 164,750 | - |
| - | - | - | 1,840 | 1,840 | - |
| - | - | - | - | - | - |
| - | - | - | 166,590 | 166,590 | - |
| - | - | - | - | - | - |
| - | 23 | (23) | 95 | 72 | 23 |
| 2,879 | 2,528 | 351 | 28,808 | 28,808 | - |
| 2,879 | 2,551 | 328 | 28,903 | 28,880 | 23 |
| (2,879) | (2,551) | 328 | 137,687 | 137,710 | 23 |
| \$ (3,276) | 3,460 | \$ 6,736 | \$ (45,922) | (40,145) | \$ 5,776 |
| | 619 | | | 41,036 | |
| | - | | | - | |
| | 619 | | | 41,036 | |
| | 4,080 | | | 891 | |
| | 4,179 | | | 56,712 | |
| | \$ 8,258 | | \$ 57,603 | | |

| (Statutory/Budgetary Basis) | STATE AERONAUTICS FUND | | | COMBINED TRUNKLINE FUND BOND PROCEEDS FUND |
|---------------------------------------------------------------------------------------------------------------|------------------------|----------------|----------------------------------|--------------------------------------------|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | ACTUAL |
| REVENUES | | | | |
| Taxes | \$ 6,335 | \$ 6,335 | \$ - | \$ - |
| License and permits | 315 | 315 | - | - |
| Federal aid | 112,674 | 112,674 | - | - |
| Local participation | 30 | 30 | - | - |
| Interest earnings | 607 | 607 | - | - |
| Non-operating revenue-bridges | - | - | - | - |
| Miscellaneous and Service revenue | 3,825 | 3,825 | - | - |
| Total Revenues | 123,785 | 123,785 | - | - |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Administration | 8,382 | 6,541 | 1,840 | - |
| Bus operating assistance grants | - | - | - | - |
| Other grants | - | - | - | - |
| Airport development | 135,071 | 130,137 | 4,934 | - |
| Nonoperating expenditure-bridges | - | - | - | - |
| Total Administration and Operations | 143,453 | 136,678 | 6,774 | - |
| Roads and bridges | - | - | - | - |
| Other capital outlay | 264 | 264 | - | - |
| Total Capital Outlay | 264 | 264 | - | - |
| Total Expenditures and Encumbrances | 143,717 | 136,942 | 6,774 | - |
| Excess of Revenue Over(Under) Expenditures and Encumbrances | (19,931) | (13,157) | 6,774 | - |
| OTHER FINANCING SOURCES | | | | |
| Michigan transportation fund distribution | - | - | - | - |
| Grants and transfers from other funds and components | 11,000 | 11,000 | - | - |
| Proceeds from sale of capital assets | - | - | - | - |
| Total Financing Sources | 11,000 | 11,000 | - | - |
| OTHER FINANCING USES | | | | |
| Michigan transportation fund distribution | - | - | - | - |
| Grants and transfers to other funds and components | 55 | 46 | 9 | - |
| Debt service | 5,607 | 4,352 | 1,256 | - |
| Total Financing Uses | 5,662 | 4,398 | 1,265 | - |
| Excess Other Financial Sources Over(Under) Other Financial Uses | 5,338 | 6,602 | 1,265 | - |
| Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses | \$ (14,594) | (6,554) | \$ 8,039 | - |
| RECONCILING ITEMS | | | | |
| Encumbrances at September 30 | | 5,938 | | - |
| Funds not annually budgeted | | - | | 104,441 |
| Net Reconciling Items | | 5,938 | | 104,441 |
| Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis) | | (616) | | 104,441 |
| FUND BALANCES (GAAP BASIS) | | | | |
| Beginning balance | | 22,584 | | 137,540 |
| Ending balances (GAAP Basis) | | \$ 21,968 | | \$ 241,981 |

| COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND | | TRANSPORTATION RELATED TRUST FUND | TOTALS | | VARIANCE FAVORABLE (UNFAVORABLE) |
|-------------------------------------------------------------------------|--------|-----------------------------------------|--------------|------|----------------------------------------|
| ACTUAL | ACTUAL | BUDGET | ACTUAL | | |
| \$ - | \$ - | \$ 1,973,563 | \$ 1,973,563 | \$ - | - |
| - | - | 50,025 | 50,025 | - | - |
| - | - | 971,919 | 971,919 | - | - |
| - | - | 18,347 | 18,347 | - | - |
| - | - | 32,853 | 32,853 | - | - |
| - | - | 2,790 | 2,790 | - | - |
| - | - | 44,796 | 44,796 | - | - |
| - | - | 3,094,292 | 3,094,292 | - | - |
| - | - | 537,903 | 502,260 | | 35,643 |
| - | - | 184,089 | 184,089 | | - |
| - | - | 1,266,888 | 1,191,726 | | 75,162 |
| - | - | 135,071 | 130,137 | | 4,934 |
| - | - | 2,790 | 2,716 | | 75 |
| - | - | 2,126,741 | 2,010,927 | | 115,814 |
| - | - | 901,693 | 901,693 | | - |
| - | - | 20,110 | 19,973 | | 137 |
| - | - | 921,803 | 921,666 | | 137 |
| - | - | 3,048,544 | 2,932,593 | | 115,951 |
| - | - | 45,748 | 161,699 | | 115,951 |
| - | - | 789,736 | 789,736 | | - |
| - | - | 231,808 | 231,808 | | - |
| - | - | 2,840 | 2,840 | | - |
| - | - | 1,024,384 | 1,024,384 | | - |
| - | - | 843,096 | 789,736 | | 53,360 |
| - | - | 210,010 | 205,436 | | 4,574 |
| - | - | 205,410 | 191,626 | | 13,784 |
| - | - | 1,258,516 | 1,186,798 | | 71,718 |
| - | - | (234,132) | (162,414) | | 71,718 |
| - | - | \$ (188,385) | (716) | \$ | 187,669 |
| - | - | | 143,241 | | |
| (21,557) | - | | 82,883 | | |
| (21,557) | - | | 226,124 | | |
| (21,557) | - | | 225,408 | | |
| 89,625 | - | | 1,057,069 | | |
| \$ 68,068 | \$ - | | \$ 1,282,478 | | |

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF DEBT SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to Public Act 51 of 1951, as amended, to account for debt service on all State Trunkline Fund related bond issues. The bonds are not general obligations of the State of Michigan but are payable solely out of funds restricted as to use for transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund. Debt service requirements are funded by annual appropriations in the State Trunkline Fund.

COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to Public Act 51 of 1951, as amended, to account for debt service on all Comprehensive Transportation Fund related bond issues. The bonds are not general obligations of the State of Michigan but are payable solely out of funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund. Debt service requirements are funded by annual appropriations in the Comprehensive Transportation Fund.

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
 SEPTEMBER 30, 2008 and 2007
 (In Thousands)

| | COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND | | COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND | | TOTALS | |
|--------------------------------------------|------------------------------------------------------------------------------|---------------|-------------------------------------------------------------------------------------------|-------------|-------------|---------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Equity in Common Cash | \$ - | \$ 124 | \$ - | \$ - | \$ - | \$ 124 |
| Amounts due from other funds | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - |
| Total Assets | <u>\$ -</u> | <u>\$ 124</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 124</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Current Liabilities: | | | | | | |
| Warrants Outstanding | \$ - | \$ 10 | \$ - | \$ - | \$ - | \$ 10 |
| Accounts payable and other liabilities | - | 114 | - | - | - | 114 |
| Amounts due to other funds | - | - | - | - | - | - |
| Total Liabilities | <u>-</u> | <u>124</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>124</u> |
| Fund Balances: | | | | | | |
| Unreserved | - | - | - | - | - | - |
| Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities and Fund Balances | <u>\$ -</u> | <u>\$ 124</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 124</u> |

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
 FISCAL YEARS ENDED SEPTEMBER 30, 2008 and 2007
 (In Thousands)

| | COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND | | COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND | | TOTALS | |
|-------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------|-------------------------------------------------------------------------------------------|-----------------|------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| REVENUES | | | | | | |
| Interest earnings | \$ 1 | \$ 1 | \$ 1 | \$ - | \$ 2 | \$ 1 |
| Total Revenues | <u>1</u> | <u>1</u> | <u>1</u> | <u>-</u> | <u>2</u> | <u>1</u> |
| EXPENDITURES | | | | | | |
| Administration | 1 | 1 | 1 | - | 2 | 1 |
| Costs of issuance | - | - | - | - | - | - |
| Bond principal retirement | 75,523 | 71,994 | 21,275 | 20,230 | 96,798 | 92,224 |
| Bond interest and fiscal charges | 112,609 | 86,472 | 12,041 | 12,930 | 124,651 | 99,402 |
| Total Expenditures | <u>188,133</u> | <u>158,467</u> | <u>33,317</u> | <u>33,160</u> | <u>221,450</u> | <u>191,627</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(188,132)</u> | <u>(158,466)</u> | <u>(33,316)</u> | <u>(33,160)</u> | <u>(221,449)</u> | <u>(191,626)</u> |
| OTHER FINANCING SOURCES | | | | | | |
| Proceeds from refunding bond issues | - | - | - | - | - | - |
| Premium on bonds issued | - | - | - | - | - | - |
| Transfer from State Trunkline Fund | 188,132 | 158,466 | - | - | 188,132 | 158,466 |
| Transfer from Comprehensive Transportation Fund | - | - | 33,316 | 33,160 | 33,316 | 33,160 |
| Total Other Financing Sources | <u>188,132</u> | <u>158,466</u> | <u>33,316</u> | <u>33,160</u> | <u>221,449</u> | <u>191,626</u> |
| OTHER FINANCING USES | | | | | | |
| Transfer to Treasury for operations | - | - | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - | - | - |
| Total Other Financing Uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of Other Sources Over (Under) Other Uses | <u>188,132</u> | <u>158,466</u> | <u>33,316</u> | <u>33,160</u> | <u>221,449</u> | <u>191,626</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | - | - | - | - | - | - |
| Fund balances-Beginning of fiscal year | - | - | - | - | - | - |
| Fund balances-End of fiscal year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |



