

MICHIGAN DEPARTMENT OF TRANSPORTATION

ANNUAL FINANCIAL REPORT

Fiscal Years Ended September 30, 2004 & 2003

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

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MICHIGAN DEPARTMENT OF TRANSPORTATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2004

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



STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

GLORIA J. JEFF
DIRECTOR

March 31, 2005

State Transportation Commission
and
Gloria J. Jeff, Director
Michigan Department of Transportation

I am pleased to submit the Annual Financial Report for the Michigan Department of Transportation (MDOT) for the fiscal years ended September 30, 2003 and 2004. This report is prepared by the Bureau of Finance and Administration which is responsible for both the accuracy of the data and the completeness and fairness of the presentation. The data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of the department's operations.

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

FINANCIAL UPDATE

The United States economy began to grow stronger as business investment increased and unemployment decreased. The State of Michigan's economic recovery has lagged due to the decline in the number of manufacturing jobs. Fortunately, transportation revenues, with the exception of sales tax revenues, increased in Fiscal Year (FY) 2004. The revenues deposited in the Michigan Transportation Fund (MTF) increased by 3.2 percent in FY 2004. Disbursements from MTF to the State Trunkline Fund, counties and cities/villages increased 9.0 percent, 8.0 percent and 7.4 percent, respectively.

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The Comprehensive Transportation Fund (CTF) received a 2.5 percent increase in MTF revenues for public transportation services. CTF also receives sales tax revenue from vehicle-related sales, which had a substantial decrease of 18.2 percent in FY 2004, due to changes in legislation that reduced the percentage of sales tax deposited in CTF. As a result of the recovering economy, the amount of aviation fuel tax revenue deposited in the Aeronautics Fund increased by 4.3 percent over the previous fiscal year.

The department took advantage of recent declines in interest rates and refinanced \$104 million of outstanding State Trunkline Fund (STF) bonds. This resulted in savings of \$3.9 million for MDOT. The department continues to maintain a strong fiscal plan which supports the five year road and bridge program. MDOT issued new STF bonds totaling \$185.7 million to capitalize on the above-mentioned interest rates. This bonding is allowing MDOT to accelerate projects included in the department's five year road and bridge program. The department continues to maintain an AA rating from Standard and Poor's.

Federal transportation dollars are authorized every six years. In FY 2004, the federal authorization is tied to the Transportation Equity Act, also known as TEA-21. This act was scheduled to expire September 30, 2003; however, Congress extended the act through May 31, 2005. The Governor, MDOT, and a coalition of interest groups are aggressively lobbying Congress on the reauthorization of the Transportation Equity Act in an effort to return more dollars to Michigan for road and bridge repair. Currently, Michigan receives 90.5 cents for every dollar it sends to the federal government. Though our ultimate goal is 100 percent return, Michigan believes it can realistically achieve 95 cents on the dollar. The total federal obligation authority decreased from \$749 million in FY 2003 to \$693 million in FY 2004.

PROGRAM OVERVIEW

In FY 2004, MDOT continued the Preserve First program, which focuses resources on improving the condition of existing roads and bridges. The goal is to have 95 percent of freeway roads and bridges and 85 percent of non-freeway roads and bridges under MDOT's control in good condition by 2007. The advanced use of computer technology continues to enhance accurate forecasting of pavement condition and helps prioritize future projects. Nearly \$1 billion was spent on capital outlay expenditures for roads and bridges in FY 2004.

One of the department's major safety goals is to reduce cross median crashes on freeways by establishing barriers. MDOT is also committed to improving driver safety by upgrading signs and pavement markings for better nighttime visibility, installing rumble strips on road shoulders, and upgrading guardrails.

Over \$240 million was provided in FY 2004 to support transit programs. The two state supported intercity passenger rail services operated by Amtrak experienced significant growth during FY 2004. The April inauguration of the Blue Water service between Port Huron and Chicago resulted in nearly a 17 percent ridership increase over the International service it replaced and the Grand Rapids-Chicago Pere Marquette service set a ridership record of 87,767, nearly 20 percent over the prior fiscal year. The Freight Economic Development Program invested \$1.8 million in six projects designed to assist businesses in locating or expanding their operations in Michigan. These projects will retain 348 jobs and create 69 new jobs in the state. MDOT provided state matching funds to enable procurement of 256 buses for Michigan's local public transit agencies.

