

MICHIGAN DEPARTMENT OF TRANSPORTATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 1998 & 1997

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FISCAL YEAR ENDED SEPTEMBER 30, 1998

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

TRANSPORTATION
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JACK L. GINGRASS - Vice Chairman
BETTY JEAN AWREY
TED B. WAHBY
LOWELL B. JACKSON
JOHN W. GARSIDE

STATE OF MICHIGAN



JOHN ENGLER, GOVERNOR

DEPARTMENT OF TRANSPORTATION

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JAMES R. DeSANA, DIRECTOR

LH00 (4/99)

April 29, 1999

State Transportation Commission
and
James R. DeSana, Director
Michigan Department of Transportation

I am pleased to submit the Comprehensive Annual Financial Report for the Michigan Department of Transportation (Department) for the fiscal years ended September 30, 1997 and 1998. This report is prepared in accordance with generally accepted accounting principles (GAAP). In addition, this report is in compliance with Department of Management and Budget, Administrative Manual Policy 2-2-220, which requires state agencies issuing financial reports to be consistent with the State of Michigan Comprehensive Annual Financial Report.

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. All disclosures necessary to enable the reader to gain a reasonable understanding of the Department's financial affairs have been included.

REPORTING STANDARDS AND PRESENTATION

Method of Presentation

This report uses the "reporting pyramid" approach endorsed by the Governmental Accounting Standards Board (GASB). The pyramid does not provide a consolidated department financial statement. Rather, it combines funds with similar accounting objectives in columns of fund types. The statements which reflect these combined fund type columns, together with the related footnotes, are referred to as the "General Purpose Financial Statements."

Following the General Purpose Financial Statements are the combining financial statements, schedules, and statistical data. These statements and schedules provide detail, by fund, for the amounts shown in the fund type columns in the General Purpose Financial Statements. The term "Comprehensive Annual Financial Report" is used to describe all of the data presented in this report.

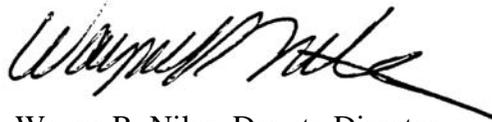
Budgetary Reporting

Public Act 431 of 1984 requires the state to adhere to GAAP in calculating fund balance for budgetary purposes. The budgetary basis departs from GAAP only in ways that do not affect unreserved fund balance. Two departures are the use of encumbrances, which GAAP does not require, and the funding of capital lease commitments on a "pay as you go" basis, rather than at lease inception. Compliance with the final updated budget for the annually budgeted operating funds is demonstrated in the budget to actual comparative statements.

CONCLUSION

I wish to express my appreciation to the many people whose dedicated efforts made possible the preparation of this report. I believe 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,

A handwritten signature in black ink, appearing to read "Wayne R. Niles", with a long horizontal flourish extending to the right.

Wayne R. Niles, Deputy Director
Bureau of Finance and Administration

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
 SEPTEMBER 30, 1998 and 1997
 (In Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES				ACCOUNT GROUPS				TOTALS	
	SPECIAL REVENUE		DEBT SERVICE		TRUST FUNDS		AGENCY FUNDS		GENERAL FIXED ASSETS		GENERAL LONG-TERM OBLIGATIONS		(Memorandum Only)	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
ASSETS														
Current Assets:														
Cash and cash equivalents.....	\$ 30	\$ 42	\$ --	\$ --	\$ --	\$ 16	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 30	\$ 59
Equity in Common Cash.....	633,426	674,616	13	--	--	--	1,388	74	--	--	--	--	634,827	674,691
Receivables:														
Taxes, interest and penalties (at net).....	93,952	98,413	--	--	--	--	--	--	--	--	--	--	93,952	98,413
Federal aid.....	200,965	153,266	--	--	25,627	19,781	77	597	--	--	--	--	226,669	173,645
Local units.....	30,820	25,300	--	--	7,052	4,541	--	--	--	--	--	--	37,873	29,842
Other funds and component units.....	60,141	59,335	--	--	--	--	--	--	--	--	--	--	60,141	59,335
Miscellaneous.....	10,426	7,547	--	--	1	--	--	--	--	--	--	--	10,427	7,548
Inventories.....	9,800	6,883	--	--	--	--	--	--	--	--	--	--	9,800	6,883
Total Current Assets.....	1,039,560	1,025,404	13	--	32,680	24,339	1,465	672	--	--	--	--	1,073,718	1,050,415
Noncurrent Assets:														
Receivables:														
Taxes.....	449	265	--	--	--	--	--	--	--	--	--	--	449	265
Federal aid.....	107	40,245	--	--	--	--	--	--	--	--	--	--	107	40,245
Local units.....	29,486	38,545	--	--	--	--	--	--	--	--	--	--	29,486	38,545
Advances to other funds.....	35,142	45,142	--	--	--	--	--	--	--	--	--	--	35,142	45,142
Land contracts.....	3,300	1,584	--	--	--	--	--	--	--	--	--	--	3,300	1,584
Miscellaneous.....	1,542	2,028	--	--	--	--	--	--	--	--	--	--	1,542	2,028
Property, plant and equipment.....	--	--	--	--	--	--	--	--	203,384	195,766	--	--	203,384	195,766
Amount to be provided for bond retirement.....	--	--	--	--	--	--	--	--	--	--	1,069,070	911,884	1,069,070	911,884
Amount provided for other long-term obligations.....	--	--	--	--	--	--	--	--	--	--	44,167	42,159	44,167	42,159
Total Noncurrent Assets.....	70,026	127,808	--	--	--	--	--	--	203,384	195,766	1,113,238	954,043	1,386,648	1,277,618
Total Assets.....	\$ 1,109,586	\$ 1,153,211	\$ 13	\$ --	\$ 32,680	\$ 24,339	\$ 1,465	\$ 672	\$ 203,384	\$ 195,766	\$ 1,113,238	\$ 954,043	\$ 2,460,366	\$ 2,328,032
LIABILITIES AND FUND BALANCES														
Current Liabilities:														
Warrants outstanding.....	\$ 26,119	\$ 59,439	\$ 3	\$ --	\$ 5,155	\$ 2,703	\$ 28	\$ 48	\$ --	\$ --	\$ --	\$ --	\$ 31,305	\$ 62,190
Accounts payable.....	371,178	358,563	10	--	16,751	11,964	1,437	623	--	--	--	--	389,377	371,150
Contract reserve payable.....	10,037	7,885	--	--	3,332	2,278	--	--	--	--	--	--	13,369	10,163
Due to other funds and component units.....	60,864	61,158	--	--	7,442	7,394	--	--	--	--	--	--	68,305	68,552
Deposits, permits and other liabilities.....	5,264	9,543	--	--	--	--	--	--	--	--	--	--	5,264	9,543
Deferred revenue.....	5,454	5,132	--	--	--	--	--	--	--	--	--	--	5,454	5,132
Total Current Liabilities.....	478,915	501,720	13	--	32,680	24,339	1,465	672	--	--	--	--	513,073	526,731
Long-Term Liabilities:														
Deferred revenue.....	12,994	3,930	--	--	--	--	--	--	--	--	--	--	12,994	3,930
Advances from other funds.....	35,142	45,142	--	--	--	--	--	--	--	--	--	--	35,142	45,142
Bonds and notes payable.....	--	--	--	--	--	--	--	--	--	--	1,069,070	911,884	1,069,070	911,884
Other long term liabilities.....	--	--	--	--	--	--	--	--	--	--	44,167	42,159	44,167	42,159
Total Liabilities.....	527,050	550,792	13	--	32,680	24,339	1,465	672	--	--	1,113,238	954,043	1,674,446	1,529,846
Fund Balance:														
Investment in general fixed assets.....	--	--	--	--	--	--	--	--	203,384	195,766	--	--	203,384	195,766
Reserved for encumbrances.....	51,313	43,141	--	--	--	--	--	--	--	--	--	--	51,313	43,141
Reserved for unencumbered restricted revenue balances.....	185,943	158,293	--	--	--	--	--	--	--	--	--	--	185,943	158,293
Reserved for unencumbered capital outlay and work projects.....	216,254	162,339	--	--	--	--	--	--	--	--	--	--	216,254	162,339
Reserved for revolving loans.....	9,014	1,010	--	--	--	--	--	--	--	--	--	--	9,014	1,010
Reserved for noncurrent assets.....	29,594	78,736	--	--	--	--	--	--	--	--	--	--	29,594	78,736
Total Reserves.....	492,118	443,519	--	--	--	--	--	--	203,384	195,766	--	--	695,503	639,286
Unreserved.....	90,417	158,900	--	--	--	--	--	--	--	--	--	--	90,417	158,900
Total Fund Balances.....	582,536	602,420	--	--	--	--	--	--	203,384	195,766	--	--	785,920	798,186
Total Liabilities and Fund Balances.....	\$ 1,109,586	\$ 1,153,211	\$ 13	\$ --	\$ 32,680	\$ 24,339	\$ 1,465	\$ 672	\$ 203,384	\$ 195,766	\$ 1,113,238	\$ 954,043	\$ 2,460,366	\$ 2,328,032

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, 1998 and 1997
 (In Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES		TOTALS (Memorandum Only)	
	SPECIAL REVENUE		DEBT SERVICE		TRUST FUNDS		1998	1997
	1998	1997	1998	1997	1998	1997		
REVENUES								
Taxes.....	\$ 1,754,700	\$ 1,483,016	\$ --	\$ --	\$ --	\$ --	\$ 1,754,700	\$ 1,483,016
License and permits.....	79,607	68,923	--	--	--	--	79,607	68,923
Federal aid.....	576,546	578,700	--	--	96,043	104,493	672,589	683,194
Local participation.....	44,213	53,771	--	--	30,044	24,950	74,257	78,721
Interest earnings.....	32,602	29,314	--	--	--	--	32,602	29,314
Non-operating revenue-bridges.....	2,094	2,043	--	--	--	--	2,094	2,043
Miscellaneous revenue.....	35,853	26,483	1	2	23	2	35,877	26,487
Total Revenues.....	2,525,615	2,242,251	1	2	126,111	129,445	2,651,727	2,371,697
EXPENDITURES								
Administration and Operations:								
Administration and maintenance.....	296,443	336,049	--	--	--	--	296,443	336,049
Bus operating assistance grants.....	169,206	117,187	--	--	--	--	169,206	117,187
Other grants.....	1,021,851	929,691	--	--	--	--	1,021,851	929,691
Airport development.....	65,489	74,734	--	--	--	--	65,489	74,734
Non-operating expenditures-bridges.....	2,094	2,043	--	--	--	--	2,094	2,043
Trust fund construction activity.....	--	--	--	--	132,650	130,941	132,650	130,941
Capital lease payments.....	279	228	--	--	--	--	279	228
Bond principal retirement.....	--	--	38,570	35,921	--	--	38,570	35,921
Bond interest and fiscal charges.....	--	--	45,832	46,314	--	--	45,832	46,314
Total Administration and Operations.....	1,555,362	1,459,932	84,402	82,234	132,650	130,941	1,772,414	1,673,108
Capital Outlay:								
Roads and bridges.....	813,340	621,842	--	--	--	--	813,340	621,842
Other capital outlay.....	15,324	44,645	--	--	--	--	15,324	44,645
Total Capital Outlay.....	828,665	666,488	--	--	--	--	828,665	666,488
Total Expenditures.....	2,384,027	2,126,420	84,402	82,234	132,650	130,941	2,601,079	2,339,596
Excess of Revenues Over (Under) Expenditures.....	141,588	115,831	(84,402)	(82,233)	(6,539)	(1,496)	50,647	32,102
OTHER FINANCING SOURCES								
Proceeds from bond & refunding bond issues.....	--	54,021	421,227	22,437	--	--	421,227	76,459
Michigan Transportation Fund distribution.....	767,587	628,208	--	--	--	--	767,587	628,208
Grants and transfers from other funds and component units	91,425	149,593	82,653	82,234	6,543	1,496	180,622	233,324
Capital lease acquisitions.....	251	175	--	--	--	--	251	175
Total Other Financing Sources.....	859,263	831,997	503,881	104,672	6,543	1,496	1,369,687	938,165
OTHER FINANCING USES								
Michigan Transportation Fund distribution.....	727,303	591,448	--	--	--	--	727,303	591,448
Grants and transfers to other funds and component units....	210,779	224,900	1	2	4	--	210,783	224,901
Debt service.....	82,653	82,234	--	--	--	--	82,653	82,234
Payment to refunded bond escrow agent.....	--	--	419,478	22,437	--	--	419,478	22,437
Total Other Financing Uses.....	1,020,735	898,582	419,479	22,439	4	--	1,440,218	921,021
Excess of Other Financing Sources Over (Under) Other Financing Uses.....	(161,472)	(66,585)	84,402	82,233	6,539	1,496	(70,531)	17,144
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses.....	(19,884)	49,246	--	--	--	--	(19,884)	49,246
Fund balances-Beginning of fiscal year.....	602,420	553,174	--	--	--	--	602,420	553,174
Fund balances-End of fiscal year.....	\$ 582,536	\$ 602,420	\$ --	\$ --	\$ --	\$ --	\$ 582,536	\$ 602,420

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

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
 FISCAL YEARS ENDED SEPTEMBER 30, 1998 and 1997
 (In Thousands)

(Statutory/Budgetary Basis)	1998			1997		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes.....	\$ 1,754,700	\$ 1,754,700	\$ --	\$ 1,483,016	\$ 1,483,016	\$ --
License and permits.....	80,570	79,607	(964)	118,412	68,923	(49,489)
Federal aid	519,612	519,612	--	468,868	461,069	(7,799)
Local participation.....	42,735	42,827	92	41,979	50,042	8,062
Interest earnings.....	29,493	29,493	--	19,006	24,667	5,661
Non-operating revenue-bridges.....	2,094	2,094	--	2,043	2,043	--
Miscellaneous revenue.....	34,776	35,648	872	29,371	26,138	(3,233)
Total Revenues.....	2,463,981	2,463,981	--	2,162,696	2,115,898	(46,797)
EXPENDITURES AND ENCUMBRANCES						
Administration and maintenance.....	340,233	313,247	26,987	376,096	349,844	26,252
Bus operating assistance grants.....	169,240	169,213	27	117,195	117,187	8
Other grants.....	1,058,576	1,050,047	8,529	956,449	952,342	4,108
Airport development.....	67,086	67,086	--	74,997	74,734	262
Non-operating expenditure-bridges.....	2,094	2,094	--	2,043	2,043	--
Total Administration and Operations.....	1,637,230	1,601,688	35,542	1,526,780	1,496,151	30,630
Roads and bridges.....	718,127	718,122	5	445,393	445,393	--
Other capital outlay.....	17,541	15,925	1,616	44,726	44,645	81
Total Capital Outlay.....	735,668	734,047	1,621	490,120	490,039	81
Total Expenditures and Encumbrances.....	2,372,898	2,335,735	37,163	2,016,899	1,986,190	30,709
Excess Revenue Over (Under) Expenditures and Encumbrances.....	91,084	128,247	37,163	145,797	129,709	(16,088)
OTHER FINANCING SOURCES						
Michigan Transportation Fund distribution.....	768,411	767,587	(824)	619,043	628,208	9,165
Grants and transfers from other funds and component units	90,476	91,300	824	28,710	132,745	104,035
Total Other Financing Sources.....	858,887	858,887	--	647,753	760,953	113,200
OTHER FINANCING USES						
Michigan Transportation Fund distribution.....	727,303	727,303	--	591,523	591,447	76
Grants and transfers to other funds and component units....	222,864	209,232	13,632	233,370	224,712	8,658
Debt service.....	83,289	82,653	636	82,900	82,234	666
Total Other Financing Uses.....	1,033,457	1,019,189	14,268	907,791	898,393	9,399
Excess Other Financial Sources Over (Under) Other Financial Uses.....	(174,570)	(160,302)	14,268	(260,039)	(137,440)	122,599
Excess of Revenue and Other Financial Sources Over (Under) Expenditures, Encumbrances and Other Financial Uses	<u>\$ (83,486)</u>	<u>(32,055)</u>	<u>51,431 *</u>	<u>\$ (114,241)</u>	<u>(7,730)</u>	<u>\$ 106,511 *</u>
RECONCILING ITEMS						
Encumbrances at September 30.....		51,313			43,141	
Funds not annually budgeted.....		(39,142)			13,835	
Net Reconciling Items.....		12,171			56,976	
Excess of Revenue and Other Financial Sources Over (Under) Expenditures and Other Financial Uses (GAAP Basis).....		\$ (19,884)			49,246	
FUND BALANCES (GAAP BASIS)						
Beginning balance.....		602,420			553,174	
Ending balances.....		<u>\$ 582,536</u>			<u>\$ 602,420</u>	

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

*See Note 2

MICHIGAN DEPARTMENT OF TRANSPORTATION

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

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
Blue Water Bridge Fund
Comprehensive Transportation Fund
Combined State Trunkline Fund 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

Expendable Trust

Transportation Related Trust Fund

Agency

Metropolitan Planning Fund

Note 1 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

These funds are a part of the State of Michigan reporting entity and are reported in the 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.