FINANCIAL SCHEDULES

MICHIGAN DEPARTMENT OF TRANSPORTATION
SCHEDULE OF REVENUES AND EXPENDITURES
SPECIAL REVENUE FUNDS
LAST TEN YEARS
SEPTEMBER 30, 2008
(In Thousands)

| | <u>1998-1999</u> | <u>1999-2000</u> | <u>2000-2001</u> | <u>2001-2002</u> |
|---------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| REVENUES AND OTHER SOURCES: | | | | |
| Michigan Transportation Fund | \$ 1,844,829 | \$ 1,892,570 | \$ 1,913,540 | \$ 1,974,234 |
| State Trunkline Fund | | | | |
| Economic Development | 114,030 | 109,260 | 113,111 | 114,264 |
| Traditional Program | 1,251,440 | 1,537,389 | 1,439,365 | 1,367,935 |
| Blue Water Bridge Fund | 11,454 | 16,535 | 12,493 | 11,478 |
| Comprehensive Transportation Fund | 243,990 | 249,647 | 270,656 | 270,695 |
| Aeronautics Fund | 74,229 | 93,818 | 133,811 | 155,619 |
| Transportation Related Trust Fund | - | 224,680 | 244,625 | 277,726 |
| 1989 State Trunkline Bond Proceeds Fund | 5,508 | 3,514 | 112 | 41 |
| 1992 State Trunkline Bond Proceeds Fund | 12,288 | 15,312 | 11,914 | 5,087 |
| 1992 State Trunkline Critical Bridge Bond Proceeds Fund | 76 | 85 | 13 | 2 |
| 1992 Comprehensive Transportation Bond Proceeds Fund | 1,985 | 730 | 609 | 104 |
| 1994 State Trunkline Bond Proceeds Fund | 10,615 | 6,984 | 3,110 | 486 |
| 1996 State Trunkline Bond Proceeds Fund | (119) | 9 | 3 | 154 |
| 2001 Build Michigan III Bond Proceeds Fund | - | - | 330,576 | 49,090 |
| 2001 & 2002 Build Michigan II Grant Anticipation Note Proceeds Fund | - | - | 410,848 | 218,262 |
| 2002 & 2003 Comprehensive Transportation Bond Proceeds Fund | - | - | - | 89,179 |
| 2004 State Trunkline Bond Proceeds Fund | - | - | - | - |
| Jobs Today Bond Proceeds Fund | - | - | - | - |
| TOTAL REVENUES AND OTHER SOURCES | \$ 3,570,324 | \$ 4,150,531 | \$ 4,884,786 | \$ 4,534,356 |
| EXPENDITURES AND OTHER USES: | | | | |
| Michigan Transportation Fund | \$ 1,844,829 | \$ 1,892,570 | \$ 1,913,540 | \$ 1,974,234 |
| State Trunkline Fund | | | | |
| Economic Development | 115,337 | 87,927 | 108,988 | 109,955 |
| Traditional Program | 1,363,640 | 1,493,359 | 1,385,715 | 1,277,342 |
| Blue Water Bridge Fund | 5,220 | 7,728 | 12,482 | 10,326 |
| Comprehensive Transportation Fund | 237,021 | 241,984 | 281,121 | 288,324 |
| Aeronautics Fund | 99,057 | 90,195 | 131,899 | 159,609 |
| Transportation Related Trust Fund | - | 224,680 | 244,625 | 277,726 |
| 1989 State Trunkline Bond Proceeds Fund | 3,126 | 1,582 | 132 | 314 |
| 1992 State Trunkline Bond Proceeds Fund | 16,050 | 18,886 | 12,667 | 5,970 |
| 1992 State Trunkline Critical Bridge Bond Proceeds Fund | 242 | 1,123 | 1 | 262 |
| 1992 Comprehensive Transportation Bond Proceeds Fund | 2,395 | 1,013 | 5,176 | 5,474 |
| 1994 State Trunkline Bond Proceeds Fund | 14,228 | 8,281 | 3,688 | 520 |
| 1996 State Trunkline Bond Proceeds Fund | 23,776 | 2,257 | (74) | - |
| 2001 Build Michigan III Bond Proceeds Fund | - | - | 75,734 | 113,740 |
| 2001 & 2002 Build Michigan II Grant Anticipation Note Proceeds Fund | - | - | 164,805 | 259,282 |
| 2002 & 2003 Comprehensive Transportation Bond Proceeds Fund | - | - | - | 671 |
| 2004 State Trunkline Bond Proceeds Fund | - | - | - | - |
| Jobs Today Bond Proceeds Fund | - | - | - | - |
| TOTAL EXPENDITURES AND OTHER USES | \$ 3,724,921 | \$ 4,071,584 | \$ 4,340,498 | \$ 4,483,749 |

| <u>2002-2003</u> | <u>2003-2004</u> | <u>2004-2005</u> | <u>2005-2006</u> | <u>2006-2007</u> | <u>2007-2008</u> |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 2,000,406 | \$ 2,064,583 | \$ 1,976,798 | \$ 1,967,920 | \$ 1,943,436 | \$ 1,889,569 |
| 111,868 | 106,607 | 118,205 | 98,526 | 95,899 | 71,997 |
| 1,317,848 | 1,429,449 | 1,612,110 | 1,588,113 | 1,668,203 | 1,518,646 |
| 12,254 | 13,989 | 15,081 | 14,758 | 14,225 | 15,959 |
| 273,277 | 267,928 | 252,284 | 260,424 | 262,128 | 277,606 |
| 122,359 | 144,580 | 164,574 | 135,989 | 134,785 | 124,725 |
| 281,796 | 266,271 | 239,403 | 174,024 | 205,607 | 292,120 |
| 719 | 152 | 891 | 49 | 41 | - |
| 2,168 | 2,419 | 947 | 85 | 194 | 3,624 |
| - | - | - | - | - | - |
| 15 | - | - | - | - | - |
| 918 | 71 | 374 | 20 | 111 | 4 |
| - | - | - | - | - | - |
| 14,684 | 27,691 | 11,765 | 7,019 | 3,857 | 1,224 |
| 13,040 | 9,477 | 67,623 | 93,546 | 53,841 | 32,191 |
| 37,641 | 1,164 | 2,531 | 40,425 | 5,855 | 2,586 |
| - | 201,896 | 6,152 | 269,072 | 10,402 | 77,806 |
| - | - | - | 73 | 501,507 | 25,863 |
| <u>\$ 4,188,993</u> | <u>\$ 4,536,277</u> | <u>\$ 4,468,738</u> | <u>\$ 4,650,043</u> | <u>\$ 4,900,091</u> | <u>\$ 4,333,920</u> |
| | | | | | |
| \$ 2,000,406 | \$ 2,064,583 | \$ 1,976,798 | \$ 1,967,920 | \$ 1,943,436 | \$ 1,889,569 |
| 102,399 | 121,527 | 113,014 | 90,141 | 85,342 | 75,250 |
| 1,286,783 | 1,288,226 | 1,572,956 | 1,618,331 | 1,540,590 | 1,702,452 |
| 8,869 | 7,421 | 7,709 | 13,870 | 10,145 | 12,815 |
| 262,820 | 283,459 | 253,451 | 254,045 | 261,237 | 270,758 |
| 117,691 | 138,712 | 166,954 | 135,473 | 135,402 | 123,681 |
| 281,796 | 266,271 | 239,403 | 174,024 | 205,607 | 292,120 |
| 625 | 1,271 | 635 | 14 | 1,089 | - |
| 2,194 | 5,495 | 880 | 6,078 | 196 | 2,087 |
| - | - | - | - | - | - |
| 1,773 | - | - | - | - | - |
| 1,164 | 3,997 | 411 | (520) | 439 | 5 |
| - | - | - | - | - | - |
| 76,606 | 51,124 | 56,489 | 13,663 | 28,249 | 11,992 |
| 169,588 | 58,497 | 66,207 | 94,827 | 53,781 | 32,163 |
| 21,340 | 23,201 | 16,205 | 19,900 | 27,413 | 15,805 |
| - | 63,416 | 115,184 | 132,305 | 159,271 | 66,624 |
| - | - | - | 83,336 | 222,486 | 234,404 |
| <u>\$ 4,334,054</u> | <u>\$ 4,377,200</u> | <u>\$ 4,586,296</u> | <u>\$ 4,603,407</u> | <u>\$ 4,674,683</u> | <u>\$ 4,729,725</u> |

MICHIGAN DEPARTMENT OF TRANSPORTATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ECONOMIC DEVELOPMENT FUND
 FISCAL YEARS ENDED SEPTEMBER 30, 2008 and 2007
 (In Thousands)

| | 2008 | 2007 |
|---------------------------------------------------------------------------------|-------------------|-------------------|
| REVENUES AND OTHER SOURCES | | |
| Licenses and permits | \$ 154 | \$ 10,986 |
| Federal aid | 26,083 | 35,893 |
| Local participation | 432 | 367 |
| Interest earnings | 4,501 | 4,616 |
| Michigan Transportation Fund distribution | 40,275 | 40,275 |
| Miscellaneous | 552 | 2,987 |
| Operating Transfers In | - | 776 |
| | <u>71,997</u> | <u>95,899</u> |
| EXPENDITURES AND OTHER USES | | |
| Administration | 366 | 468 |
| Forest roads | 5,040 | 5,040 |
| Target industries-state takeovers | 14,011 | 12,820 |
| Rural county urban system | 2,823 | 4,096 |
| Urban county congestion | 14,546 | 19,791 |
| Rural county primary | 23,855 | 28,784 |
| Debt service | 14,609 | 14,342 |
| | <u>75,250</u> | <u>85,342</u> |
| Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses | <u>(3,253)</u> | <u>10,558</u> |
| Fund Balances-Beginning of fiscal year | 111,121 | 100,564 |
| Fund Balances-End of fiscal year | <u>\$ 107,869</u> | <u>\$ 111,121</u> |

The Economic Development Fund was created as a subfund of the State Trunkline Fund during fiscal year 1987-88. The amounts shown above have been reported as part of the State Trunkline Fund in previous schedules of this report. This supplementary schedule was prepared to provide additional information pertaining specifically to the Economic Development Fund.