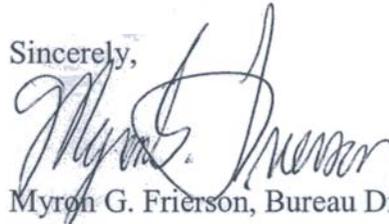
The department also administers the state airport development and licensing programs. In addition, the Airport Safety and Protection Plan program focuses on ensuring that new security measures are in place at each public-use airport in the state. In FY 2004, approximately \$137 million was spent to improve air transportation in Michigan, an increase of 16.9 percent over FY 2003.

CONCLUSION

In FY 2004, \$3.5 billion was expended from all sources to address Michigan's transportation needs. MDOT's challenge continues to be making wise investment decisions with its resources to maximize the results achieved. This has fostered many inventive and innovative ideas at MDOT in the past, and will no doubt, promote even more in the future.

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 blue ink, appearing to read "Myron G. Frierson". The signature is fluid and cursive, with a large initial "M" and "F".

Myron G. Frierson, Bureau Director
Finance and Administration

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
 SEPTEMBER 30, 2004 and 2003
 (In Thousands)

	GOVERNMENTAL FUND TYPES					
	SPECIAL REVENUE		DEBT SERVICE		TOTALS (Memorandum Only)	
	2004	2003	2004	2003	2004	2003
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 966	\$ 151	\$ -	\$ -	\$ 966	\$ 151
Equity in Common Cash	478,953	670,490	61	347	479,015	670,837
Receivables:						
Taxes, interest, and penalties (at net)	119,596	117,623	-	-	119,596	117,623
Federal aid	156,655	164,639	-	-	156,655	164,639
Local units	57,466	51,023	-	-	57,466	51,023
Other funds and Component Units	905,195	531,420	-	-	905,195	531,420
Miscellaneous	14,048	15,948	-	-	14,048	15,948
Inventories	5,921	5,594	-	-	5,921	5,594
Total Current Assets	1,738,801	1,556,888	61	347	1,738,862	1,557,235
Noncurrent Assets:						
Receivables:						
Taxes	1,381	1,615	-	-	1,381	1,615
Federal aid	-	-	-	-	-	-
Local units	42,720	41,047	-	-	42,720	41,047
Advances to other funds	21,689	25,984	-	-	21,689	25,984
Land contracts	1,908	3,847	-	-	1,908	3,847
Miscellaneous	1,766	2,161	-	-	1,766	2,161
Total Noncurrent Assets	69,465	74,653	-	-	69,465	74,653
Total Assets	\$ 1,808,265	\$ 1,631,541	\$ 61	\$ 347	\$ 1,808,326	\$ 1,631,888
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Warrants outstanding	\$ 17,902	\$ 48,030	\$ -	\$ 321	\$ 17,902	\$ 48,351
Accounts payable	470,829	441,069	61	26	470,890	441,095
Contract reserve payable	10,350	13,813	-	-	10,350	13,813
Due to other funds and Components	91,437	55,013	-	-	91,437	55,013
Deposits, permits and other liabilities	490	643	-	-	490	643
Deferred revenue	50,339	58,519	-	-	50,339	58,519
Total Current Liabilities	641,346	617,087	61	347	641,407	617,434
Long-Term Liabilities:						
Deferred revenue	17,243	19,561	-	-	17,243	19,561
Advances from other funds	21,689	25,984	-	-	21,689	25,984
Total Liabilities	680,277	662,632	61	347	680,339	662,979
Fund Balance:						
Reserved for encumbrances	60,134	69,341	-	-	60,134	69,341
Reserved for unencumbered restricted revenue balances	203,157	242,386	-	-	203,157	242,386
Reserved for unencumbered capital outlay and work projects	399,706	238,987	-	-	399,706	238,987
Reserved for revolving funds	28,940	27,854	-	-	28,940	27,854
Reserved for construction & debt service	70,272	55,247	-	-	70,272	55,247
Reserved for noncurrent assets	28,683	29,217	-	-	28,683	29,217
Total Reserves	790,892	663,033	-	-	790,892	663,033
Unreserved	337,096	305,876	-	-	337,096	305,876
Total Fund Balances	1,127,988	968,909	-	-	1,127,988	968,909
Total Liabilities and Fund Balances	\$ 1,808,265	\$ 1,631,541	\$ 61	\$ 347	\$ 1,808,326	\$ 1,631,888