The Department is also party to a joint venture entered into with the Canadian government for the operation of the International Bridge at Sault Ste. Marie, Michigan. The International Bridge Authority (IBA) is governed by a commission of five members, three from the State (appointed by the Governor with the consent of the Senate) and two from the Canadian government (appointed by the St. Mary's River Bridge Company, which is controlled by the Province of Ontario). Summary financial information for the IBA as of its fiscal year ended August 31, 1998, with comparative information for the fiscal year ended August 31, 1997, follows (in thousands):

	<u>1998</u>	<u>1997</u>
Assets*	\$ 4,921	\$ 7,186
Liabilities	1,031	434
Total Equity	3,890	6,752
Total Revenues and Other Sources . .	9,319	10,308
Total Expenditures and Other Uses . .	12,180	10,073
Excess of Revenue and Other Sources Over (Under)		
Expenditures and Other Uses	(2,861)	235
Fixed Assets (Cost)	4,289	4,157
Long-Term Debt (Bonds Payable) . . .	3,380	4,950

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 9 of this report.

*The summary information was changed to report total assets and liabilities, previous statements disclosed current assets and current liabilities. As a result, assets reported for FY97 changed.

Note 1 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

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:

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.

Fiduciary Fund Types

Trust and Agency Funds: This group includes assets held by the Department in a trustee or agency capacity. The Department uses two subtypes: (a) expendable trust funds, which are accounted for similar to governmental funds; and (b) agency funds, which are purely custodial in nature and for which asset and liability balances, but not operating results, are included within these statements.

Account Groups

General Fixed Assets Group: This group of accounts is used to account for fixed assets (i.e., land, buildings, and equipment) owned by the Department. Infrastructure ("public domain") fixed assets, such as undeveloped State-owned lands, roads, and bridges, are not capitalized.

General Long-term Obligations Group: This group accounts for all of the long-term obligations of the Department, except for those accounted directly in a fund.

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.

Note 1 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

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. Reserved Fund Balance

A comparative analysis of the State Trunkline Fund reserved fund balance at September 30, 1998 and September 30, 1997, follows (in thousands):

	<u>FY 1997-98</u>	<u>FY 1996-97</u>
Reserves:		
Capital Outlay:		
Facilities	\$ 32,829	\$ 30,414
Institutional Roads	2,210	2,404
Rail Grade Crossing	10,904	14,455
Critical Bridge	1,263	2,261
Road and Bridge	<u>148,289</u>	<u>99,624</u>
Total Capital Outlay Reserves	\$ 195,495	\$ 149,158
Encumbrances	\$ 17,800	\$ 12,782
Restricted Revenue	\$ 177,500	\$ 120,434
Work Projects	1,000	873
Revolving Loan Program	1,933	--
Noncurrent Assets:		
Capital Equipment Loans	\$ 15,597	\$ 15,597
Maintenance Advances	10,079	9,838
Local Unit Loans	2,908	12,069
Due from Federal Agency	<u>--</u>	<u>40,000</u>
Total Noncurrent Assets	\$ 28,584	\$ 77,504
Total Reserved Fund Balance	<u><u>\$ 422,312</u></u>	<u><u>\$ 360,752</u></u>

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

Note 2: Budgeting and Budgetary Control

The SOMCAFR provides disclosures regarding budgetary control. The budget column of the budget to actual statement represents legislative authorization after adjustments for carry-overs, transfers, and restricted revenue shortfalls. "Favorable variances" generally reflect unused general purpose spending authority ("lapses") and/or unused restricted revenue authority, which carry over as a reservation of fund balance and/or general purpose revenue exceeding estimates. "Unfavorable variances" reflect either general purpose revenue estimate shortfalls or budgetary overdrafts. If both favorable and unfavorable variances exist for a particular line, the amount shown is the net variance.

The budget and variance amounts deviate from the SOMCAFR for the Michigan Transportation Fund for fiscal years 1998 and 1997. The Department requested an increase in authority, when prior appropriation year authority already existed. This caused the budget and variance amounts to be overstated. The Department received written approval from the State of Michigan's Office of Financial Management to record accurate budget and variance amounts in this financial report.

In 1998 amounts were appropriated in the Blue Water Bridge Fund for operational costs and for partial repayment of the loan due to the State Trunkline Fund. A \$5 million repayment of the loan was made in fiscal year 1998. The repayment reduced amounts due to other funds. No expenditures were incurred and the related appropriation lapsed.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

Note 3: Current Receivables

A. Contested and Delinquent Receivables

Current receivables recorded in the financial statements represent amounts due to the Department as of September 30, 1998 and 1997, and will be collected within 12 months. Receivables not due for collection within 12 months are classified as long-term assets with an offsetting deferred revenue or fund balance reserve. Due to the uncertainty associated with contested receivables in litigation or pending litigation and delinquent receivables referred to a third party for collection, these receivables are recorded in an allowance for doubtful accounts, with the net amount reported in the financial statements (in thousands).

	<u>Contested</u>		<u>Delinquent</u>		<u>Fund Total</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
State Aeronautics Fund	\$2,281	\$ 1,313	\$ --	\$ --	\$2,281	\$ 1,313
State Trunkline Fund	641	595	1,577	1,446	2,218	2,041
Comprehensive Transportation Fund	3,000	3,000	741	714	3,741	3,714
State Trunkline Bond Proceeds Fund	--	--	--	70	--	70
Transportation Related Trust Fund	--	--	5	2	5	2
Total Allowance for Doubtful Accounts	<u>\$5,922</u>	<u>\$4,908</u>	<u>\$2,324</u>	<u>\$2,233</u>	<u>\$8,246</u>	<u>\$7,141</u>

B. Taxes Receivable

In the Michigan Transportation Fund, the net amount of receivables, \$168.0 million and \$182.9 million, and allowances for uncollectible receivables, \$71.8 million and \$82.4 million, were recorded for motor fuel taxes due to the fund as of September 30, 1998 and 1997, 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.

Note 3 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

C. Federal Highway Administration (FHWA) Receivable

The Department recorded federal aid receivables in the State Trunkline Fund, State Trunkline Bond Proceeds Fund, Transportation Related Trust Fund, and the Metropolitan Planning Fund totaling \$213.3 million and \$154.9 million for the fiscal years ending September 30, 1998 and 1997, respectively. Of those amounts \$142.5 million and \$87.9 million, respectively, were recorded from the "To-Be-Billed Summary". The "To-Be-Billed Summary" consists primarily of project costs that exceeded the contract amounts agreed to by the FHWA and represent federal funds earned by the Department but not requested for reimbursement. Consistent with past practices, contract amounts will be increased as federal aid becomes available. No long-term federal aid receivables were recorded for fiscal year ending September 30, 1998. In fiscal year ending September 30, 1997, a \$40 million long-term federal aid receivable was recorded in the State Trunkline Fund.

Notes continued on next page.

~~MICHIGAN DEPARTMENT OF TRANSPORTATION~~
MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

Note 4: General Long-Term Obligations

A. Revenue Dedicated Debt

The Department has periodically issued long-term bonds for specific purposes, with the stipulation that financing of debt requirements is to come strictly from designated revenue sources. 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 State Trunkline Fund and/or the Comprehensive Transportation Fund are appropriated for specific purposes in order of priority. A sufficient portion of the State Trunkline Fund and the Comprehensive Transportation Fund is irrevocably appropriated to pay, when due, the principal of and interest outstanding on bonds and notes. The Comprehensive Transportation Series 1985, State Trunkline Series 1989-A, and the State Trunkline Series 1992 A and B bond issues included capital appreciation bonds (zero coupon bonds) with an ultimate maturity value of \$4.2 million, \$35.7 million, and \$97.7 million, respectively. These bonds are recorded in the amounts of \$3.9 million, \$20.3 million, and \$50.7 million, respectively, which are the accreted values at September 30, 1998. These bonds mature in the years 1995 to 2000, 2004 to 2009, and 2005 to 2012, respectively. The funding for the debt service on all bonds issued by the Department is provided as they mature.

Revenue Dedicated Debt
Department of Transportation (in thousands)

	Amounts <u>Issued</u>	<u>Outstanding</u>		<u>Maturities</u>		Average Interest Rate %
		<u>9/30/98</u>	<u>9/30/97</u>	<u>First Year</u>	<u>Last Year</u>	
<u>MI Comprehensive Transportation:</u>						
1985 (Series B Refunding)	\$ 57,831	\$ 3,853	\$ 5,733	1985	2000	8.53
1988 (Series I Refunding)	73,155	4,275	46,728	1991	2011	7.30
1992 (Series A & B)	164,965	153,230	155,995	1996	2022	5.96
1996 (Series A Refunding)	22,650	22,580	22,650	1997	2014	5.42
1998 (Series A Refunding)	38,640	38,640	--	1998	2010	4.59
<u>State Trunkline Funds:</u>						
1989 (Series A)	135,779	24,000	47,167	1994	2019	6.97
1992 (Series A & B)	353,210	181,322	366,256	1999	2021	6.16
1994 (Series A & B)	240,990	75,580	212,855	1995	2025	5.53
1996 (Series A)	54,500	12,640	54,500	1997	2026	5.71
1998 (Series A Refunding)	<u>377,890</u>	<u>377,890</u>	<u>--</u>	1998	2026	5.06
Total Revenue						
Dedicated Debt	\$ <u>1,519,611</u>	\$ <u>894,010</u>	\$ <u>911,884</u>			

Note 4 continued on next page.

~~MICHIGAN DEPARTMENT OF TRANSPORTATION~~
MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

Advance Refunding and Defeasance

The Department has issued refunding bond issues to refinance 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, 1998 and 1997:

Summary of Refunding Transactions
(In Millions)

<u>Bond Series</u>	<u>Amount Refunded</u>	<u>Balance with Trustee</u>	
		<u>1998</u>	<u>1997</u>
Comprehensive Transportation Bonds:			
Series 1984	59.0	--	53.6
Series 1985	27.2	6.1	6.1
Series 1986 I & II (Partial)	49.8	--	16.4
Series 1988 - I	60.9	--	60.9
Series 1992A	5.3	5.1	5.1
State Trunkline Fund Bonds:			
Series 1989A	111.3	103.1	82.6
Series 1992A	134.7	131.2	--
Series 1992B	56.8	56.8	--
Series 1994A	112.8	112.8	--
Series 1996A	<u>41.2</u>	<u>41.2</u>	<u>--</u>
TOTAL	<u>\$659.0</u>	<u>\$456.3</u>	<u>\$224.7</u>

Note 4 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
FISCAL YEAR ENDED SEPTEMBER 30, 1998

B. Other General Long-Term Obligations

Capital Leases:

Capitalized lease liabilities are described in more detail in Note 5.

Compensated Absences:

Compensated absences liabilities are detailed in Note 6.

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 4 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

Changes in General Long-term Obligations:

Changes in general long-term obligations (in thousands) for the fiscal year ended September 30, 1998 and 1997, are summarized as follows:

	<u>Revenue</u> <u>Dedicated Debt -</u> <u>Oversight Entity</u>		<u>Capital Lease</u> <u>Obligations</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Bonds and Capital Lease Obligations:				
Balance - Beginning	\$ 911,884	\$ 887,294	\$ 1,199	\$ 1,082
New bond issues/capital lease additions and adjustments . .	416,530	77,150	196	117
Accretion on Capital Appreciation Bonds	4,839	6,615	--	--
Bond principal retirements/capital lease payments and deletions	<u>(439,243)</u>	<u>(59,175)</u>	<u>--</u>	<u>--</u>
Balance - Ending	<u>\$ 894,010</u>	<u>\$ 911,884</u>	<u>\$ 1,395</u>	<u>\$ 1,199</u>

	<u>Claims and</u> <u>Judgments</u>		<u>Compensated</u> <u>Absences Liabilities</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Other Obligations:				
Balance - Beginning	\$ 11,840	\$ 16,912	\$ 35,135	\$ 42,017
Net increase (decrease) in estimated liabilities	<u>(1,536)</u>	<u>(5,073)</u>	<u>(2,666)</u>	<u>(6,882)</u>
Balance - Ending	<u>\$ 10,304</u>	<u>\$ 11,840</u>	<u>\$ 32,469</u>	<u>\$ 35,135*</u>

*See note 6 for explanation of restated compensated absences liabilities.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

Note 5: Leases

The Department leases land, office facilities, office and computer equipment, and other assets under noncancelable leasing arrangements. Most leases have cancellation clauses with 1-6 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 \$995,623 and \$1,299,751 during fiscal years 1997-98 and 1996-97, respectively.

Summary of the noncancelable operating and capital leasing commitments to maturity for fiscal year 1998 follows (in thousands):

NONCANCELABLE LEASE COMMITMENTS
FISCAL YEAR 1997-1998

Fiscal Year Ended September 30	Operating Leases	Capital Leases			Total
		Principal	Interest	Executory	
1999	\$ 678	\$ 74	\$ 243	\$ 47	\$ 365
2000	502	98	220	47	365
2001	131	119	187	47	353
2002	86	108	156	40	304
2003	6	71	139	25	235
2004-2011	<u>--</u>	<u>925</u>	<u>561</u>	<u>126</u>	<u>1,612</u>
Total	<u>\$ 1,403</u>	<u>\$ 1,395</u>	<u>\$ 1,506</u>	<u>\$ 332</u>	<u>\$ 3,233</u>

Note 5 continued on next page.

**MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998**

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 as part of the general long-term obligations account group.

The historical cost of assets acquired under capital leases included in the general fixed assets account group at September 30, 1998 and 1997, follows (in thousands):

	<u>1998</u>	<u>1997</u>
Buildings	\$1,578	\$1,425
Equipment	<u> --</u>	<u> --</u>
TOTAL	<u>\$1,578</u>	<u>\$1,425</u>

Notes continued on next page.

**MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998**

Note 6: 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 Department's retirement contributions were as follows (in thousands):

	<u>1998</u>	<u>1997*</u>
State Trunkline Fund	\$13,067	\$21,700
Comprehensive Transportation Fund . .	489	780
State Aeronautics Fund	<u>308</u>	<u>458</u>
 Total Department of Transportation Contributions	 <u>\$13,864</u>	 <u>\$22,938</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 General Long-Term Obligations account group 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 balance sheet.

* 1997 balances are corrected to include the defined contribution plan that was erroneously left out of last year's balances.

Note 6 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

The following table summarizes Department of Transportation related compensated absences liabilities as of September 30, 1998 and 1997 (in thousands):

	<u>Sick Leave</u>		<u>Annual Leave</u>		<u>Total</u>	
	<u>1998</u>	<u>1997⁽¹⁾</u>	<u>1998</u>	<u>1997⁽²⁾</u>	<u>1998</u>	<u>1997</u>
State						
Trunkline Fund	\$18,185	\$20,918	\$12,107	\$11,991	\$30,292	\$32,909
Comprehensive						
Transportation						
Fund	753	879	468	497	1,221	1,376
State Aeronautics						
Fund	497	547	309	301	806	848
Blue Water Bridge . . .	<u>78</u>	<u>2</u>	<u>72</u>	<u>--</u>	<u>150</u>	<u>2</u>
TOTAL	<u>\$19,513</u>	<u>\$22,346</u>	<u>\$12,956</u>	<u>\$12,789</u>	<u>\$32,469</u>	<u>\$35,135</u>

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

⁽¹⁾Sick leave hours and the value of those hours were included as the sick leave liability in 1997. The 1997 liability was restated to only include the value of sick leave balances.

⁽²⁾Personal leave was not included in 1997. The amounts were restated to reflect correct balances.

For a more detailed explanation of retirement benefits and compensated absence accruals, refer to the SOMCAFR.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

Note 7: General Fixed Assets

Classification: The following table summarizes, by major class of asset, fiscal year 1998 changes in recorded costs for the general fixed assets account group (in millions):

CHANGES IN GENERAL FIXED ASSETS
FISCAL YEAR 1997-98

	Balance Sept. 30, <u>1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	Balance Sept. 30, <u>1998</u>
Land	\$ 9.4	\$ --	\$ --	\$ --	\$ 9.4
Buildings	88.3	.4	.6	--	88.1
Equipment	90.4	11.8	8.1	6.6	100.7
Construction in Progress2	--	--	(.2)	--
Equity Interest in Joint Ventures	<u>7.5</u>	<u>--</u>	<u>--</u>	<u>(2.3)</u>	<u>5.2</u>
Total General Fixed Assets	<u>\$ 195.8</u>	<u>\$ 12.2</u>	<u>\$ 8.7</u>	<u>\$ 4.1</u>	<u>\$ 203.4</u>

Funding Source: Following is a summary of funding sources for investments in general fixed assets as of September 30, 1998 (in millions):

<u>Fund</u>	<u>Investment</u> <u>1998</u>
State Trunkline Fund	\$181.9
Comprehensive Transportation Fund	9.3
State Aeronautics Fund	<u>12.3</u>
Total Investment in General Fixed Assets	<u>\$203.4</u>

Note 7 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

Construction in Progress: Following is summary information regarding projects included in construction in progress as of September 30, 1998 (in millions):

<u>Project</u>	Estimated <u>Cost</u>	<u>Fiscal Year 1997-98</u>	
		<u>Authorized</u>	<u>Expended</u>
Various Projects	<u>\$ 11.0</u>	<u>\$ 5.9</u>	<u>\$ --</u>
Totals	<u>\$ 11.0</u>	<u>\$ 5.9</u>	<u>\$ --</u>

In addition to the projects noted above, the Department has planned other construction projects which were unfunded as of September 30, 1998. The costs of these projects, as well as the unfunded portion of projects currently in progress, will be funded from future years' resources.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

Note 8: Excess of Expenditures Over Appropriation

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

In fiscal year 1996-97, overexpenditures of \$1,194,999.63 occurred in the State Trunkline Fund. This occurred due to the receipt of subsequent information increasing the amount of the liability for court awards and judgments. The deadline for a budgetary transfer to cover this liability had passed resulting in an overexpenditure.

In fiscal year 1997-98, the Department incurred no overexpenditures.