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MICHIGAN DEPARTMENT OF TRANSPORTATION
CONSTRUCTION AND CAPITAL PROPERTY ACQUISITIONS
BY FUNCTIONAL ACTIVITY
FISCAL YEAR ENDED SEPTEMBER 30, 2008
(In Thousands)

| | <u>Totals</u> | <u>Preliminary Engineering</u> | <u>Right-of-Way</u> |
|------------------------------------------------|---------------------|------------------------------------|---------------------|
| STATE TRUNKLINE FUND | | | |
| Roads and bridges | \$ 986,357 | \$ 125,383 | \$ 11,625 |
| Economic development fund | 71,011 | 275 | 2,995 |
| Work orders - state facilities | <u>9,594</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>1,066,963</u> | <u>125,658</u> | <u>14,620</u> |
| BLUE WATER BRIDGE FUND | | | |
| | <u>6,146</u> | <u>378</u> | <u>4,515</u> |
| Subtotal | <u>6,146</u> | <u>378</u> | <u>4,515</u> |
| STATE AERONAUTICS AND GENERAL FUNDS | | | |
| Airport development | <u>118,458</u> | <u>10,505</u> | <u>12,053</u> |
| Subtotal | <u>118,458</u> | <u>10,505</u> | <u>12,053</u> |
| COMPREHENSIVE TRANSPORTATION FUND | | | |
| Rail freight | 4,374 | - | - |
| Bus transit | 24,220 | - | - |
| Intercity bus, rail, water | <u>1,801</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>30,394</u> | <u>-</u> | <u>-</u> |
| BOND PROCEEDS FUNDS | | | |
| State Trunkline Fund | 271,440 | 4,945 | 2,922 |
| Comprehensive Transportation Fund | 8,084 | 624 | - |
| Aeronautics Fund | <u>7,295</u> | <u>822</u> | <u>2,061</u> |
| Subtotal | <u>286,819</u> | <u>6,391</u> | <u>4,984</u> |
| Total Capital Acquisitions | <u>\$ 1,508,780</u> | <u>\$ 142,932</u> | <u>\$ 36,172</u> |

| <u>Utility Relocation</u> | <u>Physical Construction</u> | <u>Construction Supervision</u> | <u>Special Projects</u> | <u>Other Activities</u> |
|-------------------------------|----------------------------------|-------------------------------------|-----------------------------|-----------------------------|
| \$ 1,399 | \$ 782,646 | \$ 62,318 | \$ - | \$ 2,987 |
| - | 60,659 | 2,082 | - | 5,000 |
| - | - | - | - | 9,594 |
| <u>1,399</u> | <u>843,306</u> | <u>64,400</u> | <u>-</u> | <u>17,581</u> |
| - | 1,117 | 136 | - | - |
| - | 1,117 | 136 | - | - |
| - | 73,621 | 9,176 | - | 13,102 |
| - | 73,621 | 9,176 | - | 13,102 |
| - | - | - | - | 4,374 |
| - | - | - | - | 24,220 |
| - | - | - | - | 1,801 |
| - | - | - | - | 30,394 |
| - | 188,514 | 21,722 | - | 53,337 |
| - | 3,246 | - | - | 4,215 |
| - | 3,613 | 274 | - | 524 |
| - | 195,373 | 21,996 | - | 58,075 |
| <u>\$ 1,399</u> | <u>\$ 1,113,417</u> | <u>\$ 95,709</u> | <u>\$ -</u> | <u>\$ 119,152</u> |

MICHIGAN DEPARTMENT OF TRANSPORTATION
CONSTRUCTION AND CAPITAL PROPERTY ACQUISITIONS
BY FUNCTIONAL ACTIVITY
FISCAL YEAR ENDED SEPTEMBER 30, 2007
(In Thousands)

| | <u>Totals</u> | <u>Preliminary Engineering</u> | <u>Right-of-Way</u> |
|------------------------------------------------|---------------------|------------------------------------|---------------------|
| STATE TRUNKLINE FUND | | | |
| Roads and bridges | \$ 892,475 | \$ 124,175 | \$ 28,240 |
| Economic development fund | 86,030 | 257 | 5,742 |
| Work orders - state facilities | <u>9,449</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>987,954</u> | <u>124,432</u> | <u>33,982</u> |
| BLUE WATER BRIDGE FUND | | | |
| | <u>2,452</u> | <u>204</u> | <u>62</u> |
| Subtotal | <u>2,452</u> | <u>204</u> | <u>62</u> |
| STATE AERONAUTICS AND GENERAL FUNDS | | | |
| Airport development | <u>150,106</u> | <u>8,914</u> | <u>19,975</u> |
| Subtotal | <u>150,106</u> | <u>8,914</u> | <u>19,975</u> |
| COMPREHENSIVE TRANSPORTATION FUND | | | |
| Rail freight | 5,173 | - | - |
| Bus transit | 16,484 | - | - |
| Intercity bus, rail, water | <u>5,406</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>27,063</u> | <u>-</u> | <u>-</u> |
| BOND PROCEEDS FUNDS | | | |
| State Trunkline Fund | 465,081 | 4,127 | 4,797 |
| Comprehensive Transportation Fund | 5,767 | 427 | - |
| Aeronautics Fund | <u>20,229</u> | <u>1,246</u> | <u>5,155</u> |
| Subtotal | <u>491,077</u> | <u>5,800</u> | <u>9,952</u> |
| Total Capital Acquisitions | <u>\$ 1,658,652</u> | <u>\$ 139,350</u> | <u>\$ 63,971</u> |

| <u>Utility Relocation</u> | <u>Physical Construction</u> | <u>Construction Supervision</u> | <u>Special Projects</u> | <u>Other Activities</u> |
|-------------------------------|----------------------------------|-------------------------------------|-----------------------------|-----------------------------|
| \$ 1,950 | \$ 676,281 | \$ 57,950 | \$ - | \$ 3,880 |
| - | 72,363 | 2,615 | - | 5,053 |
| - | - | - | - | 9,449 |
| <u>1,950</u> | <u>748,644</u> | <u>60,565</u> | <u>-</u> | <u>18,382</u> |
| - | 2,122 | 64 | - | - |
| - | 2,122 | 64 | - | - |
| - | 103,465 | 9,473 | - | 8,279 |
| - | 103,465 | 9,473 | - | 8,279 |
| - | - | - | - | 5,173 |
| - | - | - | - | 16,484 |
| - | - | - | - | 5,406 |
| - | - | - | - | 27,063 |
| 28 | 372,337 | 24,840 | - | 58,952 |
| - | 1,781 | - | - | 3,559 |
| - | 12,579 | 1,233 | - | 16 |
| <u>28</u> | <u>386,697</u> | <u>26,073</u> | <u>-</u> | <u>62,527</u> |
| <u>\$ 1,978</u> | <u>\$ 1,240,928</u> | <u>\$ 96,175</u> | <u>\$ -</u> | <u>\$ 116,251</u> |

Michigan Department of Transportation
Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2008

| Grantor Agency/ Assistance Program Title | Federal | CFDA* Program Number | Pass Through Entity | Pass- Through Entity Identificati on Number | Directly Expended by Department 2008 | Distributed To Sub-Recipients 2008 | Total Expended and Distributed 2008 |
|---------------------------------------------------------------------------|---------|----------------------------|---------------------------|------------------------------------------------------------|--------------------------------------------|------------------------------------------|----------------------------------------|
| (1) | | (2) | (3) | (4) | (5) | (6) | (7) |
| Federal Highway Administration: | | | | | | | |
| Highway Planning and Construction | | 20.205 | | | 1,003,730 | 40,191 | 1,043,921 |
| Total Federal Highway Administration | | | | | 1,003,730 | 40,191 | 1,043,921 |
| Federal Motor Carrier Safety Administration: | | | | | | | |
| National Motor Carrier Safety | | 20.218 | St Police | 97-0066 | 0 | 0 | 0 |
| Total Federal Motor Carrier Safety Administration | | | | | 0 | 0 | 0 |
| Federal Aviation Administration: | | | | | | | |
| Airport Improvement Program | | 20.106 | | | 86,051 | 0 | 86,051 |
| Total Federal Aviation Administration | | | | | 86,051 | 0 | 86,051 |
| Federal Railroad Administration: | | | | | | | |
| Next Generation High Speed Rail Program | | 20.312 | | | 22 | 0 | 22 |
| Total Federal Railroad Administration | | | | | 22 | 0 | 22 |
| Federal Transit Administration: | | | | | | | |
| Section 5309 - Capital Investment Grants | | 20.500 | | | 6 | 10,564 | 10,570 |
| Section 5311 - Formula Grants for Other Than Urbanized Areas/Operating | | 20.509 | | | 823 | 13,055 | 13,878 |
| Section 5311 - Formula Grants for Other Than Urbanized Areas/Capital | | 20.509 | | | 834 | 2,692 | 3,526 |
| Section 5303 - Metropolitan Planning Grants | | 20.505 | | | 0 | 1,907 | 1,907 |
| Section 5307 - Urbanized Area Formula Program | | 20.507 | | | 427 | 0 | 427 |
| Section 5310 - Elderly and Persons with Disabilities Program | | 20.513 | | | 32 | 1,823 | 1,854 |
| Sections 5313(b) and 5304 - State Planning and Research Program | | 20.515 | | | 21 | 331 | 353 |
| Section 5316 - Job Access and Reverse Commuter Program | | 20.516 | | | 19 | 1,359 | 1,378 |
| Section 5317 - New Freedom Program | | 20.521 | | | 0 | 0 | 0 |
| Total Federal Transit Administration | | | | | 2,162 | 31,731 | 33,893 |
| DEPARTMENT TOTAL | | | | | 1,091,964 | 71,922 | 1,163,887 |