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, 2004 and 2003
 (In Thousands)

	GOVERNMENTAL FUND TYPES				TOTALS (Memorandum Only)	
	SPECIAL REVENUE		DEBT SERVICE		2004	2003
	2004	2003	2004	2003		
REVENUES						
Taxes	\$ 2,079,758	\$ 2,024,694	\$ -	\$ -	\$ 2,079,758	\$ 2,024,694
License and permits	70,893	75,217	-	-	70,893	75,217
Federal aid	941,219	866,308	-	-	941,219	866,308
Local participation	130,262	123,732	-	-	130,262	123,732
Interest earnings	13,321	16,344	-	-	13,321	16,344
Non-operating revenue-bridges	2,142	2,122	-	-	2,142	2,122
Miscellaneous revenue	43,692	48,448	-	-	43,692	48,448
Total Revenues	<u>3,281,288</u>	<u>3,156,863</u>	<u>-</u>	<u>-</u>	<u>3,281,288</u>	<u>3,156,863</u>
EXPENDITURES						
Administration and Operations:						
Administration and maintenance	403,907	379,529	-	-	403,907	379,529
Bus operating assistance grants	172,628	170,449	-	-	172,628	170,449
Other grants	1,237,611	1,135,258	-	-	1,237,611	1,135,258
Airport development	129,759	111,363	-	-	129,759	111,363
Non-operating expenditures-bridges	2,078	2,051	-	-	2,078	2,051
Trust fund construction activity	265,507	281,712	-	-	265,507	281,712
Capital lease payments	160	160	-	-	160	160
Costs of issuance	-	-	881	-	881	-
Bond principal retirement	-	-	40,220	37,875	40,220	37,875
Bond interest and fiscal charges	-	-	65,244	59,622	65,244	59,622
Total Administration and Operations	<u>2,211,650</u>	<u>2,080,521</u>	<u>106,345</u>	<u>97,497</u>	<u>2,317,995</u>	<u>2,178,018</u>
Capital Outlay:						
Roads and bridges	973,529	1,026,250	-	-	973,529	1,026,250
Other capital outlay	11,783	9,636	-	-	11,783	9,636
Total Capital Outlay	<u>985,312</u>	<u>1,035,886</u>	<u>-</u>	<u>-</u>	<u>985,312</u>	<u>1,035,886</u>
Total Expenditures	<u>3,196,962</u>	<u>3,116,407</u>	<u>106,345</u>	<u>97,497</u>	<u>3,303,307</u>	<u>3,213,904</u>
Excess of Revenues Over (Under) Expenditures	<u>84,326</u>	<u>40,457</u>	<u>(106,345)</u>	<u>(97,497)</u>	<u>(22,019)</u>	<u>(57,040)</u>
OTHER FINANCING SOURCES						
Michigan Transportation Fund distribution	871,063	808,940	-	-	871,063	808,940
Grants and transfers from other funds	175,780	186,809	105,464	97,497	281,244	284,306
Proceeds from sale of capital assets	6,903	-	-	-	6,903	-
Proceeds from bonds and notes issued	185,710	35,020	103,450	-	289,160	35,020
Premium on bonds issued	15,535	1,362	9,736	-	25,270	1,362
Total Other Financing Sources	<u>1,254,991</u>	<u>1,032,131</u>	<u>218,650</u>	<u>97,497</u>	<u>1,473,640</u>	<u>1,129,628</u>
OTHER FINANCING USES						
Michigan Transportation Fund distribution	871,063	808,940	-	-	871,063	808,940
Grants and transfers to other funds	203,710	304,251	-	-	203,711	304,251
Debt service	105,464	104,455	-	-	105,464	104,455
Payment to refunded bond escrow agent	-	-	112,305	-	112,305	-
Total Other Financing Uses	<u>1,180,237</u>	<u>1,217,647</u>	<u>112,305</u>	<u>-</u>	<u>1,292,542</u>	<u>1,217,647</u>
Excess of Other Financing Sources Over (Under) Other Financing Uses	<u>74,753</u>	<u>(185,516)</u>	<u>106,345</u>	<u>97,497</u>	<u>181,098</u>	<u>(88,019)</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	159,079	(145,059)	-	-	159,079	(145,059)
Fund balances-Beginning of fiscal year	968,909	1,113,968	-	-	968,909	1,113,968
Fund balances-End of fiscal year	<u>\$ 1,127,988</u>	<u>\$ 968,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,127,988</u>	<u>\$ 968,909</u>