Notes continued on next page.

**MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998**

Note 9: Interfund Commitments

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.

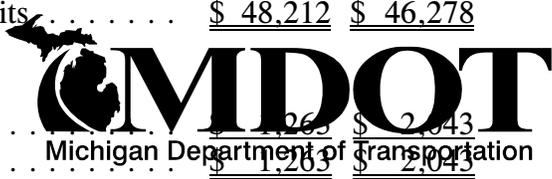
The Authority repaid \$7.5 million in fiscal year 1993 and \$250,000 in fiscal year 1998 to the Michigan Transportation Fund. The previously recorded \$1.0 million repaid by the Authority was properly classified as repayment to the Michigan Transportation Fund in fiscal year 1998. A balance of \$54,250,000 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, 1998, SOMCAFR reported transactions with component units, including the Mackinac Bridge Authority, separately from other funds. A receivable for \$584,000 related to the Mackinac Bridge Authority's payroll transactions is recorded in the State Trunkline Fund's balance sheet as amounts due from component units. The amount due from the Mackinac Bridge Authority and other transactions between the Department and component units and other funds of the State of Michigan are shown in the following table (in thousands):

Note 9 continued on next page.

**MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998**

	State Trunkline Fund		Michigan Transportation Fund	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
<u>Balance Sheet</u>				
Receivables:				
Amounts due from other funds	\$ 47,590	\$ 45,948	\$ --	\$ --
Amounts due from component units	<u>622</u>	<u>330</u>	<u>--</u>	<u>--</u>
Total amounts due from other funds and component units	<u>\$ 48,212</u>	<u>\$ 46,278</u>	<u>\$ --</u>	<u>\$ --</u>
Payables:				
Due to other funds	\$ 1,265	\$ 2,043	\$ 54,519	\$ 59,006
Total due to other funds	<u>\$ 1,265</u>	<u>\$ 2,043</u>	<u>\$ 54,519</u>	<u>\$ 59,006</u>



Statement of Revenues, Expenditures, and Changes in Fund Balances

Other Financing Sources:				
Transfers from other funds	\$712,639	\$574,336	\$ 149	\$ 42,187
Capital lease acquisitions ¹	<u>251</u>	<u>175</u>	<u>--</u>	<u>--</u>
Total Other Financing Sources	<u>\$712,890</u>	<u>\$574,511</u>	<u>\$ 149</u>	<u>\$ 42,187</u>
Other Financing Uses:				
Transfers to other funds	\$ 12,274	\$ 30,980	\$923,466	\$783,048
Debt Service ¹	<u>57,211</u>	<u>59,737</u>	<u>--</u>	<u>--</u>
Total Other Financing Uses	<u>\$ 69,485</u>	<u>\$ 90,717</u>	<u>\$923,466</u>	<u>\$783,048</u>

¹Additional information added to schedule which caused changes to amount reported in prior year.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

Note 10: 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 liabilities related to significant legal proceedings if a loss is probable and reasonably estimable. In the event that a significant, probable, and reasonably estimable loss is not settled prior to preparation of these statements, the obligation is recorded as a general long-term liability. See Note 4 for more information.

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, 1998 and 1997, the Department estimates the disallowance of recognized revenues will not be material to the financial statements.

C. Construction Projects

The Department has entered into construction contracts for transportation related special revenue funds and trust funds. As of September 30, 1998 and 1997, the balances remaining on these contracts equaled \$518.8 million and \$514.2 million, respectively. As of September 30, 1998 and 1997, the balances remaining on these contracts, less the trust fund equaled \$413.3 million and \$453.0 million, respectively. As of September 30, 1998 and 1997, the balances remaining on these contracts in the State Trunkline Fund equaled \$359.6 million and \$320.4 million, respectively.

Notes continued on next page.

- (3) Remediation stage - when the ~~FINANCIAL SECTION~~ changes to systems and equipment.



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- (3) Remediation stage - when the ~~FINANCIAL STATEMENT~~ ~~ORGANIZATION~~ changes to systems and equipment.

REQUIRED SUPPLEMENTARY INFORMATION

YEAR 2000 ISSUE

In October 1998, the Governmental Accounting Standards Board (GASB) issued Technical bulletin 98-1 entitled, *Disclosures about Year 2000 Issues*. The provisions of the GASB technical bulletin, effective for financial statements on which the auditor's report is dated after October 31, 1998, require disclosure in the notes to the financial statements about its readiness in addressing year 2000 issues for its computer systems and other electronic equipment. In March 1999, GASB issued an amended Technical Bulletin, 99-1, allowing disclosure of year 2000 issues in required supplementary information or in the notes to the financial statements. Retroactive application was allowed.

The year 2000 issue is the result of shortcomings in electronic data-processing systems and other electronic equipment that may adversely affect operations in the year 1999 and beyond. To address the year 2000 issues, the State established the Year 2000 Project Office within the Department of Management and Budget. The Year 2000 Project Office's mission is to lead, support, and facilitate achievement of year 2000 compliance throughout the State's executive branch to ensure uninterrupted service to Michigan's citizens. The Year 2000 Project Office is monitoring year 2000 compliance efforts at the various agencies and is providing assistance and assigning resources to accelerate compliance for all mission critical systems and equipment.

An executive directive, issued in February 1998, directed all executive branch agencies to make the year 2000 issue the number one priority. As a result, the State developed a comprehensive risk management program that identified risks faced by the Department concerning year 2000 operability.

To address the year 2000 issues, the Department established a team within the Department. The team's mission is to lead, support, and facilitate achievement of year 2000 compliance throughout the Department to ensure uninterrupted service to Michigan's citizens.

The following stages have been identified as necessary to implement a year 2000 compliant system:

- (1) Awareness stage - encompasses establishing a budget and project plan for dealing with the year 2000 issue.
- (2) Assessment stage - when the organization begins the actual process of identifying all of its systems and individual components of the systems. An organization may decide to review all system components for year 2000 compliance or, through a risk analysis, identify only mission critical systems and equipment to check for compliance.

- MICHIGAN DEPARTMENT OF HIGHWAYS
MICHIGAN DEPARTMENT OF TRANSPORTATION
- (3) Remediation stage - when the organization converts existing systems and equipment. This stage deals primarily with the technical issues of converting existing systems, or switching to compliant systems. During this stage, decisions are made on how to make the systems or processes year 2000 compliant, and the required system changes are made.
 - (4) Validation/Testing stage - when the organization validates and tests the changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and retested.

The Department identified 16 computer applications that are critical to conducting the Department's operations and that need to be year 2000 compliant.

The Department's year 2000 remediation efforts have been aimed primarily at ensuring unimpeded and uninterrupted operation, including federal reporting, project accounting, and timely payments of its obligations. As of September 30, 1998, the Department had validated and tested 83 percent of the 16 mission critical computer applications. The remaining 17 percent of the critical applications were in other stages of completion. In April 1999, the Department received certification from the Department of Management and Budget as being year 2000 compliant.

The Legislature appropriated \$55.6 million to assist agencies in obtaining external resources to address year 2000 issues. As of September 30, 1998, the Department had expended \$2 million to assess, replace and/or upgrade its systems and electronic equipment. There were no significant commitments (contracts) outstanding with vendors on September 30, 1998.

Management believes that the Department has the correct plan in place and that the Department will be able to process date and/or date-related information correctly prior to, during, and after January 1, 2000. However, because of the unprecedented nature of the year 2000 issue, its effect and the success of the related remediation efforts cannot be fully determinable until the year 2000 and thereafter. Consequently, management cannot guarantee that the Department is or will be year 2000 ready, that the Department's remediation efforts will be successful in whole or in part, or that parties with whom the Department does business will be year 2000 ready.

MICHIGAN DEPARTMENT OF TRANSPORTATION

II. FINANCIAL SECTION

**SUPPLEMENTAL FINANCIAL DATA
COMBINING FINANCIAL STATEMENTS
AND
SCHEDULES**

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

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 the General Fund to pay the cost of collection of the dedicated revenues and to the State Trunkline Fund, Comprehensive Transportation Fund, the Economic Development 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 statutory provisions, unexpended balances at fiscal year end are transferred to the road and bridge construction account.

The State Trunkline Fund also is used to record loans made to local units of government for reconstructing and resurfacing roadways. Funds for such loans are made available by transfer from the 1983 State Trunkline Fund Bond Proceeds Fund and the 1984 State Trunkline Fund Bond Proceeds Fund. Loan repayments, which are received directly by the State Trunkline Fund, are not pledged to the payment of the bonds related to the loans.

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 also included in the Statistical Section of this report.

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

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. Repayments of the loan are expected to occur each fiscal year. The term of the loan will not exceed 30 years from the time the loan was obligated.

COMPREHENSIVE TRANSPORTATION FUND

The Comprehensive Transportation Fund was created for the purpose of planning and developing 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. 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.

In addition to providing direct expenditures for public transportation purposes, the fund is being used to provide financing for entities that provide bus and rail services. Such financing is provided primarily by purchasing and leasing back rail and bus related assets.

Fund revenues consist primarily of federal and local revenues, vehicle-related sales tax, and transfers from the Michigan Transportation Fund.

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 and local contributions and aviation fuel taxes. Expenditures and transfers are for administration and local airport improvement project costs. At fiscal year end, in accordance with statutory provisions, any unencumbered balance lapses and reverts to the fund for appropriation in the following fiscal year.

~~MICHIGAN DEPARTMENT OF TRANSPORTATION~~
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

COMBINED STATE TRUNKLINE FUND 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:

1989 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 \$136 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 State Transportation Commission approved issuance of \$136 million of Series A bonds in 1989. Approximately \$100 million of the proceeds are to be used for Transportation Economic Development Fund projects, and approximately \$30 million of the proceeds are to be used for the purchase of right-of-ways.

1992 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 \$205.2 million of state trunkline 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 state trunkline purposes by Section 9 Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund.

Continued on next page.

COMBINING BALANCE SHEET INFORMATION FROM TRANSPORTATION
MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

COMBINED STATE TRUNKLINE FUND BOND PROCEEDS FUND (continued)

1992 STATE TRUNKLINE FUND CRITICAL BRIDGE BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of Public Act of 1951, as amended, to account for the proceeds of up to \$30 million of state trunkline 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 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 State Transportation Commission approved the issuance of \$253.6 million of Series A bonds in 1992. Approximately \$30 million of the proceeds are to be used to finance the costs of reconstruction and repair of critical bridge projects.

1994 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 \$150 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. Approximately \$149.2 million of the proceeds are to be used to finance the construction of various trunkline transportation projects.

1996 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 \$54.5 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, 1998

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 the General Fund to pay the cost of collection of the dedicated revenues and to the State Trunkline Fund, Comprehensive Transportation Fund, the Economic Development 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 statutory provisions, unexpended balances at fiscal year end are transferred to the road and bridge construction account.

The State Trunkline Fund also is used to record loans made to local units of government for reconstructing and resurfacing roadways. Funds for such loans are made available by transfer from the 1983 State Trunkline Fund Bond Proceeds Fund and the 1984 State Trunkline Fund Bond Proceeds Fund. Loan repayments, which are received directly by the State Trunkline Fund, are not pledged to the payment of the bonds related to the loans.

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 also included in the Statistical Section of this report.

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

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. Repayments of the loan are expected to occur each fiscal year. The term of the loan will not exceed 30 years from the time the loan was obligated.

COMPREHENSIVE TRANSPORTATION FUND

The Comprehensive Transportation Fund was created for the purpose of planning and developing 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. 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.

In addition to providing direct expenditures for public transportation purposes, the fund is being used to provide financing for entities that provide bus and rail services. Such financing is provided primarily by purchasing and leasing back rail and bus related assets.

Fund revenues consist primarily of federal and local revenues, vehicle-related sales tax, and transfers from the Michigan Transportation Fund.

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 and local contributions and aviation fuel taxes. Expenditures and transfers are for administration and local airport improvement project costs. At fiscal year end, in accordance with statutory provisions, any unencumbered balance lapses and reverts to the fund for appropriation in the following fiscal year.

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

COMBINED STATE TRUNKLINE FUND 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:

1989 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 \$136 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 State Transportation Commission approved issuance of \$136 million of Series A bonds in 1989. Approximately \$100 million of the proceeds are to be used for Transportation Economic Development Fund projects, and approximately \$30 million of the proceeds are to be used for the purchase of right-of-ways.

1992 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 \$205.2 million of state trunkline 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 state trunkline purposes by Section 9 Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund.

Continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

COMBINED STATE TRUNKLINE FUND BOND PROCEEDS FUND (continued)

1992 STATE TRUNKLINE FUND CRITICAL BRIDGE BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of Public Act of 1951, as amended, to account for the proceeds of up to \$30 million of state trunkline 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 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 State Transportation Commission approved the issuance of \$253.6 million of Series A bonds in 1992. Approximately \$30 million of the proceeds are to be used to finance the costs of reconstruction and repair of critical bridge projects.

1994 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 \$150 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. Approximately \$149.2 million of the proceeds are to be used to finance the construction of various trunkline transportation projects.

1996 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 \$54.5 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, 1998

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 fund:

1992 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 \$35.2 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.

The State Transportation Commission approved the issuance of \$37.6 million of Series A bonds in 1992. Approximately \$35.2 million of the proceeds are to be used to finance the costs of construction and acquisition of comprehensive transportation projects.

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 1998 and 1997
 (In Thousands)

	MICHIGAN TRANSPORTATION FUND		STATE TRUNKLINE FUND		BLUE WATER BRIDGE FUND		COMPREHENSIVE TRANSPORTATION FUND		STATE AERONAUTICS FUND		COMBINED STATE TRUNKLINE FUND BOND PROCEEDS FUND		COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND		TOTALS	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
ASSETS																
Current Assets:																
Cash and cash equivalents.....	\$ --	\$ --	\$ 30	\$ 42	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 30	\$ 42
Equity in Common Cash.....	185,251	204,999	302,081	235,115	10,155	9,594	64,987	111,891	23,648	25,803	32,102	70,432	15,202	16,783	633,426	674,616
Receivable:																
Taxes, interest, and penalties (at net)	93,066	97,795	--	--	--	--	--	--	886	618	--	--	--	--	93,952	98,413
Federal aid.....	--	--	160,292	99,969	--	--	8,925	10,624	4,423	8,123	27,325	34,550	--	--	200,965	153,266
Local units.....	--	--	25,403	20,951	--	--	63	64	5,153	3,719	201	567	--	--	30,820	25,300
Other funds and components units.....	--	--	48,212	46,278	--	--	11,928	13,057	--	--	--	--	--	--	60,141	59,335
Miscellaneous.....	3,066	2,714	6,231	3,516	--	--	1,077	1,057	44	42	7	217	--	--	10,426	7,547
Inventories.....	--	--	9,800	6,883	--	--	--	--	--	--	--	--	--	--	9,800	6,883
Total Current Assets.....	281,383	305,509	552,050	412,755	10,155	9,594	86,981	136,693	34,154	38,305	59,635	105,765	15,202	16,783	1,039,560	1,025,404
Noncurrent Assets:																
Receivables:																
Taxes.....	449	265	--	--	--	--	--	--	--	--	--	--	--	--	449	265
Federal aid.....	--	--	--	40,000	--	--	--	--	107	245	--	--	--	--	107	40,245
Local units.....	--	--	28,584	37,504	--	--	--	54	902	986	--	--	--	--	29,486	38,545
Advances to other funds.....	--	--	35,142	45,142	--	--	--	--	--	--	--	--	--	--	35,142	45,142
Land contracts.....	--	--	3,300	1,584	--	--	--	--	--	--	--	--	--	--	3,300	1,584
Miscellaneous.....	--	--	--	--	--	--	1,542	2,027	1	1	--	--	--	--	1,542	2,028
Total Noncurrent Assets.....	449	265	67,026	124,230	--	--	1,542	2,082	1,010	1,232	--	--	--	--	70,026	127,808
Total Assets.....	\$ 281,832	\$ 305,773	\$ 619,076	\$ 536,985	\$ 10,155	\$ 9,594	\$ 88,523	\$ 138,774	\$ 35,164	\$ 39,537	\$ 59,635	\$ 105,765	\$ 15,202	\$ 16,783	\$ 1,109,586	\$ 1,153,211
LIABILITIES AND FUND BALANCES																
Current Liabilities:																
Warrants outstanding.....	\$ 907	\$ 31,404	\$ 22,488	\$ 19,340	\$ 8	\$ --	\$ 324	\$ 4,470	\$ 920	\$ 980	\$ 1,471	\$ 3,097	\$ --	\$ 148	\$ 26,119	\$ 59,439
Accounts payable.....	225,957	215,099	121,977	108,949	227	--	12,123	13,970	4,679	7,323	3,404	11,623	2,812	1,600	371,178	358,563
Contract reserve payable.....	--	--	7,396	4,867	--	--	112	5	704	1,531	1,822	1,480	3	3	10,037	7,885
Amounts due to other funds and components units.....	54,519	59,006	1,263	2,043	5,017	--	40	68	24	41	--	--	--	--	60,864	61,158
Deposits, permits and other liabilities.....	--	--	917	2,402	--	--	4,347	7,141	--	--	--	--	--	--	5,264	9,543
Deferred revenue.....	--	--	1,480	1,501	--	--	--	--	3,829	3,355	145	276	--	--	5,454	5,132
Total Current Liabilities.....	281,383	305,509	155,522	139,101	5,251	--	16,946	25,653	10,156	13,230	6,842	16,476	2,815	1,751	478,915	501,720
Long-Term Liabilities:																
Deferred revenue.....	449	265	11,003	1,584	--	--	1,542	2,082	--	--	--	--	--	--	12,994	3,930
Advances from other funds.....	--	--	--	--	35,142	45,142	--	--	--	--	--	--	--	--	35,142	45,142
Total Liabilities.....	281,832	305,773	166,525	140,685	40,393	45,142	18,487	27,735	10,156	13,230	6,842	16,476	2,815	1,751	527,050	550,792
Fund Balances:																
Reserved for encumbrances.....	--	--	17,800	12,782	--	--	31,812	29,424	1,701	936	--	--	--	--	51,313	43,141
Reserved for unencumbered restricted revenue balances.....	--	--	177,500	120,434	--	--	3,444	30,226	5,000	7,633	--	--	--	--	185,943	158,293
Reserved for unencumbered capital outlay and work projects..	--	--	196,495	150,031	--	--	4,477	1,390	15,282	10,918	--	--	--	--	216,254	162,339
Reserved for revolving loans.....	--	--	1,933	--	--	--	6,000	--	1,081	1,010	--	--	--	--	9,014	1,010
Reserved for noncurrent assets.....	--	--	28,584	77,504	--	--	--	--	1,010	1,232	--	--	--	--	29,594	78,736
Total Reserved.....	--	--	422,313	360,752	--	--	45,733	61,040	24,073	21,728	--	--	--	--	492,118	443,519
Unreserved.....	--	--	30,238	35,548	(30,238)	(35,548)	24,302	50,000	935	4,578	52,793	89,290	12,387	15,032	90,417	158,900
Total Fund Balances.....	--	--	452,551	396,299	(30,238)	(35,548)	70,035	111,040	25,008	26,307	52,793	89,290	12,387	15,032	582,536	602,420
Total Liabilities and Fund Balances.....	\$ 281,832	\$ 305,773	\$ 619,076	\$ 536,985	\$ 10,155	\$ 9,594	\$ 88,523	\$ 138,774	\$ 35,164	\$ 39,537	\$ 59,635	\$ 105,765	\$ 15,202	\$ 16,783	\$ 1,109,586	\$ 1,153,211