Michigan Department of Transportation
Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2007
(In Thousands)

| Grantor Agency/ Assistance Program Title | Federal | CFDA* Program Number | Pass Through Entity | Pass- Through Entity Identificati on Number | Directly Expended by Department 2007 | Distributed To Sub- Recipients 2007 | Total Expended and Distributed 2007 |
|---------------------------------------------------------------------------|---------|----------------------------|---------------------------|------------------------------------------------------------|--------------------------------------------------|----------------------------------------------|-------------------------------------------------|
| Federal Highway Administration: | | | | | | | |
| Highway Planning and Construction | | 20.205 | | | \$ 1,054,915 | \$ 41,022 | \$ 1,095,937 |
| Total Federal Highway Administration | | | | | \$ 1,054,915 | \$ 41,022 | \$ 1,095,937 |
| Federal Motor Carrier Safety Administration: | | | | | | | |
| National Motor Carrier Safety | | 20.218 | St Police | 97-0066 | \$ - | \$ - | \$ - |
| Total Federal Motor Carrier Safety Administration | | | | | \$ - | \$ - | \$ - |
| Federal Aviation Administration: | | | | | | | |
| Airport Improvement Program | | 20.106 | | | \$ 41,761 | \$ - | \$ 41,761 |
| Total Federal Aviation Administration | | | | | \$ 41,761 | \$ - | \$ 41,761 |
| Federal Railroad Administration: | | | | | | | |
| Next Generation High Speed Rail Program | | 20.312 | | | \$ 87 | \$ - | \$ 87 |
| Total Federal Railroad Administration | | | | | \$ 87 | \$ - | \$ 87 |
| Federal Transit Administration: | | | | | | | |
| Section 5309 - Capital Investment Grants | | 20.500 | | | \$ - | \$ 3,916 | \$ 3,916 |
| Section 5311 - Public Transportation for Non-Urbanized Areas/Operating | | 20.509 | | | 460 | 14,965 | 15,424 |
| Section 5311 - Public Transportation for Non-Urbanized Areas/Capital | | 20.509 | | | 637 | 1,434 | 2,071 |
| Section 5303 - Metropolitan Planning Grants | | 20.505 | | | - | 2,174 | 2,174 |
| Section 5307 - Urbanized Area Formula Program | | 20.507 | | | 1,340 | - | 1,340 |
| Section 5310 - Elderly and Persons with Disabilities Program | | 20.513 | | | - | 2,950 | 2,950 |
| Sections 5313(b) and 5304 - State Planning and Research Program | | 20.515 | | | 1 | 191 | 193 |
| Section 5314 - Transit Planning and Research Program | | 20.514 | | | - | - | - |
| Section 3037 - Job Access and Reverse Commute Program | | 20.516 | | | - | 398 | 398 |
| Total Federal Transit Administration | | | | | \$ 2,438 | \$ 26,029 | \$ 28,466 |
| DEPARTMENT TOTAL | | | | | \$ 1,099,201 | \$ 67,051 | \$ 1,166,251 |

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEARS ENDED SEPTEMBER 30, 2007 AND 2008

1. MDOT refinanced the outstanding GARVEE Notes into long-term State Trunkline Fund (STF) funded bonds. The debt service on the original GARVEE Notes was to be paid with the conversion of Advanced Construction (A/C) projects. As a result a large balance of GARVEE A/C projects existed which would not be needed for debt service. During FY07, MDOT converted these projects earlier than scheduled and receipted in the federal revenue. This \$250.1M of revenue was recorded as STF revenue. No expenditures in MAIN related to this conversion are reflected in the Federal funds so a reconciling item is necessary for the Schedule of Expenditures of Federal Awards (SEFA).

2. The State Infrastructure Bank (SIB) program was enacted by the U.S. Congress in 1995 as part of the U.S. Department of Transportation's continuing effort to increase infrastructure investment in the transportation sector. A SIB is an investment fund at the state or multi-state level with the ability to make loans to public and private entities to carry out highway construction or transit capital projects. The Federal Highway Administration (FHWA) deposited a percentage of funds apportioned to the State of Michigan in fiscal years 1998 – 2005 in an MDOT account strictly used for SIB activity. A state match equal to 25% of the federal deposit was required. These monies along with interest earnings are to remain in the SIB account and be used for purposes included in the cooperative agreement between the FHWA, Federal Transit Administration (FTA) and MDOT. At the end of fiscal years 2007 and 2008, the total amount of federal, state and interest earnings equal \$21,133,163.41 and \$21,773,466.53, respectively.

One loan was granted in fiscal year 2007 totaling \$900,000. Four loans were granted in fiscal year 2008 totaling \$4,622,000.

3. Federal expenditures for Wayne County Airport Authority (WCAA) in the amounts of \$73.7 million and \$25.6 million for fiscal years 2007 and 2008, respectively, are not included in the SEFA report under the Airport Improvement Program (CFDA 20.106). MDOT is channeling the Federal Aviation Administration (FAA) funds to the WCAA, per Public Act 345 of 1945. The FAA determined that MDOT has no oversight responsibility for grants to primary airports. The FAA and Office of Inspector General agreed with MDOT and WCAA expenditures will not be reported in the SEFA due to WCAA administering its own contracting functions directly. The remaining primary airports are included in the directly expended amounts due to MDOT administering the contracting responsibilities for these projects.

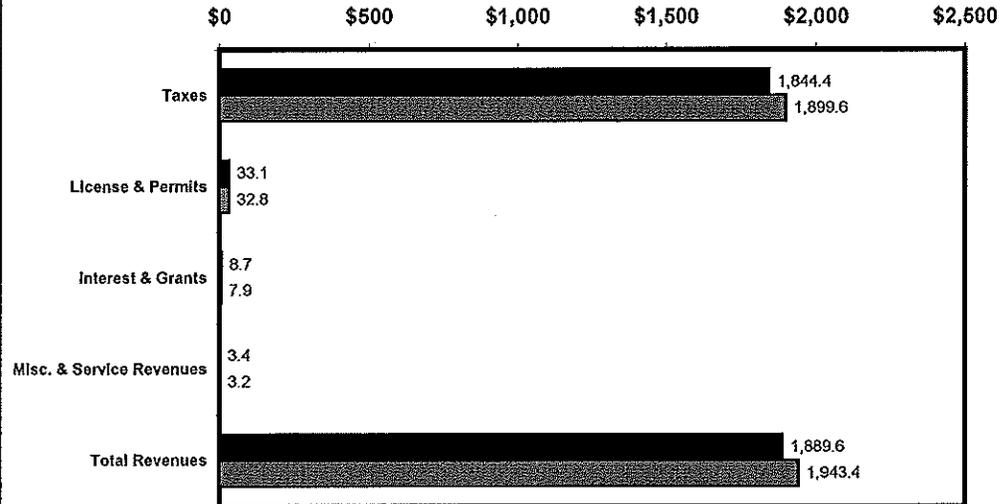


GRAPHIC PRESENTATIONS

MICHIGAN DEPARTMENT OF TRANSPORTATION
MICHIGAN TRANSPORTATION FUND GRAPHICS
 FISCAL YEARS ENDED SEPTEMBER 30, 2008 AND 2007