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, 2004 and 2003
(In Thousands)

(Statutory/Budgetary Basis)	2004		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	
REVENUES			
Taxes	\$ 2,079,758	\$ 2,079,758	-
License and permits	70,893	70,893	-
Federal aid	724,369	724,369	-
Local participation	56,093	56,093	-
Interest earnings	9,806	9,806	-
Non-operating revenue-bridges	2,142	2,142	-
Miscellaneous revenue	43,322	43,322	-
Total Revenues	2,986,383	2,986,383	-
EXPENDITURES AND ENCUMBRANCES			
Administration and maintenance	473,933	427,931	46,003
Bus operating assistance grants	174,630	174,628	2
Other grants	1,302,808	1,243,605	59,203
Airport development	131,625	131,462	163
Non-operating expenditure-bridges	2,143	2,078	64
Total Administration and Operations	2,085,139	1,979,704	105,435
Roads and bridges	801,827	801,657	171
Other capital outlay	66,901	14,864	52,037
Total Capital Outlay	868,728	816,521	52,208
Total Expenditures and Encumbrances	2,953,867	2,796,225	157,642
Excess Revenue Over (Under) Expenditures and Encumbrances	32,515	190,158	157,642
OTHER FINANCING SOURCES			
Michigan Transportation Fund distribution	871,063	871,063	-
Grants and transfers from other funds	162,754	162,788	35
Proceeds from sale of capital assets	6,903	6,903	-
Total Other Financing Sources	1,040,720	1,040,754	35
OTHER FINANCING USES			
Michigan Transportation Fund distribution	896,795	871,063	25,732
Grants and transfers to other funds	182,289	191,310	(9,021)
Debt service	112,598	105,464	7,134
Total Other Financing Uses	1,191,681	1,167,837	23,844
Excess Other Financial Sources Over (Under) Other Financial Uses	(150,961)	(127,082)	23,879
Excess of Revenue and Other Financial Sources Over (Under) Expenditures, Encumbrances and Other Financial Uses	\$ (118,446)	\$ 63,075	\$ 181,521
RECONCILING ITEMS			
Encumbrances at September 30		60,134	
Funds not annually budgeted		35,870	
Net Reconciling Items		96,004	
Excess of Revenue and Other Financial Sources Over (Under) Expenditures and Other Financial Uses (GAAP Basis)		159,079	
FUND BALANCES (GAAP BASIS)			
Beginning balance		968,909	
Ending balances		\$ 1,127,988	