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
 FISCAL YEARS ENDED SEPTEMBER 30, 1998 and 1997
 (In Thousands)

	MICHIGAN TRANSPORTATION FUND		STATE TRUNKLINE FUND		BLUE WATER BRIDGE FUND		COMPREHENSIVE TRANSPORTATION FUND		STATE AERONAUTICS FUND		COMBINED STATE TRUNKLINE FUND BOND PROCEEDS FUND		COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND		TOTALS	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
REVENUES																
Taxes.....	\$ 1,687,523	\$ 1,417,492	\$ --	\$ --	\$ --	\$ --	\$ 60,310	\$ 58,826	\$ 6,868	\$ 6,699	\$ --	\$ --	\$ --	\$ --	\$*****	\$*****
License and permits.....	59,050	54,344	20,259	14,154	--	--	212	241	86	184	--	--	--	--	79,607	68,923
Federal aid.....	--	--	458,841	379,576	--	--	13,190	30,096	47,582	51,397	56,934	117,631	--	--	576,546	578,700
Local participation.....	--	--	28,668	30,020	--	--	92	19	14,067	20,002	1,386	3,729	--	--	44,213	53,771
Interest earnings on common cash.....	12,473	9,809	11,363	9,197	780	536	3,435	3,907	1,442	1,218	2,209	3,589	900	1,057	32,602	29,314
Non-operating revenue-bridges.....	--	--	2,094	2,043	--	--	--	--	--	--	--	--	--	--	2,094	2,043
Miscellaneous revenue.....	1,261	7,727	21,198	15,660	9,800	--	2,818	978	570	1,772	205	339	--	7	35,853	26,483
Total Revenues.....	1,760,307	1,489,371	542,423	450,652	10,580	536	80,056	94,067	70,615	81,272	60,734	125,289	900	1,064	*****	*****
EXPENDITURES																
Administration and Operations:																
Administration and maintenance.....	20	35	277,103	316,656	2,901	--	10,213	10,792	6,206	8,323	--	184	--	59	296,443	336,049
Bus operating assistance grants.....	--	--	--	--	--	--	169,206	117,187	--	--	--	--	--	--	169,206	117,187
Other grants.....	836,970	748,476	127,044	103,636	--	--	54,296	71,074	--	--	--	--	3,541	6,505	*****	929,691
Airport development.....	--	--	--	--	--	--	--	--	65,489	74,734	--	--	--	--	65,489	74,734
Non-operating expenditures-bridges.....	--	--	2,094	2,043	--	--	--	--	--	--	--	--	--	--	2,094	2,043
Capital lease payments.....	--	--	279	228	--	--	--	--	--	--	--	--	--	--	279	228
Total Administration and Operations.....	836,990	748,510	406,520	422,563	2,901	--	233,715	199,053	71,695	83,058	--	184	3,541	6,565	*****	*****
Capital Outlay:																
Roads and bridges.....	--	--	707,752	445,393	--	--	9,775	--	--	--	95,813	176,449	--	--	813,340	621,842
Other capital outlay.....	--	--	15,304	44,641	--	--	--	--	20	5	--	--	--	--	15,324	44,645
Total Capital Outlay.....	--	--	723,056	490,034	--	--	9,775	--	20	5	95,813	176,449	--	--	828,665	666,488
Total Expenditures.....	836,990	748,510	*****	912,597	2,901	--	243,490	199,053	71,715	83,063	95,813	176,633	3,541	6,565	*****	*****
Excess of Revenues Over (Under) Expenditures.....	923,317	740,861	(587,153)	(461,945)	7,679	536	(163,434)	(104,986)	(1,100)	(1,790)	(35,079)	(51,344)	(2,641)	(5,501)	141,588	115,831
OTHER FINANCING SOURCES																
Michigan transportation fund distribution.....	--	--	622,312	496,020	--	--	145,275	132,187	--	--	--	--	--	--	767,587	628,208
Grants and transfers from other funds and component unit	149	42,187	90,327	78,316	--	--	824	2,243	--	10,000	125	16,848	--	--	91,425	149,593
Proceeds from bond issues.....	--	--	--	--	--	--	--	--	--	--	--	54,021	--	--	--	54,021
Capital lease acquisitions.....	--	--	251	175	--	--	--	--	--	--	--	--	--	--	251	175
Total Other Financing Sources.....	149	42,187	712,890	574,511	--	--	146,099	134,430	--	10,000	125	70,869	--	--	859,263	831,997
OTHER FINANCING USES																
Michigan transportation fund distribution.....	727,303	591,448	--	--	--	--	--	--	--	--	--	--	--	--	727,303	591,448
Grants and transfers to other funds and component units...	196,163	191,600	12,274	30,980	3	--	593	1,951	199	180	1,542	184	5	5	210,779	224,900
Debt service.....	--	--	57,211	59,737	2,367	--	23,076	22,497	--	--	--	--	--	--	82,653	82,234
Total Other Financing Uses.....	923,466	783,048	69,485	90,717	2,369	--	23,669	24,448	199	180	1,542	184	5	5	*****	898,582
Excess of Other Financing Sources Over (Under) Other Financing Uses.....	(923,317)	(740,861)	643,405	483,794	(2,369)	--	122,430	109,982	(199)	9,820	(1,417)	70,685	(5)	(5)	(161,472)	(66,585)
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses.....	--	--	56,252	21,848	5,309	536	(41,004)	4,997	(1,299)	8,030	(36,496)	19,341	(2,645)	(5,506)	(19,884)	49,246
Fund balances-Beginning of fiscal year.....	--	--	396,299	374,451	(35,548)	(36,084)	111,040	106,043	26,307	18,277	89,290	69,948	15,032	20,538	602,420	553,174
Fund balances-End of fiscal year.....	\$ --	\$ --	\$ 452,551	\$ 396,299	\$ (30,238)	\$ (35,548)	\$ 70,035	\$ 111,040	\$25,008	\$26,307	\$ 52,793	\$ 89,290	\$12,387	\$15,032	\$ 582,536	\$ 602,420

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, 1998
 (In Thousands)

	MICHIGAN TRANSPORTATION FUND			STATE TRUNKLINE FUND			BLUE WATER BRIDGE FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
(Statutory/Budgetary Basis)									
REVENUES									
Taxes.....	\$ 1,687,523	\$ 1,687,523	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
License and permits.....	60,311	59,050	(1,261)	20,259	20,259	--	--	--	--
Federal aid.....	--	--	--	458,841	458,841	--	--	--	--
Local participation.....	--	--	--	28,668	28,668	--	--	--	--
Interest earnings.....	12,473	12,473	--	11,363	11,363	--	780	780	--
Nonoperating revenue-bridges.....	--	--	--	2,094	2,094	--	--	--	--
Miscellaneous revenue.....	--	1,261	1,261	21,198	21,198	--	9,800	9,800	--
Total Revenues.....	1,760,307	1,760,307	--	542,423	542,423	--	10,580	10,580	--
EXPENDITURES AND ENCUMBRANCES									
Administration.....	20	20	--	311,955	293,719	18,237	9,872	2,902	6,970
Bus operating assistance grants.....	--	--	--	--	--	--	--	--	--
Other grants.....	836,970	836,970	--	127,224	127,060	163	--	--	--
Airport development.....	--	--	--	--	--	--	--	--	--
Nonoperating expenditure-bridges.....	--	--	--	2,094	2,094	--	--	--	--
Total Administration and Operations.....	836,990	836,990	--	441,274	422,873	18,400	9,872	2,902	6,970
Roads and bridges.....	--	--	--	708,352	708,347	5	--	--	--
Other capital outlay.....	--	--	--	17,521	15,905	1,616	--	--	--
Total Capital Outlay.....	--	--	--	725,873	724,252	1,621	--	--	--
Total Expenditures and Encumbrances.....	836,990	836,990	--	1,167,146	1,147,126	20,021	9,872	2,902	6,970
Excess of Revenue Over(Under) Expenditures and Encumbrances.....	923,317	923,317	--	(624,723)	(604,702)	20,021	709	7,679	6,970
OTHER FINANCING SOURCES									
Michigan transportation fund distribution.....	--	--	--	622,312	622,312	--	--	--	--
Grants and transfers from other funds and component units.....	149	149	--	90,327	90,327	--	--	--	--
Total Financing Sources.....	149	149	--	712,639	712,639	--	--	--	--
OTHER FINANCING USES									
Michigan transportation fund distribution.....	727,303	727,303	--	--	--	--	--	--	--
Grants and transfers to other funds and component units.....	207,003	196,163	10,840	15,292	12,274	3,018	--	3	(3)
Debt service.....	--	--	--	57,774	57,211	563	2,386	2,367	19
Total Financing Uses.....	934,307	923,466	10,840	73,066	69,485	3,581	2,386	2,369	17
Excess Other Financial Sources Over(Under) Other Financial Uses.....	(934,157)	(923,317)	10,840	639,573	643,154	3,581	(2,386)	(2,369)	17
Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses.....	\$ (10,840)	--	\$ 10,840 *	\$ 14,850	38,452	\$ 23,602	\$ (1,677)	5,309	\$ 6,987
RECONCILING ITEMS									
Encumbrances at September 30.....	--	--	--	--	17,800	--	--	--	--
Funds not annually budgeted.....	--	--	--	--	--	--	--	--	--
Net Reconciling Items.....	--	--	--	--	17,800	--	--	--	--
Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis).....	--	--	--	--	56,252	--	--	5,309	--
FUND BALANCES (GAAP BASIS)									
Beginning of fiscal year.....	--	--	--	--	396,299	--	--	(35,548)	--
End of fiscal year.....	\$ --	\$ --	\$ --	\$ 452,551	\$ 452,551	\$ --	\$ (30,239)	\$ (30,239)	\$ --

*See Note 2

This schedule continued on next page.

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, 1998
 (In Thousands)

	COMPREHENSIVE TRANSPORTATION FUND			STATE AERONAUTICS FUND			COMBINED STATE TRUNKLINE FUND BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TOTALS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
(Statutory/Budgetary Basis)											
REVENUES											
Taxes.....	\$ 60,310	\$ 60,310	\$ --	\$ 6,868	\$ 6,868	\$ --	\$ --	\$ --	\$1,754,700	\$1,754,700	\$ --
License and permits.....	--	212	212	--	86	86	--	--	80,570	79,607	(964)
Federal aid.....	13,190	13,190	--	47,582	47,582	--	--	--	519,612	519,612	--
Local participation.....	--	92	92	14,067	14,067	--	--	--	42,735	42,827	92
Interest earnings.....	3,435	3,435	--	1,442	1,442	--	--	--	29,493	29,493	--
Nonoperating revenue-bridges.....	--	--	--	--	--	--	--	--	2,094	2,094	--
Miscellaneous revenue.....	3,122	2,818	(303)	656	570	(86)	--	--	34,776	35,648	872
Total Revenues.....	80,056	80,056	--	70,615	70,615	--	--	--	2,463,981	2,463,981	--
EXPENDITURES AND ENCUMBRANCES											
Administration.....	11,393	10,298	1,096	6,993	6,309	684	--	--	340,233	313,247	26,987
Bus operating assistance grants.....	169,240	169,213	27	--	--	--	--	--	169,240	169,213	27
Other grants.....	94,382	86,017	8,365	--	--	--	--	--	1,058,576	1,050,047	8,529
Airport development.....	--	--	--	67,086	67,086	--	--	--	67,086	67,086	--
Nonoperating expenditure-bridges.....	--	--	--	--	--	--	--	--	2,094	2,094	--
Total Administration and Operations.....	275,015	265,527	9,488	74,080	73,395	684	--	--	1,637,230	1,601,688	35,542
Roads and bridges.....	9,775	9,775	--	--	--	--	--	--	718,127	718,122	5
Other capital outlay.....	--	--	--	20	20	--	--	--	17,541	15,925	1,616
Total Capital Outlay.....	9,775	9,775	--	20	20	--	--	--	735,668	734,047	1,621
Total Expenditures and Encumbrances.....	284,790	275,302	9,488	74,100	73,415	684	--	--	2,372,898	2,335,735	37,163
Excess of Revenue Over(Under) Expenditures and Encumbrances.....	(204,734)	(195,246)	9,488	(3,485)	(2,801)	684	--	--	91,084	128,247	37,163
OTHER FINANCING SOURCES											
Michigan transportation fund distribution.....	146,099	145,275	(824)	--	--	--	--	--	768,411	767,587	(824)
Grants and transfers from other funds and component units.....	--	824	824	--	--	--	--	--	90,476	91,300	824
Total Financing Sources.....	146,099	146,099	--	--	--	--	--	--	858,887	858,887	--
OTHER FINANCING USES											
Michigan transportation fund distribution.....	--	--	--	--	--	--	--	--	727,303	727,303	--
Grants and transfers to other funds and component units.....	305	593	(289)	265	199	66	--	--	222,864	209,232	13,632
Debt service.....	23,129	23,076	54	--	--	--	--	--	83,289	82,653	636
Total Financing Uses.....	23,434	23,669	(235)	265	199	66	--	--	1,033,457	1,019,189	14,268
Excess Other Financial Sources Over(Under) Other Financial Uses.....	122,665	122,430	(235)	(265)	(199)	66	--	--	(174,570)	(160,302)	14,268
Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses.....	\$ (82,069)	(72,816)	\$ 9,253	\$ (3,749)	(2,999)	\$ 750	--	--	\$ (83,486)	(32,055)	\$ 51,431 *
(Statutory/Budgetary Basis)											
Encumbrances at September 30.....	--	31,812	--	--	1,701	--	--	--	--	51,313	--
Funds not annually budgeted.....	--	--	--	--	--	--	(36,496)	(2,645)	--	(39,142)	--
Net Reconciling Items.....	--	31,812	--	--	1,701	--	(36,496)	(2,645)	--	12,171	--
Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis).....	--	(41,004)	--	--	(1,299)	--	(36,496)	(2,645)	--	(19,884)	--
FUND BALANCES (GAAP BASIS)											
Beginning of fiscal year.....	--	111,040	--	--	26,307	--	89,290	15,032	--	602,420	--
End of fiscal year.....	\$ --	\$ 70,035	\$ --	\$ 25,008	\$ 25,008	\$ --	\$ 52,793	\$ 12,387	\$ 582,536	\$ 582,536	\$ --

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, 1997
 (In Thousands)

(Statutory/Budgetary Basis)	MICHIGAN TRANSPORTATION FUND			STATE TRUNKLINE FUND			BLUE WATER BRIDGE FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES									
Taxes.....	\$ 1,417,492	\$ 1,417,492	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
License and permits.....	104,258	54,344	(49,914)	14,154	14,154	--	--	--	--
Federal aid.....	--	--	--	379,576	379,576	--	--	--	--
Local participation.....	--	--	--	30,020	30,020	--	--	--	--
Interest earnings.....	9,809	9,809	--	9,197	9,197	--	--	536	536
Nonoperating revenue-bridges.....	--	--	--	2,043	2,043	--	--	--	--
Miscellaneous revenue.....	--	7,727	7,727	16,196	15,660	(536)	--	--	--
Total Revenues.....	1,531,559	1,489,372	(42,187)	451,188	450,652	(536)	--	536	536
EXPENDITURES AND ENCUMBRANCES									
Administration and maintenance.....	35	35	--	353,671	329,491	24,180	--	--	--
Bus operating assistance grants.....	--	--	--	--	--	--	--	--	--
Other grants.....	748,627	748,476	151	103,636	103,636	--	--	--	--
Airport development.....	--	--	--	--	--	--	--	--	--
Nonoperating expenditure-bridges.....	--	--	--	2,043	2,043	--	--	--	--
Total Administration and Operations.....	748,662	748,511	151	459,350	435,170	24,180	--	--	--
Roads and bridges.....	--	--	--	445,393	445,393	--	--	--	--
Other capital outlay.....	--	--	--	44,726	44,641	86	--	--	--
Total Capital Outlay.....	--	--	--	490,120	490,034	86	--	--	--
Total Expenditures and Encumbrances.....	748,662	748,511	151	949,470	925,204	24,266	--	--	--
Excess of Revenue Over(Under) Expenditures and Encumbrances.....	782,897	740,861	(42,036)	(498,282)	(474,552)	23,730	--	536	536
OTHER FINANCING SOURCES									
Michigan transportation fund distribution.....	--	--	--	496,020	496,020	--	--	--	--
Grants and transfers from other funds and component units.....	--	42,187	42,187	28,710	78,316	49,606	--	--	--
Total Other Financing Sources.....	--	42,187	42,187	524,731	574,336	49,606	--	--	--
OTHER FINANCING USES									
Michigan Transportation Fund distribution.....	591,523	591,447	76	--	--	--	--	--	--
Grants and transfers to other funds and component units.....	198,526	191,601	6,925	32,848	30,980	1,868	--	--	--
Debt service.....	--	--	--	59,770	59,737	33	--	--	--
Total Financing Uses.....	790,048	783,048	7,000	92,617	90,717	1,900	--	--	--
Excess Other Financial Sources Over(Under) Other Financial Uses.....	(790,048)	(740,861)	49,187	432,113	483,619	51,506	--	--	--
Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses.....	\$ (7,151)	--	\$ 7,151 *	\$ (66,169)	9,067	\$ 75,236	\$ --	536	\$ 536
RECONCILING ITEMS									
Encumbrances at September 30.....	--	--	--	--	12,782	--	--	--	--
Funds not annually budgeted.....	--	--	--	--	--	--	--	--	--
Net Reconciling Items.....	--	--	--	--	12,782	--	--	--	--
Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis).....	--	--	--	--	21,848	--	--	536	--
FUND BALANCES (GAAP BASIS)									
Beginning of fiscal year.....	--	--	--	--	374,451	--	--	(36,084)	--
End of fiscal year.....	--	\$ --	--	\$ --	396,299	--	\$ --	(35,548)	--

*See Note 2

This schedule continued on next page.