REVENUES AND OTHER SOURCES

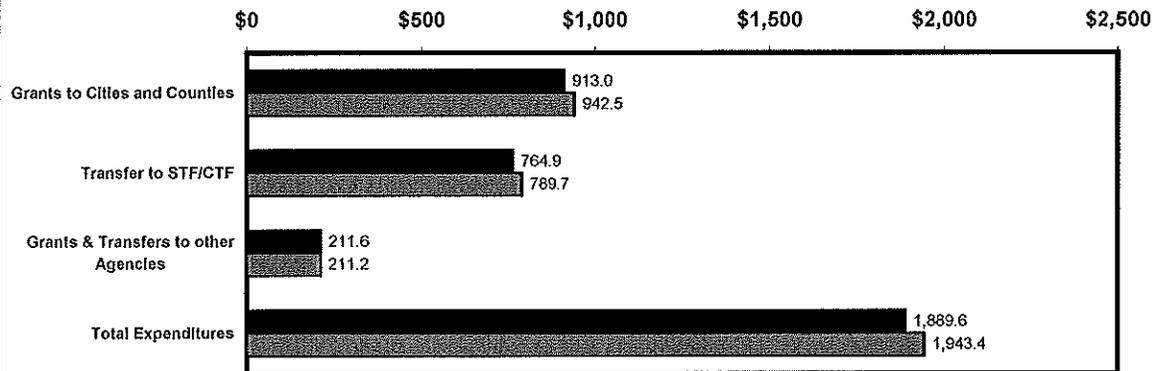
In Millions



■ 2008 ■ 2007

EXPENDITURES AND OTHER USES

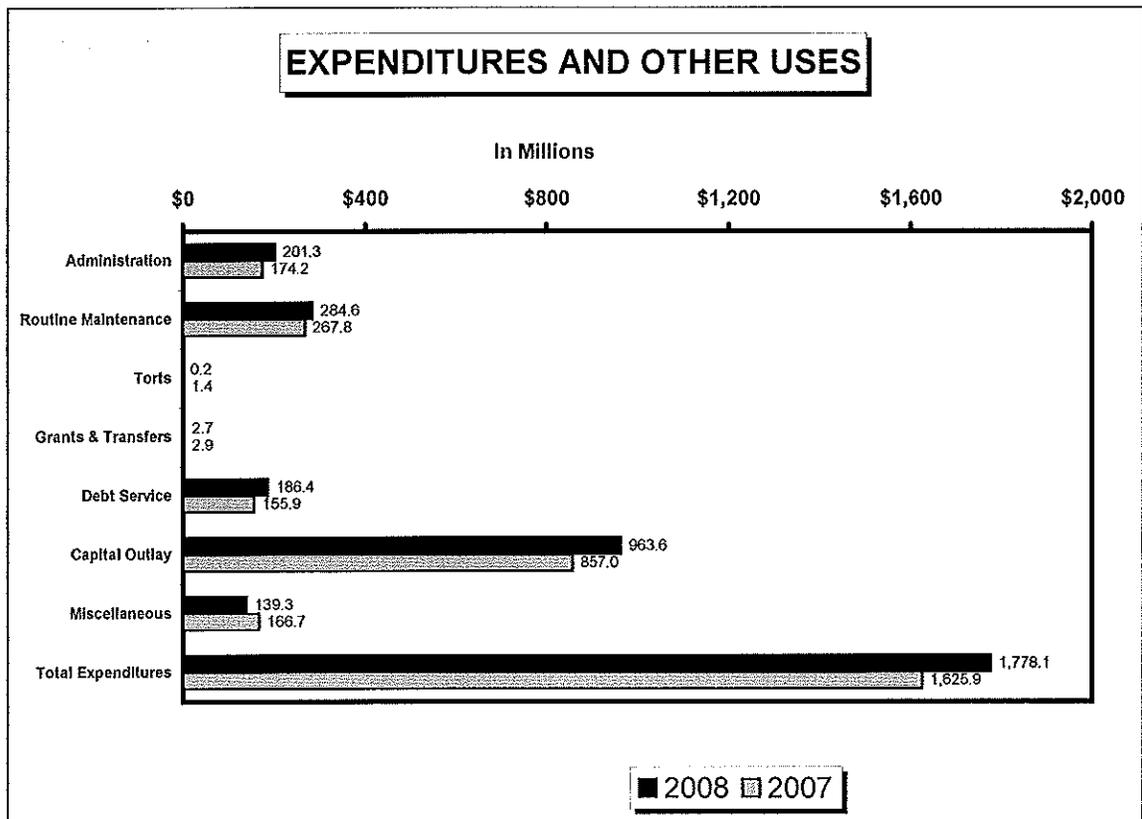
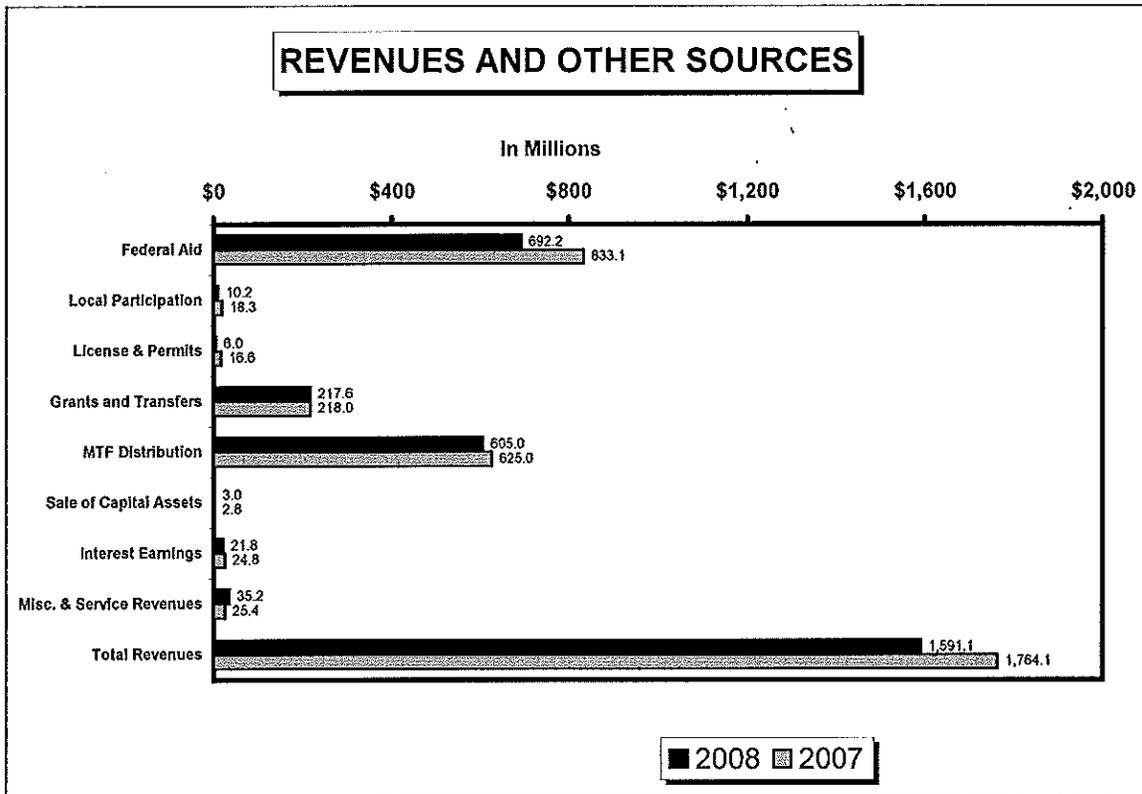
In Millions



■ 2008 ■ 2007

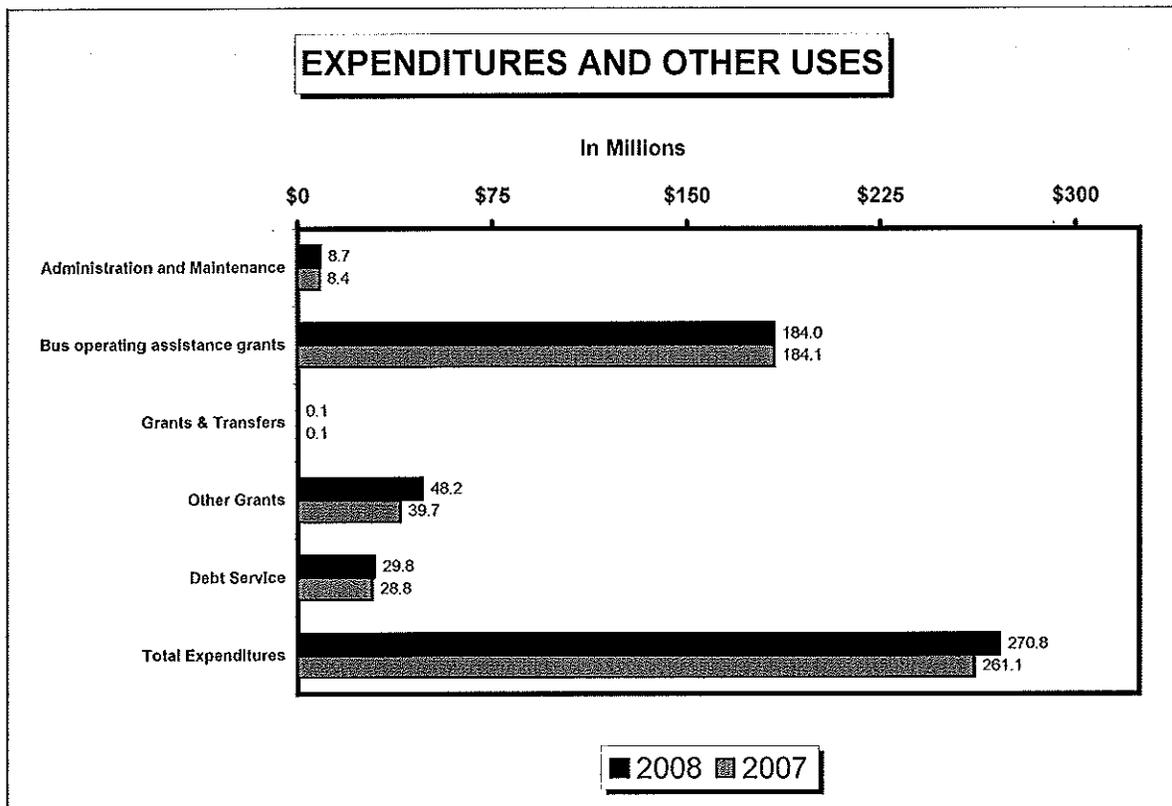
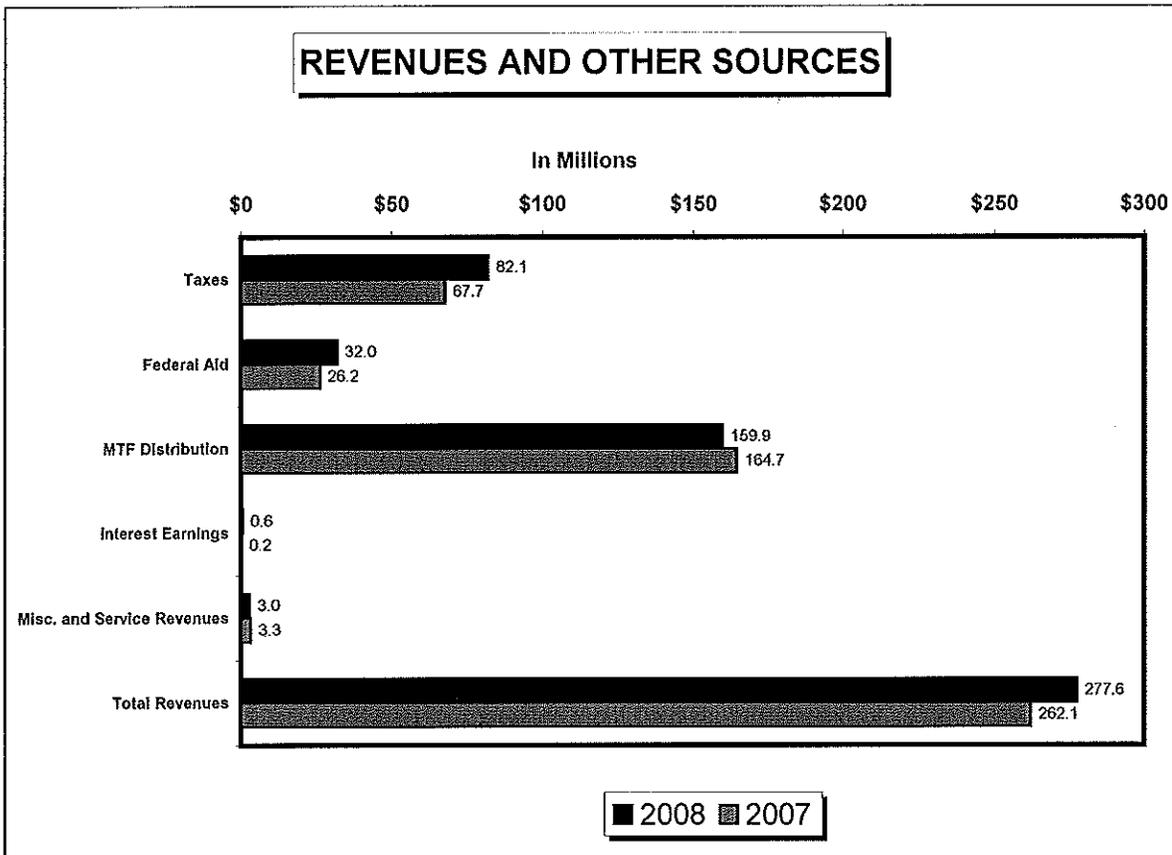
MICHIGAN DEPARTMENT OF TRANSPORTATION STATE TRUNKLINE FUND GRAPHICS