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

2003

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$	2,024,694	\$ 2,024,694	\$ -
	75,217	75,217	-
	652,702	652,702	-
	40,891	40,891	-
	10,565	10,565	-
	2,122	2,122	-
	<u>47,277</u>	<u>47,277</u>	<u>-</u>
	<u>2,853,468</u>	<u>2,853,468</u>	<u>-</u>
	439,756	402,903	36,852
	171,472	171,470	2
	1,232,777	1,165,792	66,985
	113,844	112,515	1,328
	<u>2,122</u>	<u>2,051</u>	<u>71</u>
	<u>1,959,970</u>	<u>1,854,731</u>	<u>105,239</u>
	788,290	787,491	799
	<u>66,690</u>	<u>12,209</u>	<u>54,480</u>
	<u>854,980</u>	<u>799,700</u>	<u>55,279</u>
	<u>2,814,950</u>	<u>2,654,432</u>	<u>160,518</u>
	<u>38,518</u>	<u>199,036</u>	<u>160,518</u>
	808,940	808,940	-
	175,605	175,605	-
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>984,544</u>	<u>984,544</u>	<u>-</u>
	813,014	808,940	4,074
	282,923	280,483	2,440
	<u>116,001</u>	<u>104,455</u>	<u>11,546</u>
	<u>1,211,938</u>	<u>1,193,878</u>	<u>18,060</u>
	<u>(227,393)</u>	<u>(209,334)</u>	<u>18,060</u>
\$	<u>(188,875)</u>	<u>(10,298)</u>	<u>\$ 178,578</u>
		69,341	
		<u>(204,103)</u>	
		<u>(134,762)</u>	
		<u>(145,059)</u>	
		<u>1,113,968</u>	
\$		<u>968,909</u>	

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

Note 1: Significant Accounting Policies

A. Reporting Entity

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

Special Revenue

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

Debt Service

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

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

Note 1 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2004

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

Summary financial information for the International Bridge Authority's audit periods ending December 31, 2003 & December 31, 2002 follows (in thousands):

	December 31, 2003	December 31, 2002
Assets	\$ 3,877	\$ 3,332
Liabilities	828	950
Total Equity	3,050	2,382
Total Revenues and Other Sources	5,367	4,873
Total Expenditures and Other Uses	4,699	7,485
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	668	(2,612)

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 10 of this report.

Note 1 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

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.

TOTALS (MEMORANDUM ONLY)

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

C. Basis of Accounting

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

D. Calculation Practice

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

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2004

E. Reserved Fund Balance

A comparative analysis of the State Trunkline Fund reserved fund balance at September 30, 2004 and September 30, 2003, follows (in thousands):

	FY 2004	FY 2003
Reserves:		
Capital Outlay:		
Facilities	\$ 19,925	\$ 18,932
Institutional Roads	1,112	1,064
Rail Grade Crossing	--	--
Critical Bridge	--	--
Road and Bridge	<u>355,630</u>	<u>200,951</u>
Total Capital Outlay Reserves	376,667	220,948
Encumbrances	26,915	27,009
Restricted Revenue	194,967	233,602
Work Projects	3,201	5,705
Revolving Loan Program	15,400	14,472
Construction and Debt Service	70,272	55,247
Noncurrent Assets:		
Capital Equipment Loans	20,645	21,261
Maintenance Advances	8,037	7,956
Local Unit Loans	<u>--</u>	<u>--</u>
Total Noncurrent Assets	<u>28,683</u>	<u>29,217</u>
Total Reserved Fund Balance	<u>\$ 716,104</u>	<u>\$ 586,200</u>

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

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.

In 2004 and 2003, 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. Loan repayments made in fiscal years 2004 and 2003 were \$5.0 million and \$2.5 million, respectively. 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, 2004

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, 2004 and 2003, 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, 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>2004</u>	<u>2003</u>	<u>2004*</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
State Aeronautics Fund	\$ 553	\$1,527	\$ --	\$ --	\$ 553	\$1,527
State Trunkline Fund	9	9	--	2,900	9	2,909
Comprehensive Transportation Fund	3,208	3,216	--	55	3,208	3,271
State Trunkline Bond Proceeds Fund	--	--	--	264	--	264
Transportation Related Trust Fund	--	--	--	3	--	3
Total Allowance for Doubtful Accounts	<u>\$3,770</u>	<u>\$4,752</u>	<u>\$ --</u>	<u>\$3,221</u>	<u>\$3,770</u>	<u>\$7,973</u>

* As a result of changes to the State's procedures, receivables referred to Treasury for collection will no longer be classified as a receivable with a corresponding entry to allowance for doubtful accounts, but will instead be written-off as uncollectible at the time of referral.