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, 1997
 (In Thousands)

	COMPREHENSIVE TRANSPORTATION FUND			STATE AERONAUTICS FUND			COMBINED STATE TRUNKLINE FUND BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TOTALS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
I (Statutory/Budgetary Basis)											
REVENUES											
Taxes.....	\$ 58,826	\$ 58,826	\$ --	\$ 6,699	\$ 6,699	\$ --	\$ --	\$ --	\$ 1,483,016	\$ 1,483,016	\$ --
License and permits.....	--	241	241	--	184	184	--	--	118,412	68,923	(49,489)
Federal aid.....	30,096	30,096	--	59,196	51,397	(7,799)	--	--	468,868	461,069	(7,799)
Local participation.....	--	19	19	11,959	20,002	8,043	--	--	41,979	50,042	8,062
Interest earnings.....	--	3,907	3,907	--	1,218	1,218	--	--	19,006	24,667	5,661
Nonoperating revenue-bridges.....	--	--	--	--	--	--	--	--	2,043	2,043	--
Miscellaneous revenue.....	--	978	978	13,175	1,772	(11,402)	--	--	29,371	26,138	(3,233)
Total Revenues.....	88,922	94,067	5,145	91,028	81,272	(9,755)	--	--	2,162,696	2,115,899	(46,797)
EXPENDITURES AND ENCUMBRANCES											
Administration.....	11,866	11,059	807	10,523	9,259	1,264	--	--	376,096	349,844	26,252
Bus operating assistance grants.....	117,195	117,187	8	--	--	--	--	--	117,195	117,187	8
Other grants.....	104,186	100,230	3,956	--	--	--	--	--	956,449	952,342	4,108
Airport development.....	--	--	--	74,997	74,734	262	--	--	74,997	74,734	262
Nonoperating expenditure-bridges.....	--	--	--	--	--	--	--	--	2,043	2,043	--
Total Administration and Operations.....	233,247	228,477	4,770	85,520	83,993	1,527	--	--	1,526,780	1,496,151	30,630
Roads and bridges.....	--	--	--	--	--	--	--	--	445,393	445,393	--
Other capital outlay.....	--	--	--	--	5	(5)	--	--	44,726	44,645	81
Total Capital Outlay.....	--	--	--	--	5	(5)	--	--	490,120	490,039	81
Total Expenditures and Encumbrances.....	233,247	228,477	4,770	85,520	83,998	1,522	--	--	2,016,899	1,986,190	30,709
Excess of Revenue Over(Under) Expenditures and Encumbrances.....	(144,325)	(134,409)	9,916	5,507	(2,726)	(8,234)	--	--	145,797	129,709	(16,088)
OTHER FINANCING SOURCES											
Michigan transportation fund distribution.....	123,023	132,187	9,165	--	--	--	--	--	619,043	628,208	9,165
Grants and transfers from other funds and component units.....	--	2,243	2,243	--	10,000	--	--	--	28,710	132,745	104,035
Total Financing Sources.....	123,023	134,430	11,408	--	10,000	10,000	--	--	647,753	760,953	113,200
OTHER FINANCING USES											
Michigan transportation fund distribution.....	--	--	--	--	--	--	--	--	591,523	591,447	76
Grants and transfers to other funds and component units.....	1,996	1,951	45	--	180	(180)	--	--	233,370	224,712	8,658
Debt service.....	23,130	22,497	633	--	--	--	--	--	82,900	82,234	666
Total Financing Uses.....	25,126	24,448	678	--	180	(180)	--	--	907,791	898,393	9,399
Excess Other Financial Sources Over(Under) Other Financial Uses.....	97,896	109,982	12,085	--	9,820	9,820	--	--	(260,039)	(137,440)	122,599
Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses.....	\$ (46,429)	(24,427)	\$ 22,002	\$ 5,507	7,094	\$ 1,587	--	--	\$ (114,241)	(7,730)	\$ 106,511 *
RECONCILING ITEMS											
Encumbrances at September 30.....	--	29,424	--	--	936	--	--	--	--	43,141	--
Funds not annually budgeted.....	--	--	--	--	--	--	19,341	(5,506)	--	13,835	--
Net Reconciling Items.....	--	29,424	--	--	936	--	19,341	(5,506)	--	56,976	--
Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis).....	--	4,997	--	--	8,030	--	19,341	(5,506)	--	49,246	--
FUND BALANCES (GAAP BASIS)											
Beginning of fiscal year.....	--	106,043	--	--	18,277	--	69,948	20,538	--	553,174	--
End of fiscal year.....	--	\$ 111,040	--	\$ 26,307	\$ 26,307	--	\$ 89,290	\$ 15,032	--	\$ 602,420	--



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**MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF DEBT SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1998**

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. As of October 1, 1986, the debt service funds for the outstanding bond issues were merged by equity transfer into this debt service fund. All subsequent State Trunkline Fund related bond issues are accounted for in this fund. The funds merged include the 1983 State Trunkline Fund Bond and Interest Redemption Fund, the 1984 State Trunkline Fund Bond and Interest Redemption Fund, the 1986 State Trunkline Refunding Bond and Interest Redemption Fund, and the Michigan Trunkline Bond and Interest Redemption Fund, Series II through IX.

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. As of October 1, 1986, the debt service funds for outstanding bond issues were merged by equity transfer into this debt service fund. All subsequent Comprehensive Transportation Fund related bond issues are accounted for in this fund. The funds merged include the Comprehensive Transportation Bond and Interest Redemption Fund, and the 1986 Comprehensive Transportation Refunding Bond and Interest Redemption Fund.

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, 1998 and 1997
 (In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND		COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND		TOTALS	
	1998	1997	1998	1997	1998	1997
	1998	1997	1998	1997	1998	1997
ASSETS						
Current Assets:						
Equity in Common Cash.....	\$ 13	\$ --	\$ --	\$ --	\$ 13	\$ --
Amounts due from other funds.....	--	--	--	--	--	--
Miscellaneous.....	--	--	--	--	--	--
Total Assets.....	\$ 13	\$ --	\$ --	\$ --	\$ 13	\$ --
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Warrants outstanding.....	\$ 3	\$ --	\$ --	\$ --	\$ 3	\$ --
Accounts payable.....	10	--	--	--	10	--
Amounts due to other funds.....	--	--	--	--	--	--
Total Liabilities.....	13	--	--	--	13	--
Fund Balances:						
Unreserved.....	--	--	--	--	--	--
Total Fund Balances.....	--	--	--	--	--	--
Total Liabilities and Fund Balances.....	\$ 13	\$ --	\$ --	\$ --	\$ 13	\$ --



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**MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF EXPENDABLE TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1998**

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 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, state, and local 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, state, and local 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, state, and local 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, state, and local money used to fund urban and road safety projects.

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING BALANCE SHEET
TRANSPORTATION RELATED TRUST FUND
 SEPTEMBER 30, 1998 and 1997
 (In Thousands)

	1998	1997
ASSETS		
Cash and cash equivalents.....	\$ --	\$ 16
Receivables:		
Federal aid.....	25,627	19,781
Local units.....	7,052	4,541
Miscellaneous.....	1	--
 Total Assets.....	\$ 32,680	\$ 24,339
 LIABILITIES AND FUND BALANCES		
Warrants outstanding.....	\$ 5,155	\$ 2,703
Accounts payable.....	16,751	11,964
Contract reserve payable.....	3,332	2,278
Due to other funds.....	7,442	7,394
 Total Liabilities.....	32,680	24,339
 Fund Balances:		
Unreserved.....	--	--
Total Fund Balances.....	--	--
Total Liabilities and Fund Balances.....	\$ 32,680	\$ 24,339

MICHIGAN DEPARTMENT OF TRANSPORTATION
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
TRANSPORTATION RELATED TRUST FUND
FISCAL YEARS ENDED SEPTEMBER 30, 1998 and 1997
(In Thousands)

	TOTAL	
	1998	1997
REVENUES		
Federal aid.....	\$ 96,043	\$ 104,493
Local participation.....	30,044	24,950
Miscellaneous.....	23	2
	126,111	129,445
EXPENDITURES		
Payments to contractors and miscellaneous project costs.....	117,759	106,618
Federal pass-through funds to locals	14,351	23,344
State participation costs incurred by locals.....	57	268
Local participation costs to third party.....	--	115
Comprehensive Transportation Fund participation costs incurred by locals.....	483	597
	132,650	130,941
Excess of Revenues Over (Under) Expenditures.....	(6,539)	(1,496)
OTHER FINANCING SOURCES		
Transfer from State Trunkline Fund.....	6,059	900
Transfer from Comprehensive Transportation Fund.....	484	597
	6,543	1,496
OTHER FINANCING USES		
Transfer to Department of Treasury for operations.....	1	--
Transfer to other funds.....	1	--
Transfer to State Trunkline Fund.....	1	--
	4	--
Excess of Other Financing Sources Over (Under) Other Financing Uses.....	6,539	1,496
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....	--	--
Fund balances-Beginning of fiscal year.....	--	--
Fund balances-End of fiscal year.....	\$ --	\$ --

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTION OF AGENCY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1998

METROPOLITAN PLANNING FUND

This fund was established by the Federal Highway Act of 1973, Sections 112 and 134, to account for federal "pass through" funds that reimburse local regional planning agencies for operating expenses. Local money is advanced to the fund, approximately 80 percent of which is reimbursed to the local unit by the federal government. The financing accounted for in this fund consists of federal and local money. No state funds are involved.

MICHIGAN DEPARTMENT OF TRANSPORTATION
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
METROPOLITAN PLANNING FUND
 FISCAL YEARS ENDED SEPTEMBER 30, 1997 and 1998
 (In Thousands)

	Balance September 30, 1996	Additions	Deductions	Balance September 30, 1997	Additions	Deductions	Balance September 30, 1998
ASSETS							
Current Assets:							
Equity in Common Cash.....	\$ 820	\$ 5,760	\$ 6,506	\$ 74	\$ 6,623	\$ 5,309	\$ 1,388
Amounts due from federal.....	858	29	289	598	--	521	77
Amounts due from local.....	17	--	17	--	--	--	--
Total Assets.....	<u>\$ 1,695</u>	<u>\$ 5,789</u>	<u>\$ 6,812</u>	<u>\$ 672</u>	<u>\$ 6,623</u>	<u>\$ 5,830</u>	<u>\$ 1,465</u>
LIABILITIES							
Current Liabilities:							
Warrants outstanding.....	\$ 26	\$ 23	\$ --	\$ 48	\$ --	\$ 20	\$ 28
Accounts payable and other liabilities.....	1,670	5,789	6,834	624	6,623	5,810	1,437
Total Liabilities.....	<u>\$ 1,695</u>	<u>\$ 5,811</u>	<u>\$ 6,834</u>	<u>\$ 672</u>	<u>\$ 6,623</u>	<u>\$ 5,830</u>	<u>\$ 1,465</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION
SCHEDULE OF REVENUES AND EXPENDITURES
SPECIAL REVENUE FUNDS
LAST TEN YEARS
 SEPTEMBER 30, 1998
 (In Thousands)

	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
REVENUES AND OTHER SOURCES:										
MICHIGAN TRANSPORTATION FUND.....	\$ 1,151,753	\$ 1,161,300	\$ 1,164,971	\$ 1,196,353	\$ 1,264,114	\$ 1,299,440	\$ 1,361,993	\$ 1,402,386	\$ 1,531,558	\$ 1,760,457
STATE TRUNKLINE FUND										
ECONOMIC DEVELOPMENT.....	68,444	68,711	81,144	77,993	85,954	125,479	132,328	111,438	100,715	100,287
TRADITIONAL PROGRAM.....	690,489	689,220	700,166	744,417	646,192	585,596	664,417	704,757	924,447	1,155,026
BLUE WATER BRIDGE FUND.....	--	--	--	--	--	--	529	1,386	536	10,580
COMPREHENSIVE TRANSPORTATION FUND.....	169,432	164,019	158,341	153,329	172,662	189,127	215,001	219,502	228,497	226,155
AERONAUTICS FUND.....	38,528	44,024	45,479	121,746	76,201	68,639	76,468	94,190	91,272	70,615
COMPREHENSIVE TRANSPORTATION BOND										
CONSTRUCTION FUND.....	843	27	--	--	--	--	--	--	--	--
1983 STATE TRUNKLINE BOND										
PROCEEDS FUND.....	84	1	--	--	--	--	--	--	--	--
1984 COMPREHENSIVE TRANSPORTATION										
BOND PROCEEDS FUND.....	2,490	922	126	28	20	10	--	--	--	--
1984 STATE TRUNKLINE BOND										
PROCEEDS FUND.....	803	318	54	24	17	--	--	--	--	--
1989 STATE TRUNKLINE BOND										
PROCEEDS FUND.....	--	137,634	6,368	4,579	1,015	471	--	2,381	324	253
1992 STATE TRUNKLINE BOND										
PROCEEDS FUND.....	--	--	--	217,169	179,099	243,403	159,098	64,312	35,622	18,373
1992 STATE TRUNKLINE CRITICAL BRIDGE BOND										
PROCEEDS FUND.....	--	--	--	30,179	1,013	710	433	132	111	104
1992 COMPREHENSIVE TRANSPORTATION										
BOND PROCEEDS FUND.....	--	--	--	35,415	1,098	1,017	1,446	--	1,064	900
1994 STATE TRUNKLINE BOND										
PROCEEDS FUND.....	--	--	--	--	--	153,363	88,044	149,869	103,710	40,051
1996 STATE TRUNKLINE BOND PROCEEDS FUND.....	--	--	--	--	--	--	--	--	56,391	2,079
TOTAL REVENUES AND OTHER SOURCES.....	\$ 2,122,866	\$ 2,266,176	\$ 2,156,649	\$ 2,581,232	\$ 2,427,385	\$ 2,667,255	\$ 2,699,757	\$ 2,750,353	\$ 3,074,247	\$ 3,384,879
EXPENDITURES AND OTHER USES:										
MICHIGAN TRANSPORTATION FUND.....	\$ 1,151,735	\$ 1,161,728	\$ 1,164,971	\$ 1,196,353	\$ 1,264,114	\$ 1,299,440	\$ 1,361,993	\$ 1,402,385	\$ 1,531,558	\$ 1,760,457
STATE TRUNKLINE FUND										
ECONOMIC DEVELOPMENT.....	39,449	50,526	65,698	68,920	73,125	109,076	127,426	145,609	124,129	109,345
TRADITIONAL PROGRAM.....	710,307	729,719	740,553	727,136	641,575	592,755	639,036	641,136	879,185	1,089,716
BLUE WATER BRIDGE FUND.....	--	--	--	--	--	--	7,998	30,001	--	5,271
COMPREHENSIVE TRANSPORTATION FUND.....	165,147	186,664	190,649	173,459	172,685	170,091	179,070	199,578	223,501	267,159
AERONAUTICS FUND.....	35,675	43,766	43,051	122,463	80,348	62,843	79,254	92,574	83,243	71,914
COMPREHENSIVE TRANSPORTATION BOND										
CONSTRUCTION FUND.....	9,228	2,780	--	--	--	--	--	--	--	--
1983 STATE TRUNKLINE BOND										
PROCEEDS FUND.....	2,758	50	--	--	--	--	--	--	--	--
1984 COMPREHENSIVE TRANSPORTATION										
BOND PROCEEDS FUND.....	2,282	8,722	2,454	46	--	639	--	--	--	--
1984 STATE TRUNKLINE BOND										
PROCEEDS FUND.....	7,817	625	37	248	--	--	--	--	--	--
1989 STATE TRUNKLINE BOND										
PROCEEDS FUND.....	--	21,577	42,154	41,432	24,176	17,137	1,796	4,405	1,066	1,519
1992 STATE TRUNKLINE BOND										
PROCEEDS FUND.....	--	--	--	24,330	232,520	284,386	217,576	73,640	43,521	23,027
1992 STATE TRUNKLINE CRITICAL BRIDGE BOND										
PROCEEDS FUND.....	--	--	--	32	3,077	12,751	10,539	4,094	157	580
1992 COMPREHENSIVE TRANSPORTATION										
BOND PROCEEDS FUND.....	--	--	--	252	7,486	4,787	3,743	--	6,569	3,545
1994 STATE TRUNKLINE BOND										
BOND PROCEEDS FUND.....	--	--	--	--	--	14,861	140,602	198,243	119,378	52,368
1996 STATE TRUNKLINE BOND PROCEEDS FUND.....	--	--	--	--	--	--	--	--	12,695	19,862
TOTAL EXPENDITURES AND OTHER USES.....	\$ 2,124,398	\$ 2,206,157	\$ 2,249,567	\$ 2,354,671	\$ 2,499,106	\$ 2,568,766	\$ 2,769,033	\$ 2,791,664	\$ 3,025,002	\$ 3,404,762