Includes Economic Development Fund
FISCAL YEARS ENDED SEPTEMBER 30, 2008 AND 2007

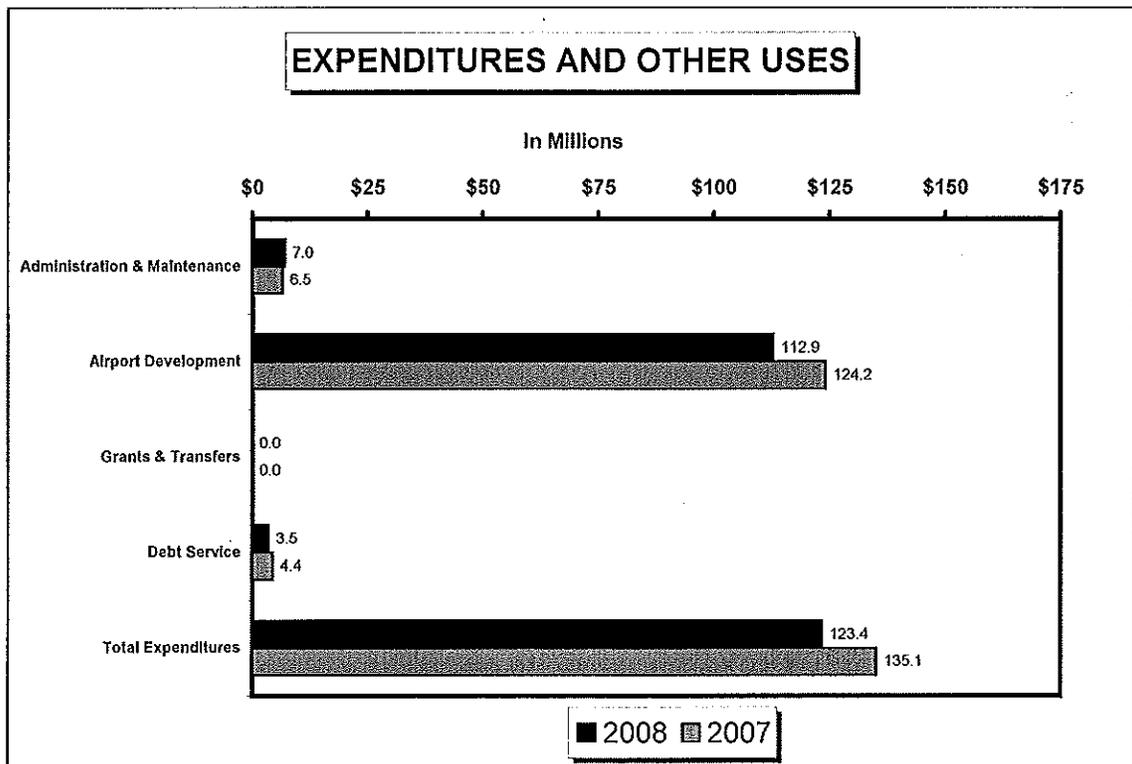
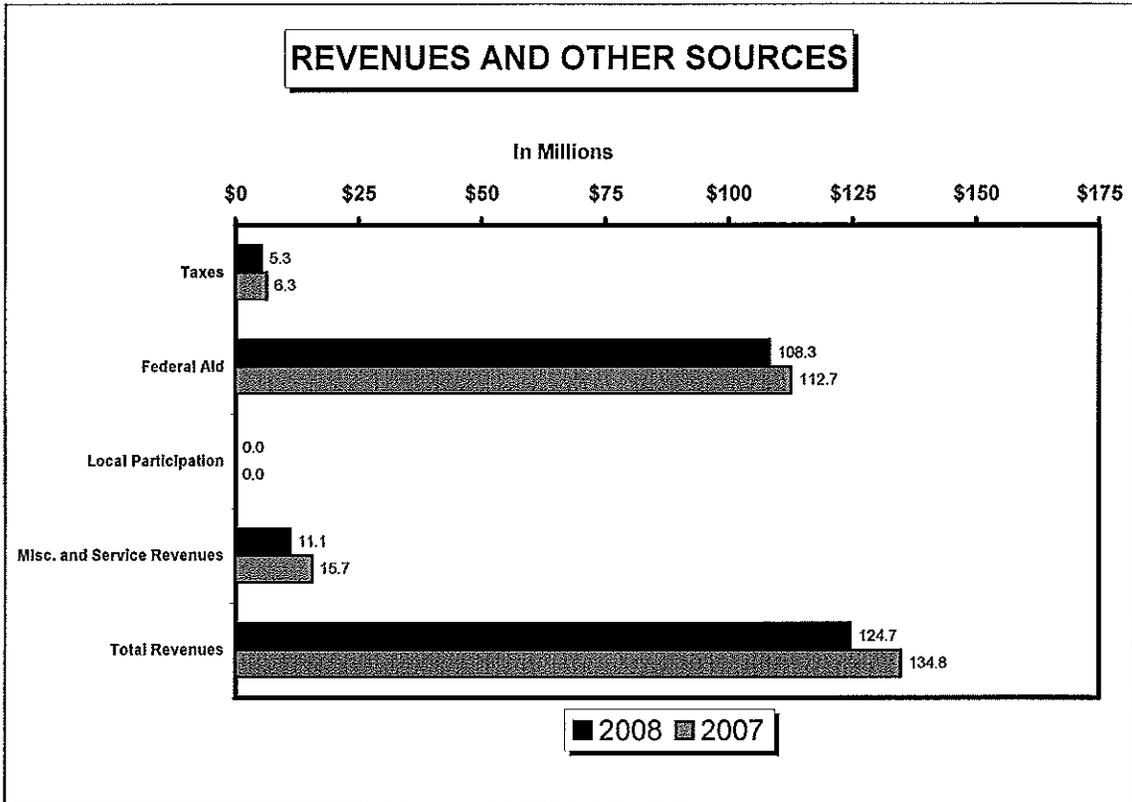