MICHIGAN DEPARTMENT OF TRANSPORTATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BAL
ECONOMIC DEVELOPMENT FUND
 FISCAL YEARS ENDED SEPTEMBER 30, 1998 and 1997
 (In Thousands)

	1998		1997
REVENUES AND OTHER SOURCES			
Licenses and permits.....	\$ 11,827	\$	12,130
Federal aid	22,711		24,461
Local participation.....	20,377		22,546
Interest earnings.....	5,025		4,819
Michigan Transportation Fund distribution.....	40,290		36,760
Miscellaneous.....	56		--
Total Revenues and Other Sources.....	100,287		100,715
EXPENDITURES AND OTHER USES			
Administration.....	314		394
Forest roads.....	5,000		5,000
Target industries-state takeovers.....	37,316		41,634
Rural county urban system.....	6,403		7,283
Urban county congestion.....	27,400		27,740
Rural county primary.....	23,286		30,613
Debt service.....	9,625		11,467
Total Expenditures and Other Uses.....	109,345		124,130
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(9,058)		(23,414)
Fund Balances-Beginning of fiscal year.....	72,717		96,132
Fund Balances-End of fiscal year.....	\$ 63,659	\$	72,717

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.

MICHIGAN DEPARTMENT OF TRANSPORTATION
SCHEDULE OF DEBT SERVICE REQUIREMENTS ON THE OUTSTANDING BONDS
STATE TRUNKLINE FUND AND COMPREHENSIVE TRANSPORTATION FUND
 SEPTEMBER 30, 1998
 (In Thousands)

FISCAL YEARS ENDING SEPTEMBER 30	STATE TRUNKLINE FUND			COMPREHENSIVE TRANSPORTATION FUND			COMBINED TOTAL		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
1999	30,110	27,641	57,751	8,040	13,885	21,925	38,150	41,526	79,676
2000	17,745	29,464	47,209	8,295	12,910	21,205	26,040	42,374	68,414
2001	18,670	28,530	47,200	10,465	11,232	21,697	29,135	39,763	68,898
2002	19,690	27,512	47,202	11,130	10,668	21,798	30,820	38,180	69,000
2003	20,780	26,422	47,202	11,545	10,057	21,602	32,325	36,479	68,804
2004	18,050	29,158	47,208	12,330	9,404	21,734	30,380	38,561	68,941
2005	18,801	28,403	47,204	13,945	8,671	22,616	32,746	37,074	69,820
2006	12,809	33,812	46,621	15,265	7,801	23,066	28,074	41,614	69,688
2007	14,279	33,886	48,165	16,135	6,935	23,070	30,414	40,821	71,235
2008	14,288	33,879	48,166	17,055	6,012	23,067	31,343	39,890	71,233
2009	14,325	33,838	48,163	18,010	5,060	23,070	32,335	38,898	71,232
2010	17,096	31,065	48,161	19,140	3,924	23,064	36,236	34,989	71,225
2011	17,453	30,712	48,165	20,190	2,876	23,066	37,643	33,588	71,231
2012	17,907	30,266	48,173	6,660	2,068	8,728	24,567	32,335	56,901
2013	18,396	29,765	48,162	6,985	1,711	8,696	25,381	31,477	56,858
2014	29,375	18,788	48,163	7,345	1,341	8,686	36,720	20,129	56,849
2015	30,975	17,190	48,165	1,780	951	2,731	32,755	18,141	50,896
2016	32,660	15,505	48,165	1,875	853	2,728	34,535	16,357	50,892
2017	34,470	13,692	48,162	1,980	750	2,730	36,450	14,441	50,891
2018	36,420	11,742	48,162	2,090	641	2,731	38,510	12,383	50,893
2019	38,480	9,683	48,163	2,200	526	2,726	40,680	10,208	50,888
2020	40,530	7,633	48,163	2,325	405	2,730	42,855	8,038	50,893
2021	42,570	5,600	48,170	2,450	277	2,727	45,020	5,877	50,897
2022	44,745	3,419	48,164	2,585	142	2,727	47,330	3,561	50,891
2023	12,170	1,975	14,145	--	--	--	12,170	1,975	14,145
2024	12,800	1,350	14,150	--	--	--	12,800	1,350	14,150
2025	13,455	694	14,149	--	--	--	13,455	694	14,149
2026	3,485	270	3,755	--	--	--	3,485	270	3,755
2027	3,665	92	3,757	--	--	--	3,665	92	3,757
TOTAL	\$ 646,199	\$ 561,985	\$ 1,208,184	\$ 219,819	\$ 119,098	\$ 338,918	\$ 866,019	\$ 681,084	\$ 1,547,102

MICHIGAN DEPARTMENT OF TRANSPORTATION
CONSTRUCTION AND CAPITAL PROPERTY ACQUISITIONS
BY FUNCTIONAL ACTIVITY
 FISCAL YEAR ENDED SEPTEMBER 30, 1998
 (In Thousands)

	Totals	Preliminary Engineering	Right-of-Way	Utility Relocation	Physical Construction	Construction Supervision	Special Projects	Other Activities
STATE TRUNKLINE FUND								
Roads and bridges.....	\$ 712,891	\$ 55,426	\$ 24,530	\$ 73	\$ 555,972	\$ 39,660	\$ 5	\$ 37,225
Economic development fund.....	99,210	524	849	--	90,734	1,837	--	5,266
Work orders - state facilities.....	4,953	--	5	--	--	9	--	4,939
Subtotal.....	817,053	55,950	25,384	73	646,706	41,506	5	47,430
BLUE WATER BRIDGE FUND								
	14	14	--	--	--	--	--	--
Subtotal.....	14	14	--	--	--	--	--	--
STATE AERONAUTICS FUND								
Airport development.....	65,217	4,291	7,064	--	30,203	22,221	--	1,437
Work orders and other.....	20	--	--	--	--	--	--	20
Subtotal.....	65,237	4,291	7,064	--	30,203	22,221	--	1,458
COMPREHENSIVE TRANSPORTATION FUND								
Rail freight.....	8,041	--	--	--	--	--	--	8,041
Bus transit.....	17,188	--	--	--	--	--	--	17,188
Intercity bus, rail, water.....	5,460	--	--	--	--	--	--	5,460
Subtotal.....	30,689	--	--	--	--	--	--	30,689
BOND FUNDS								
1989 State Trunkline.....	1,465	665	1,028	--	--	3	--	(230)
1992 State Trunkline.....	23,007	4,421	5,693	179	9,880	1,019	--	1,816
1992 Comprehensive Transportation.....	2,920	--	--	--	--	--	--	2,920
1994 State Trunkline.....	51,151	(1,053)	10,377	189	38,212	2,623	--	802
1996 State Trunkline.....	19,862	160	7,964	--	7,900	2,965	--	874
Subtotal.....	98,405	4,193	25,061	368	55,992	6,610	--	6,181
Total Capital Acquisitions.....	<u>\$ 1,011,398</u>	<u>\$ 64,447</u>	<u>\$ 57,509</u>	<u>\$ 441</u>	<u>\$ 732,900</u>	<u>\$ 70,338</u>	<u>\$ 5</u>	<u>\$ 85,758</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION
CONSTRUCTION AND CAPITAL PROPERTY ACQUISITIONS
BY FUNCTIONAL ACTIVITY
 FISCAL YEAR ENDED SEPTEMBER 30, 1997
 (In Thousands)

	Totals	Preliminary Engineering	Right-of-Way	Utility Relocation	Physical Construction	Construction Supervision	Special Projects	Other Activities
STATE TRUNKLINE FUND								
Roads and bridges.....	\$ 445,393	\$ 41,020	\$ 45,366	\$ 368	\$ 339,347	\$ 32,461	\$ 45	\$ (13,214)
Economic development fund.....	112,270	1,208	2,705	--	101,815	2,347	--	4,195
Work orders - state facilities.....	3,069	--	9	--	255	102	--	2,703
Subtotal.....	<u>560,732</u>	<u>42,228</u>	<u>48,081</u>	<u>368</u>	<u>441,416</u>	<u>34,910</u>	<u>45</u>	<u>(6,316)</u>
BLUE WATER BRIDGE FUND								
Subtotal.....	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(2,060)</u>	<u>13</u>	<u>--</u>	<u>2,046</u>
STATE AERONAUTICS FUND								
Airport development.....	74,734	2,214	18,718	--	48,186	2,137	--	3,480
Work orders and other.....	5	5	--	--	--	--	--	(1)
Subtotal.....	<u>74,739</u>	<u>2,219</u>	<u>18,718</u>	<u>--</u>	<u>48,186</u>	<u>2,137</u>	<u>--</u>	<u>3,479</u>
COMPREHENSIVE TRANSPORTATION FUND								
Rail freight.....	7,577	--	--	--	--	--	--	7,577
Bus transit.....	33,920	--	--	--	--	--	--	33,920
Intercity bus, rail, water.....	10,187	--	--	--	--	--	--	10,187
Subtotal.....	<u>51,684</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>51,684</u>
BOND FUNDS								
1989 State Trunkline.....	1,065	(125)	649	--	644	11	--	(115)
1992 State Trunkline.....	43,513	7,137	5,303	447	27,777	2,906	--	(57)
1992 Comprehensive Transportation.....	6,682	--	--	--	--	--	--	6,682
1994 State Trunkline.....	119,200	1,015	(11,311)	--	101,308	10,389	--	17,799
1996 State Trunkline.....	12,672	723	648	--	10,005	3,458	--	(2,163)
Subtotal.....	<u>183,131</u>	<u>8,751</u>	<u>(4,712)</u>	<u>447</u>	<u>139,734</u>	<u>16,765</u>	<u>--</u>	<u>22,146</u>
Total Capital Acquisitions.....	<u>\$ 870,286</u>	<u>\$ 53,198</u>	<u>\$ 62,087</u>	<u>\$ 816</u>	<u>\$ 627,275</u>	<u>\$ 53,825</u>	<u>\$ 45</u>	<u>\$ 73,040</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FISCAL YEARS ENDED SEPTEMBER 30, 1998 and 1997
 (In Thousands)

GRANTOR AGENCY/ FEDERAL ASSISTANCE PROGRAM TITLE	CATALOG OF FEDERAL DOMESTIC ASSISTANCE PROGRAM NUMBER	AMOUNT OF AWARD		AMOUNTS TRANSFERRED TO OTHER STATE AGENCIES		EXPENDITURE OF FEDERAL FUNDS (A) DIRECTLY EXPENDED BY DEPARTMENT		DISTRIBUTED TO NON-STATE SUBRECIPIENTS		TOTAL	
		1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Federal Highway Administration:											
Highway Research Planning and Construction (B)	20.205	N/A	N/A	\$ --	\$ --	\$ 600,078	\$ 583,911	\$ 16,352	\$ 21,893	\$ 616,430	\$ 605,804
Inter-City Motor Carrier Bus Safety Inspection Program	20.218	\$ 95	\$ 95	--	--	81	65	--	--	81	65
Total Federal Highway Administration:				--	--	600,159	583,976	16,352	21,893	616,511	605,869
Federal Aviation Administration: (C)											
Airport Improvement Program	20.106	N/A	N/A	--	--	25,141	32,504	22,441	18,892	47,582	51,396
Total Federal Aviation Administration				--	--	25,141	32,504	22,441	18,892	47,582	51,396
Federal Railroad Administration:											
Rail Capital and Operating Assistance	20.308			--	--	3,134	1,695	--	2,956	3,134	4,651
Total Federal Railroad Administration:				--	--	3,134	1,695	--	2,956	3,134	4,651
Department of Energy: (D)											
Ridesharing	N/A	N/A	--	--	--	--	--	--	--	--	--
Total Department of Energy:				--	--	--	--	--	--	--	--
Federal Transit Administration:											
Section 3/Transit Capital	20.500	11,329	2,610	--	--	4,202	(1,124)	3,609	16,554	7,811	15,430
Section 18/Public Transportation for Non-Urbanized Areas/Operating	20.509	4,536	3,809	--	--	(96)	61	3,866	4,108	3,770	4,169
Section 18/Public Transportation for Non-Urbanized Areas/Capital	20.509	2,032	2,108	--	--	321	510	1,192	1,909	1,513	2,419
Section 8-9/Urban Mass Transportation Technical Studies Grants	20.505	1,470	1,470	--	--	1,606	1,353	--	11	1,606	1,364
Section 16(b)2-Urban Mass Transportation Capital Improvement Grants	20.500		2,061	--	--	1,059	368	643	1,299	1,702	1,667
Section 26-FTA Planning/Engineering Design	20.500	293	566	--	--	41	99	281	142	322	241
Total Federal Transit Administration:				\$ --	\$ --	\$ 7,133	\$ 1,267	\$ 9,591	\$ 24,023	\$ 16,724	\$ 25,290
DEPARTMENT TOTAL:				\$ --	\$ --	\$ 635,567	\$ 619,442	\$ 48,384	\$ 67,764	\$ 683,951	\$ 687,206

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FISCAL YEARS ENDED SEPTEMBER 30, 1998 AND 1997

(A) The amounts of federal financial assistance reported in the State of Michigan's audited financial statements pertaining to the Department for fiscal years 1997-98 and 1996-97 are less than the assistance reported on this schedule. Federal financial assistance included in agency funds as other financing sources (grants and transfers from other funds) in the audited financial statements is reported as federal expenditures on this schedule (in thousands):

	<u>1998</u>	<u>1997</u>
Assistance Per Schedule of Federal Financial Assistance	\$683,951	\$687,206
Agency Funds and Transfers	<u>(5,790)</u>	<u>(5,470)</u>
Total Federal Financial Assistance	<u>\$678,161</u>	<u>\$681,736</u>

(B) The amount of award for Federal Highway Administration (FHWA) highway research and planning and construction is not stated because federal financial assistance is allocated to the Department in annual apportionments rather than grants. Any unused apportionment is carried forward into the next fiscal year. Projects programmed are not linked to a specific apportionment or obligational authority.

(C) The amount of award for the Federal Aviation Administration (FAA) airport improvement program is not stated because federal financial assistance is awarded to locally owned airports and the amount of grants awarded is not available.

(D) The amount of expenditures directly expended by Department and the non-state subrecipients columns for fiscal year 1996-97 have been restated to more accurately reflect the flow of expenditures.