MICHIGAN DEPARTMENT OF TRANSPORTATION COMPREHENSIVE TRANSPORTATION FUND GRAPHICS

FISCAL YEARS ENDED SEPTEMBER 30, 2008 AND 2007

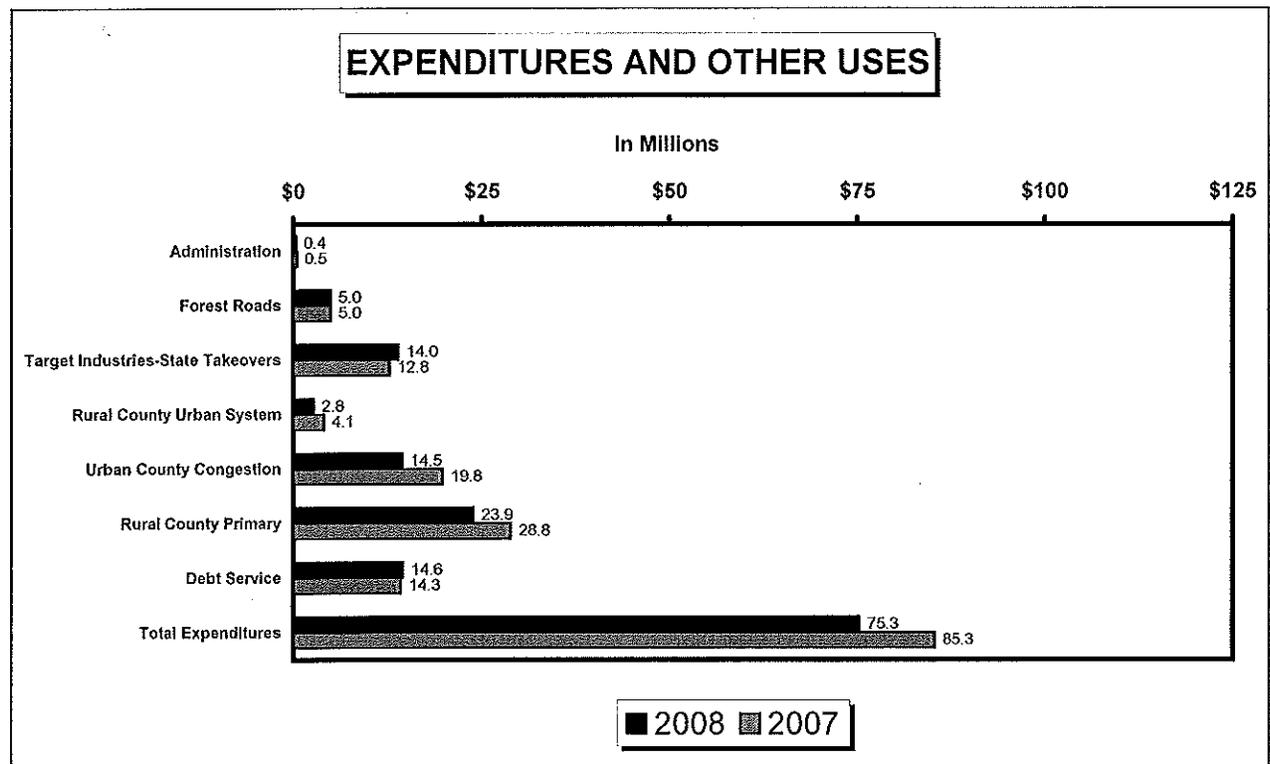
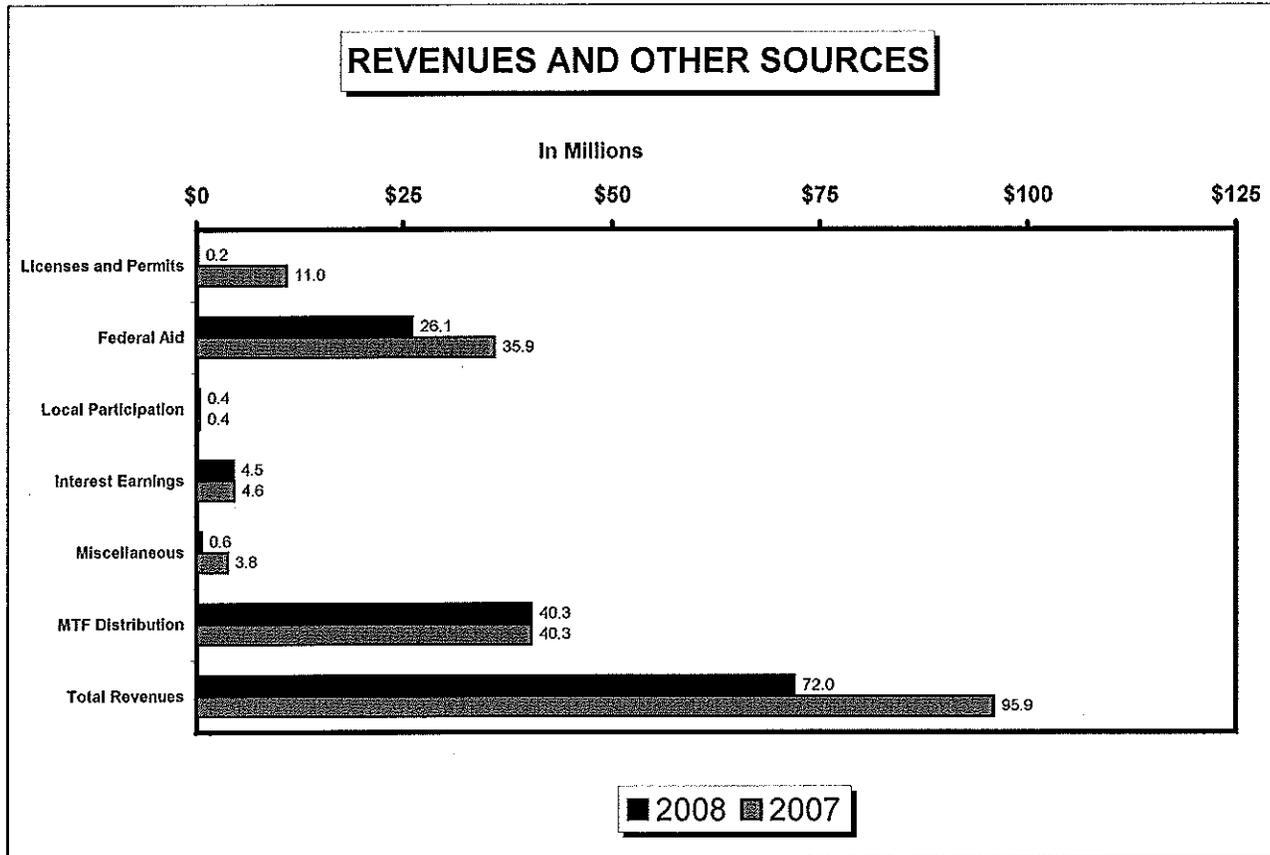


MICHIGAN DEPARTMENT OF TRANSPORTATION
STATE AERONAUTICS FUND GRAPHICS
 FISCAL YEARS ENDED SEPTEMBER 30, 2008 AND 2007

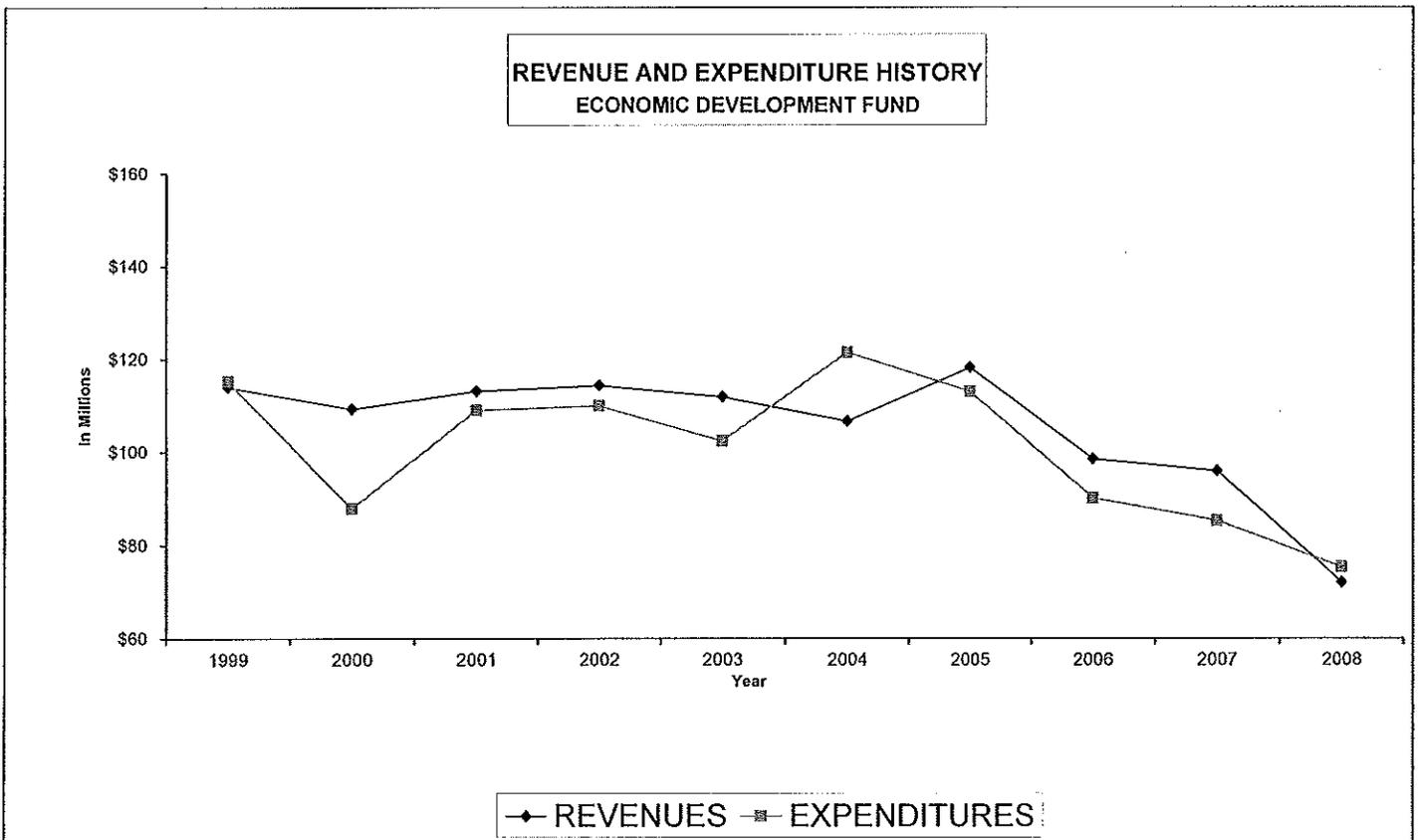
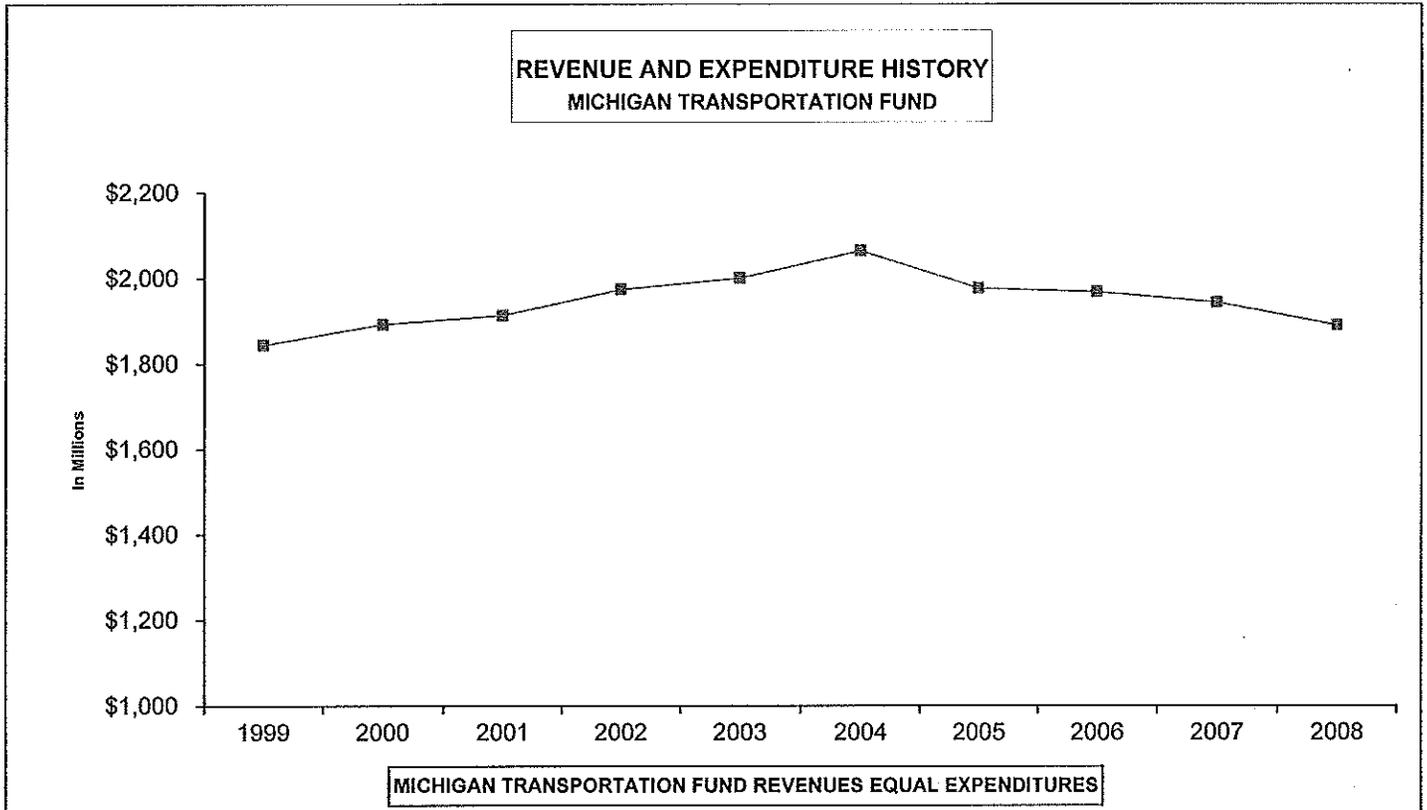