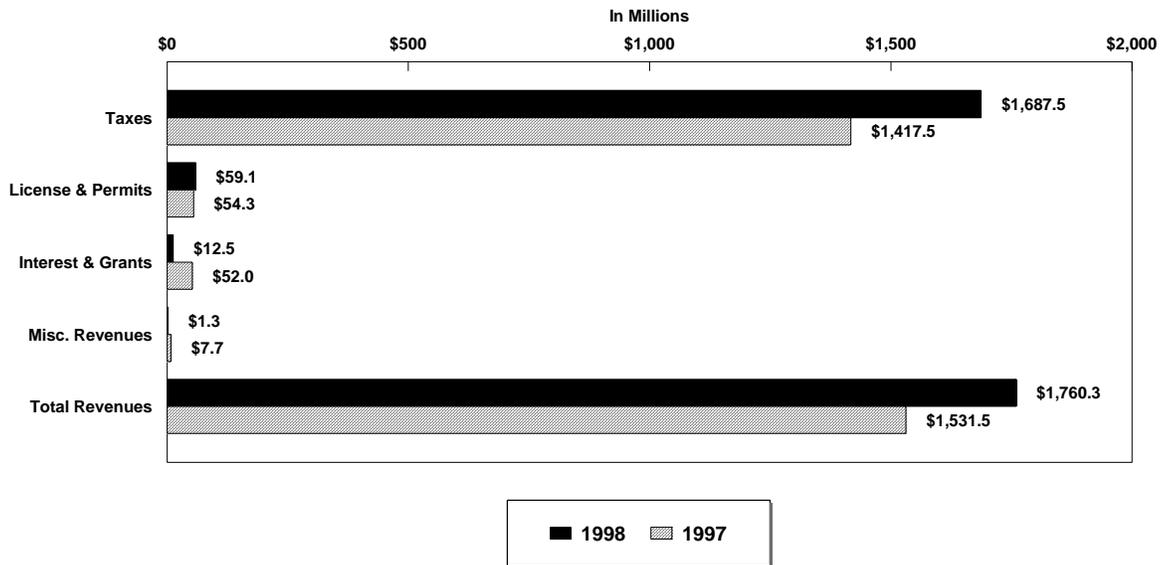


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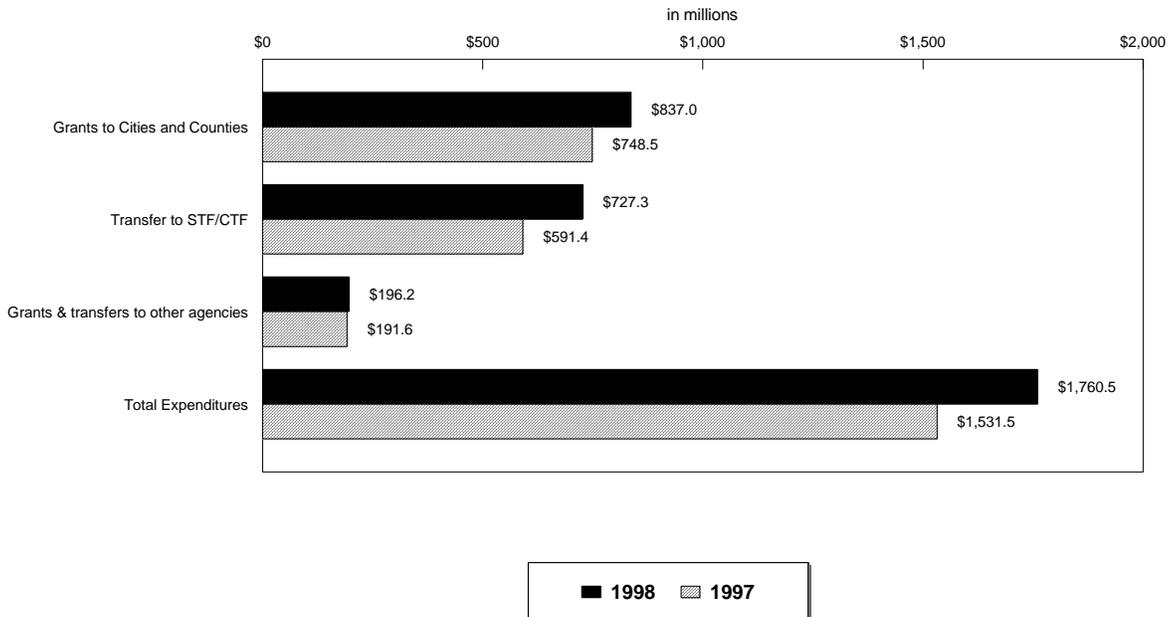
MICHIGAN DEPARTMENT OF TRANSPORTATION MICHIGAN TRANSPORTATION FUND GRAPHICS

FISCAL YEARS ENDED SEPTEMBER 30, 1998 AND 1997

REVENUES AND OTHER SOURCES

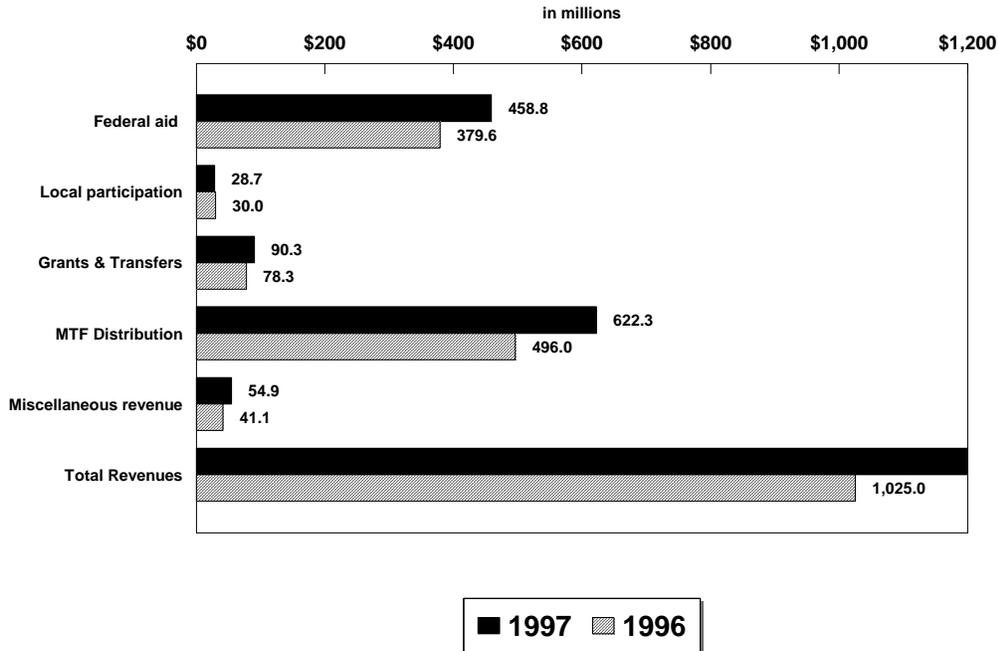


EXPENDITURES AND OTHER USES

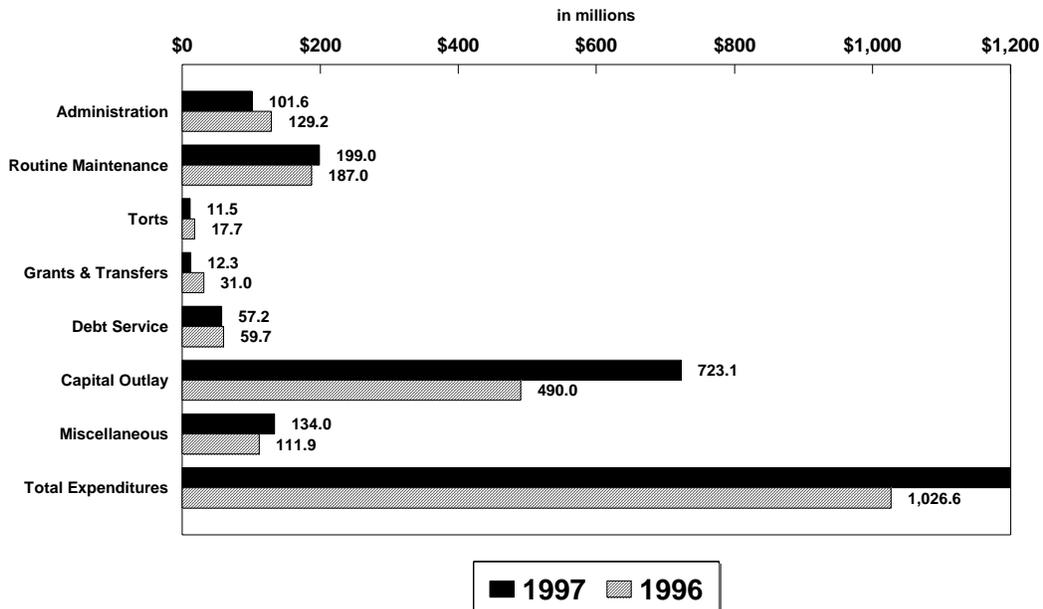


MICHIGAN DEPARTMENT OF TRANSPORTATION
STATE TRUNKLINE FUND GRAPHICS
 Includes Economic Development Fund
 FISCAL YEARS ENDED SEPTEMBER 30, 1997 AND 1996

REVENUES AND OTHER SOURCES

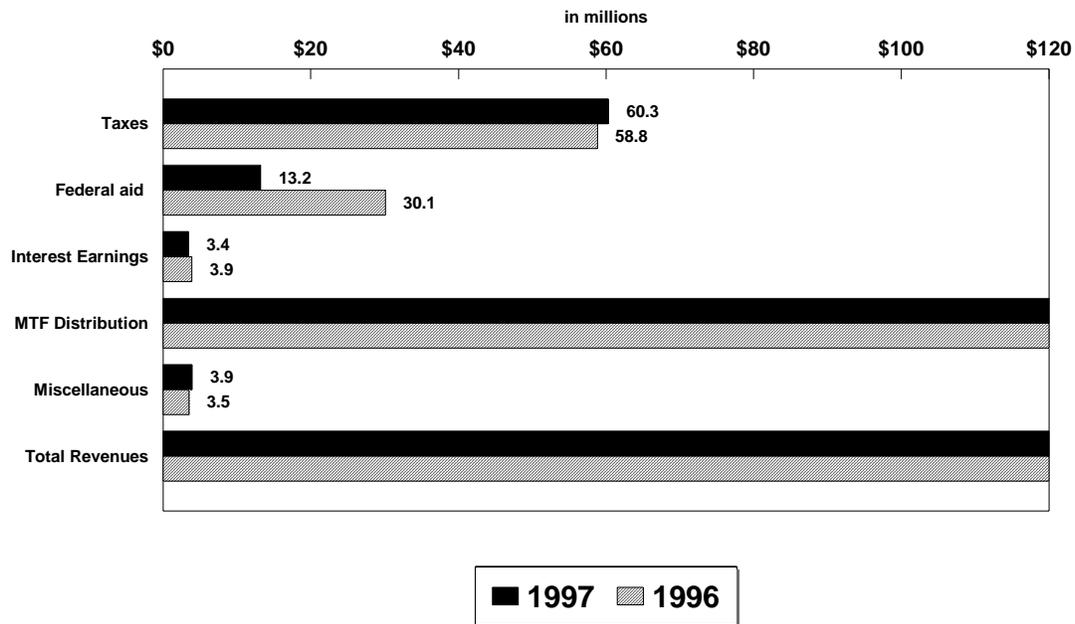


EXPENDITURES AND OTHER USES

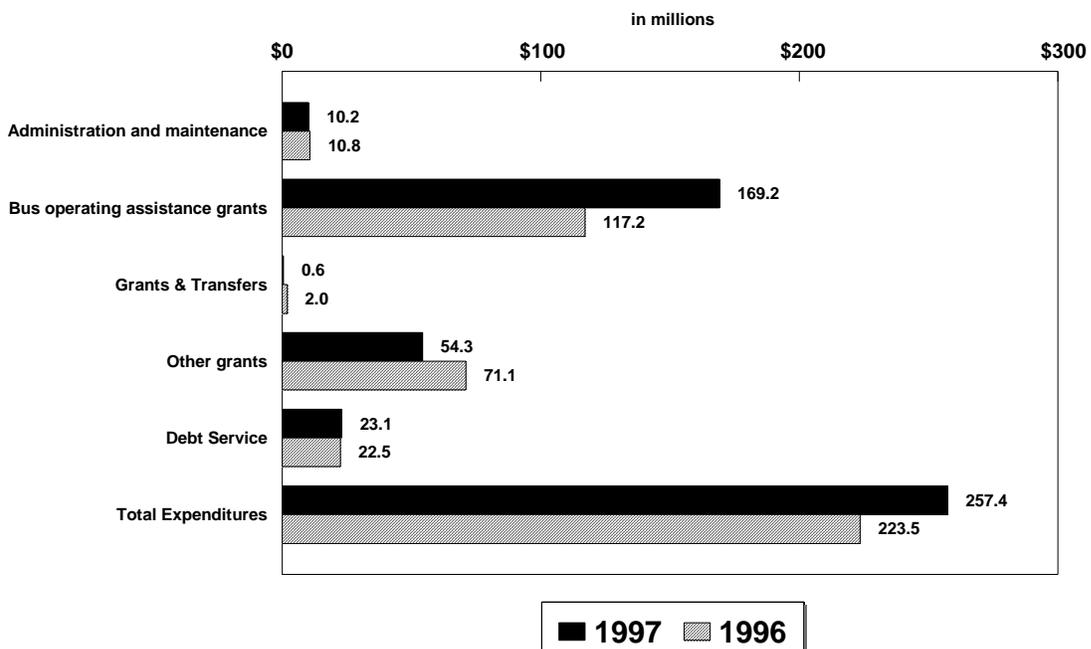


**MICHIGAN DEPARTMENT OF TRANSPORTATION
COMPREHENSIVE TRANSPORTATION FUND GRAPHICS
FISCAL YEARS ENDED SEPTEMBER 30, 1997 AND 1996**

REVENUES AND OTHER SOURCES

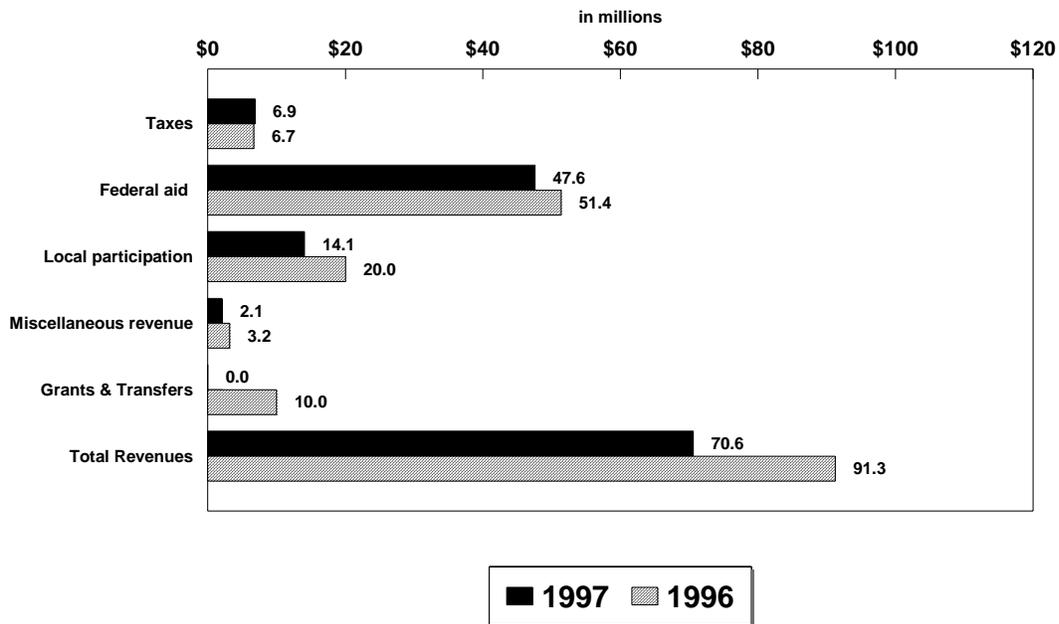


EXPENDITURES AND OTHER USES

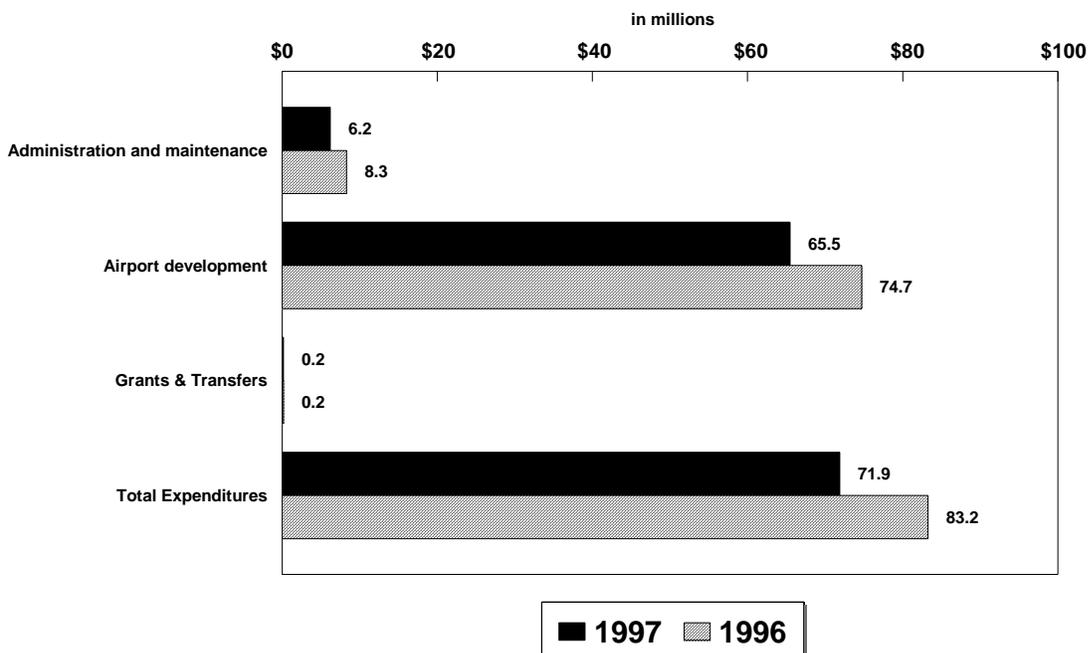


MICHIGAN DEPARTMENT OF TRANSPORTATION
STATE AERONAUTICS FUND GRAPHICS
 FISCAL YEARS ENDED SEPTEMBER 30, 1997 AND 1996

REVENUES AND OTHER SOURCES



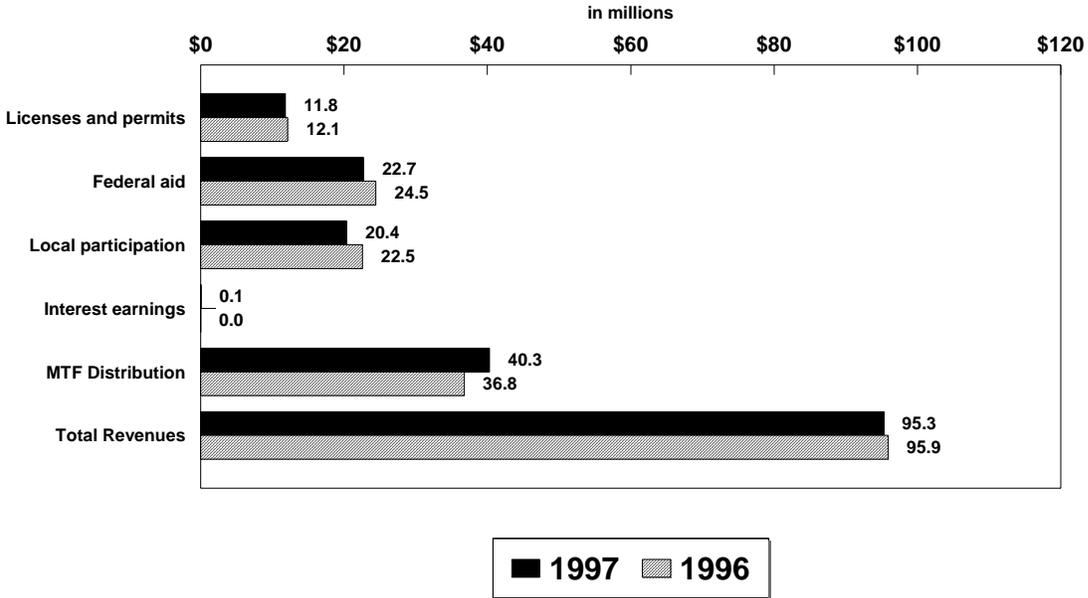
EXPENDITURES AND OTHER USES



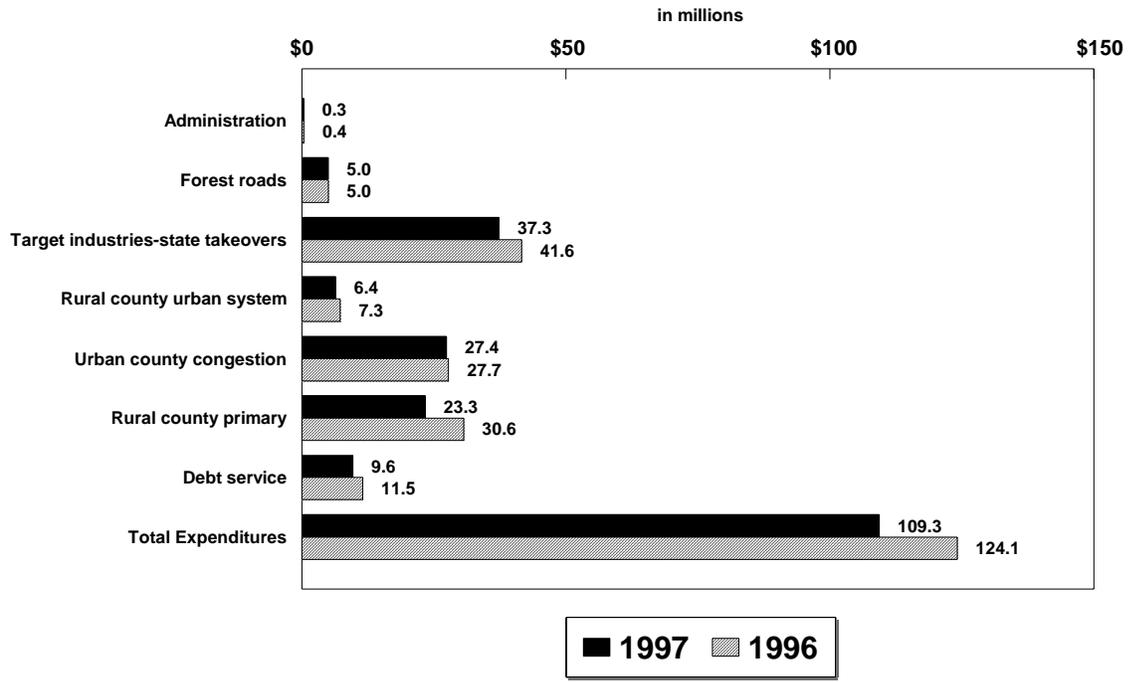
MICHIGAN DEPARTMENT OF TRANSPORTATION
ECONOMIC DEVELOPMENT FUND GRAPHICS
 FISCAL YEARS ENDED SEPTEMBER 30, 1997 AND 1996

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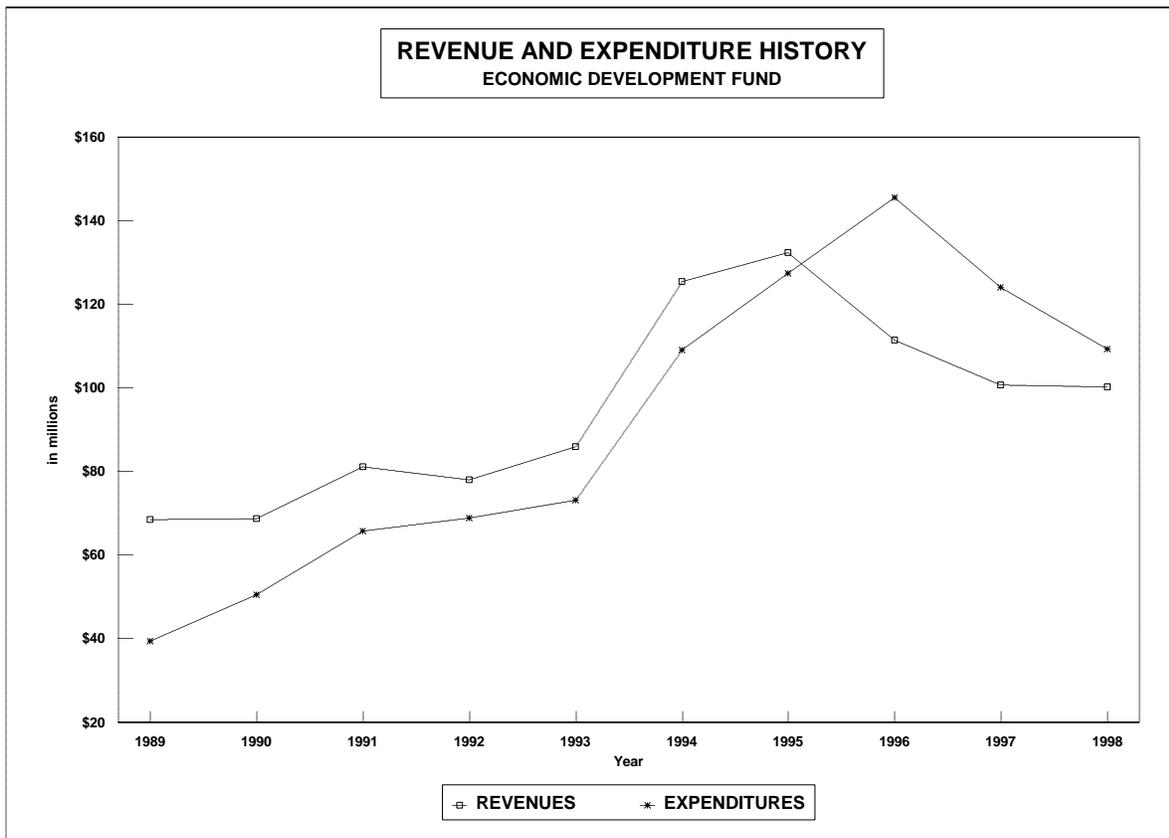
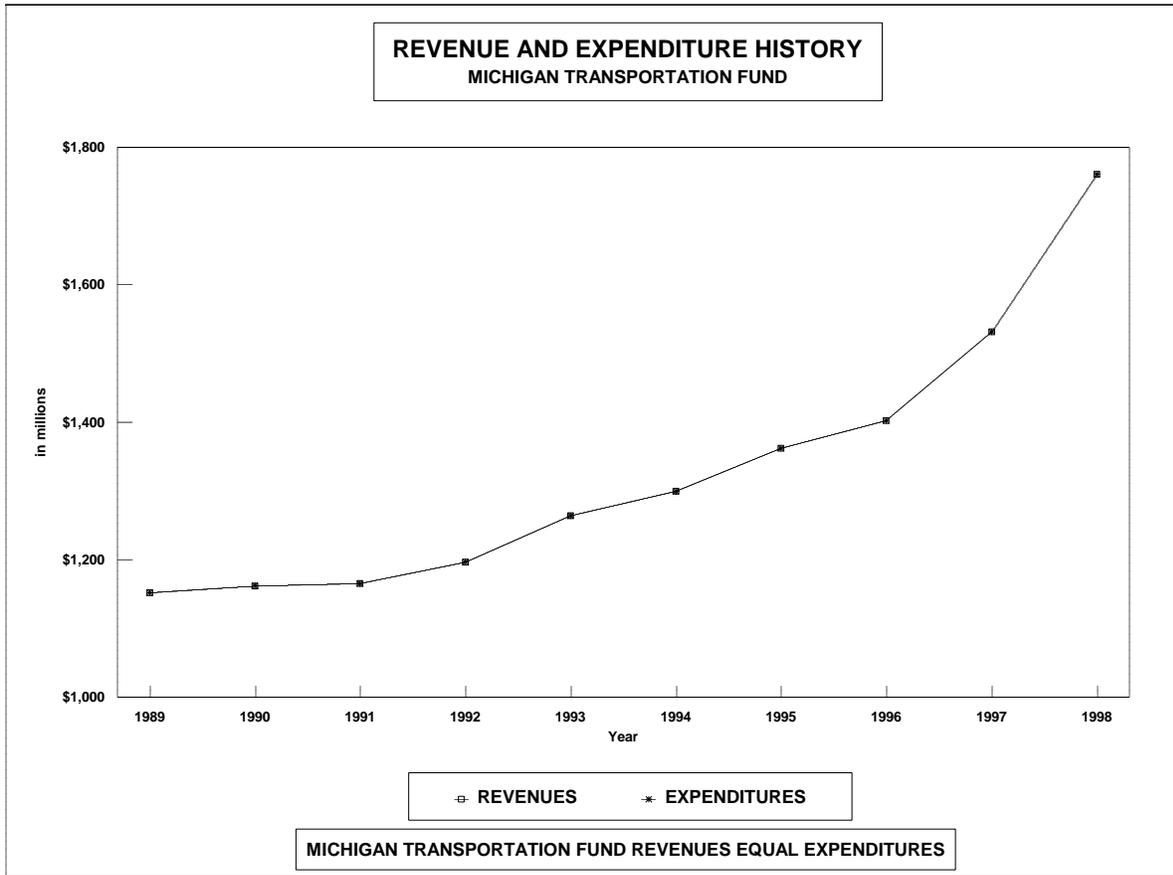
REVENUES AND OTHER SOURCES



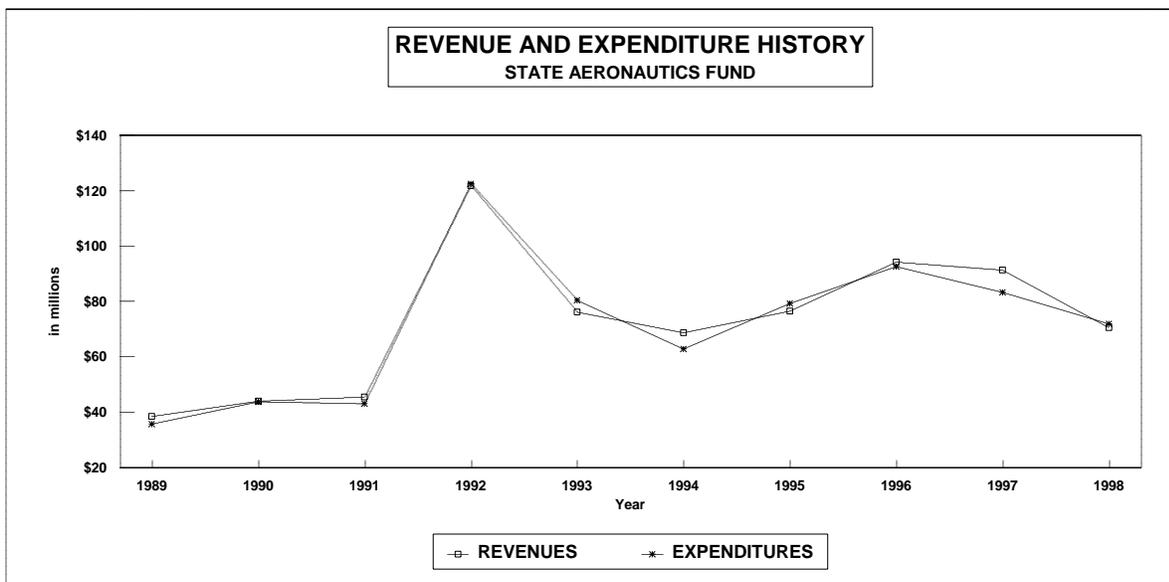
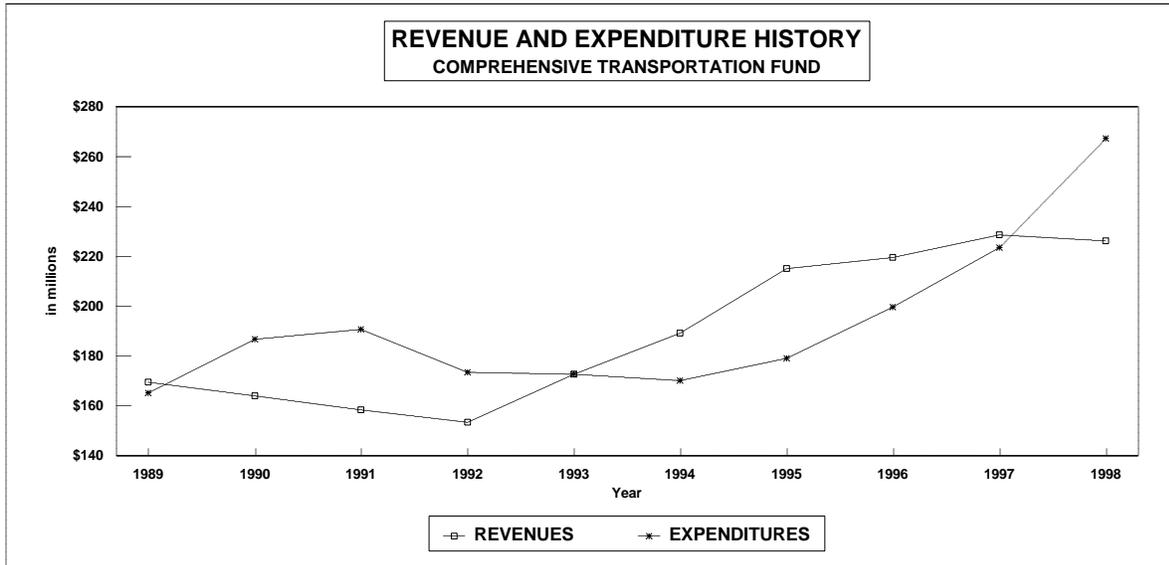
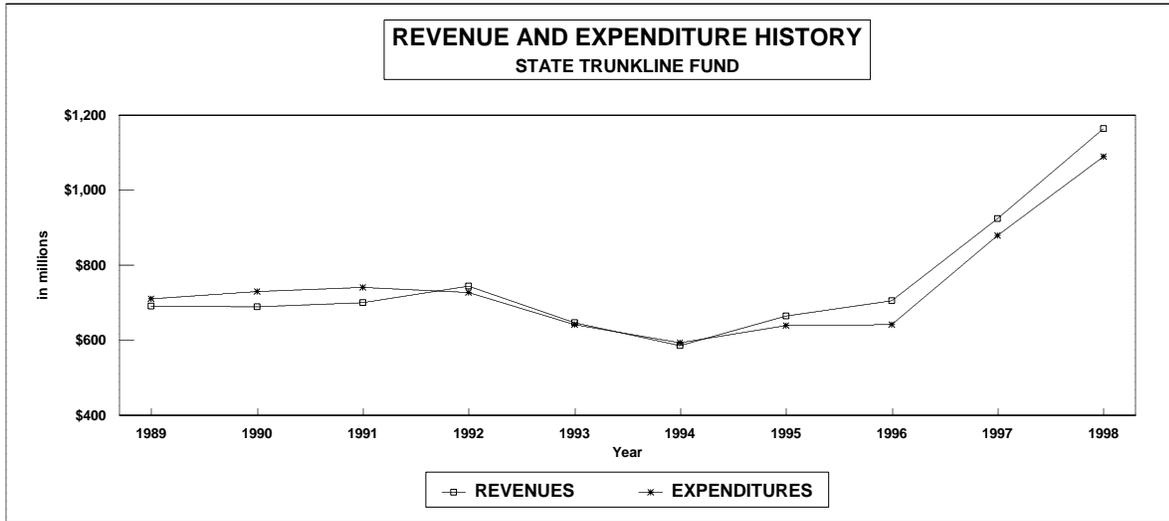
EXPENDITURES AND OTHER USES



MICHIGAN DEPARTMENT OF TRANSPORTATION
TEN YEAR REVENUE AND EXPENDITURE HISTORY
 FISCAL YEARS ENDED SEPTEMBER 30, 1998 AND 1997



MICHIGAN DEPARTMENT OF TRANSPORTATION
TEN YEAR REVENUE AND EXPENDITURE HISTORY
 FISCAL YEARS ENDED SEPTEMBER 30, 1998 AND 1997



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

FISCAL YEARS ENDED SEPTEMBER 30, 1998 AND 1997