MICHIGAN DEPARTMENT OF TRANSPORTATION ECONOMIC DEVELOPMENT FUND GRAPHICS

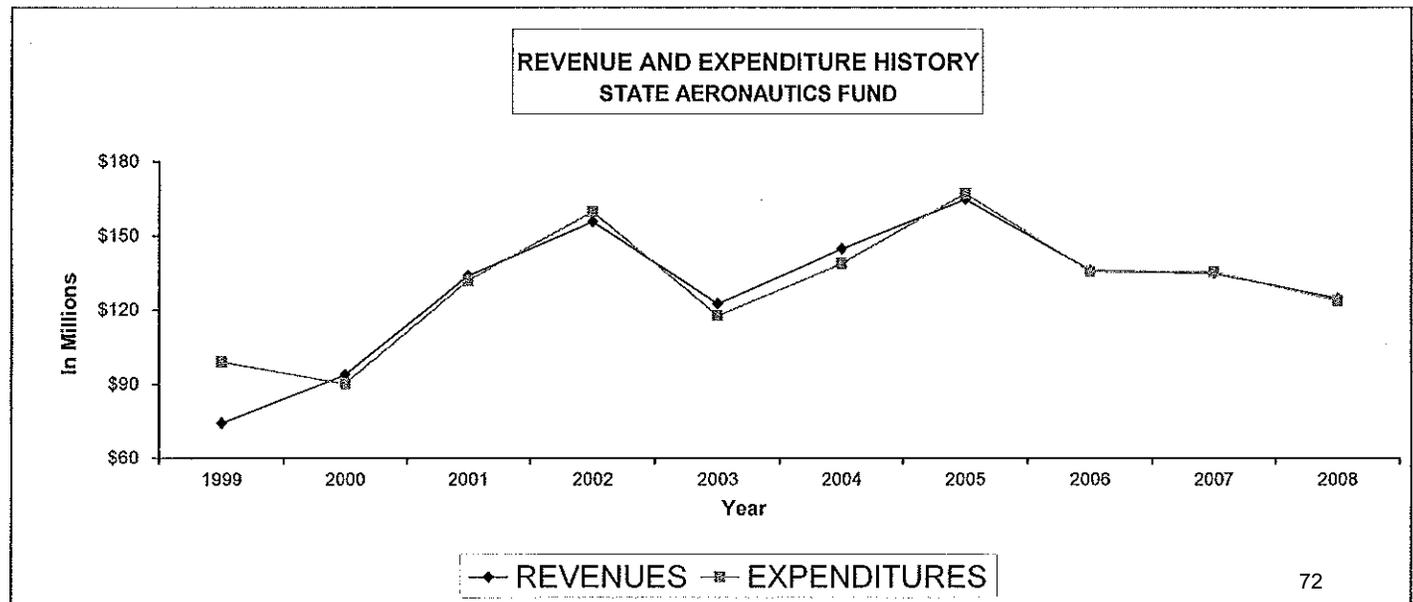
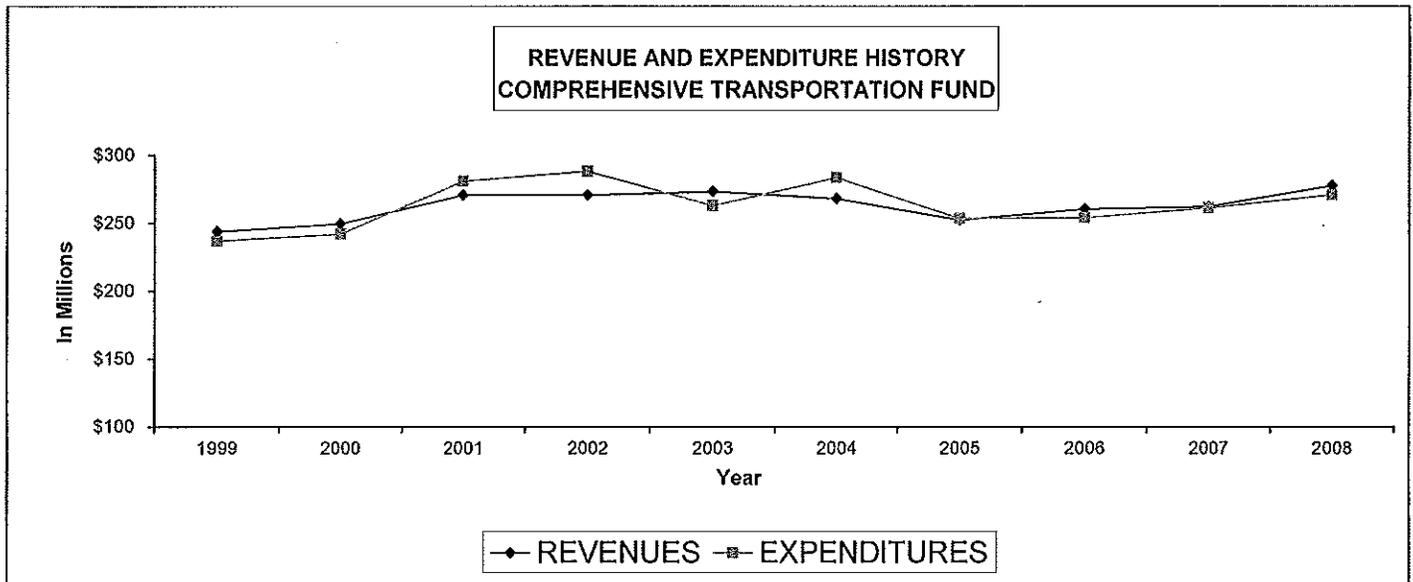
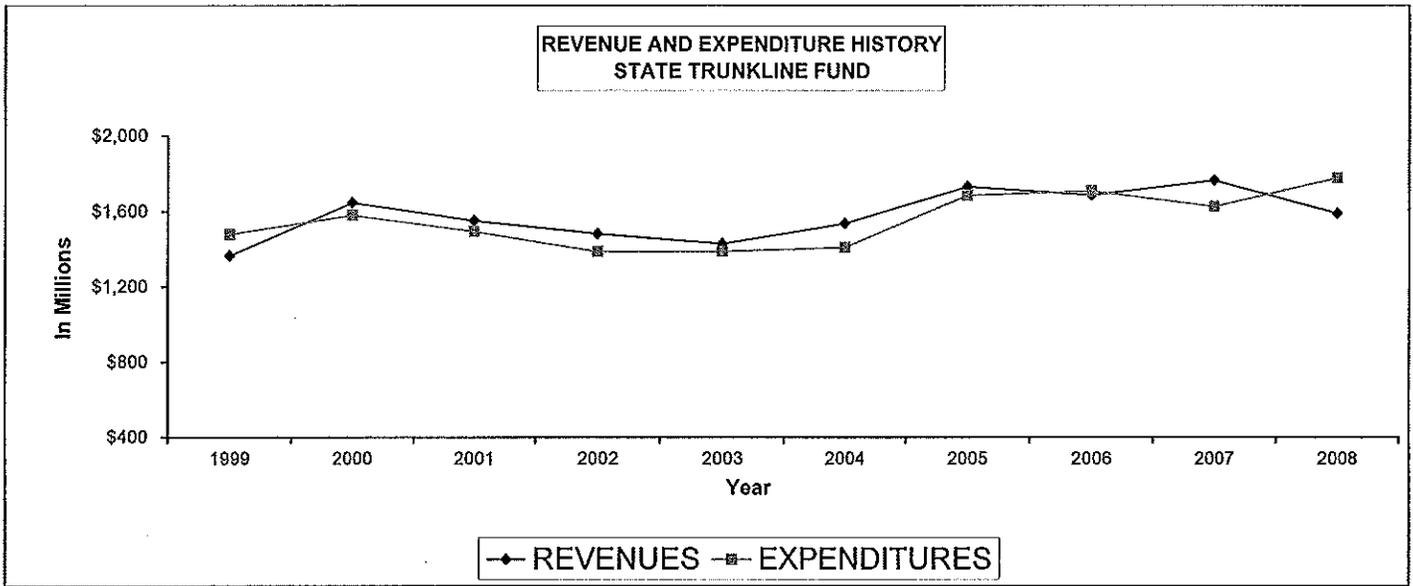
FISCAL YEARS ENDED SEPTEMBER 30, 2008 AND 2007



MICHIGAN DEPARTMENT OF TRANSPORTATION TEN YEAR REVENUE AND EXPENDITURE HISTORY



MICHIGAN DEPARTMENT OF TRANSPORTATION TEN YEAR REVENUE AND EXPENDITURE HISTORY



**MICHIGAN DEPARTMENT OF TRANSPORTATION
TOTAL TRANSPORTATION
CONSTRUCTION AND CAPITAL PROPERTY ACQUISITIONS
BY FUNCTIONAL ACTIVITY**

FISCAL YEARS ENDED SEPTEMBER 30, 2008 AND 2007