Note 3 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

B. Taxes Receivable

In the Michigan Transportation Fund, the net amount of current receivables, \$240.4 million and \$289.1 million, and allowances for uncollectible receivables, \$117 million and \$165.3 million, were recorded for motor fuel taxes due to the fund as of September 30, 2004 and 2003, respectively. The reporting of a gross receivable net of a related allowance for uncollectible accounts is consistent with the treatment of other taxes receivable reported in the SOMCAFR.

C. Federal Highway Administration (FHWA) Receivable

The Department recorded federal aid receivables in the State Trunkline Fund, State Trunkline Bond Proceeds Fund, and Transportation Related Trust Fund totaling \$124.1 million and \$119 million for the fiscal years ending September 30, 2004 and 2003, respectively. Of those amounts \$7.3 million and \$9.9 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, 2004.

D. Advance Construction

Under an agreement with FHWA, the Department has, over a period of years, qualified a number of construction projects without placing them under a reimbursement agreement. These deferred federal aid projects may be converted to current reimbursement at the option of the Department, provided that there are adequate federal aid allocations. The arrangement was worked out between the states and the federal government so that the states could obtain federal reimbursement not received during the construction period, in case a relatively greater amount of federal aid became available at some later date or to assist in balancing the federal aid from year to year. At the end of fiscal year 2003, the Department had \$455 million of State Trunkline expenditures on projects not under reimbursement agreement. \$182.6 million of these expenditures were placed under reimbursement agreement by the end of fiscal year 2004. The remaining \$272.4 million is included in the fiscal year 2004 amount below. At the end of fiscal year 2004, the Department had \$492.4 million of State Trunkline expenditures on projects not under reimbursement agreement.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2004

Note 4: General Long-Term Obligations

A. Revenue Dedicated Bonded 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 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 \$29.8 million and \$97.7 million, respectively. These bonds are recorded in the amounts of \$24.6 million and \$73.5 million, respectively, which are the accreted values at September 30, 2004. These bonds mature in the years 2004 to 2009, and 2006 to 2013, respectively.

Revenue Dedicated Bonded Debt
 Department of Transportation (in thousands)

	Amounts Issued	Outstanding		Maturities		Average Interest Rate %
		9/30/04	9/30/03	First Year	Last Year	
<u>MI Comprehensive Transportation:</u>						
1996 (Series A Refunding)	22,650	20,225	21,280	1998	2014	5.42
1998 (Series A Refunding)	38,640	38,640	38,640	2005	2011	4.66
2001 (Series A Refunding)	27,765	27,765	27,765	2008	2022	5.01
2002 (Series A Refunding)	89,620	67,855	78,965	2003	2011	5.06
2002 (Series B)	82,310	79,630	82,310	2004	2022	5.13
2003 (Series A)	35,020	33,540	35,020	2004	2023	3.61
<u>State Trunkline Funds:</u>						
1989 (Series A)	135,779	24,589	28,582	1994	2009	6.97
1992 (Series A & B)	353,210	73,521	69,113	2000	2013	5.66
1994 (Series A)	150,000	3,285	9,860	1996	2006	5.50
1996 (Series A)	54,500	3,410	5,695	1998	2008	5.71
1998 (Series A Refunding)	377,890	377,890	377,890	2006	2027	5.09
2001 (Series A)	308,200	197,760	302,760	2003	2031	5.27
2002 (Series A Refunding)	97,870	86,030	97,870	2004	2022	4.71
2004 (Series A Refunding)	103,450	103,450		2006	2022	4.13
2004	<u>185,710</u>	<u>185,710</u>		2008	2022	4.36
Total Revenue						
Dedicated Bonded Debt	\$ 2,062,614	\$ 1,323,299	\$ 1,175,750			

Note 4 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2004

Advance Refunding and Defeasance

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

The following table summarizes the defeased bonds outstanding at September 30, 2004 and 2003:

Summary of Refunding Transactions
 (In Millions)

<u>Bond Series</u>	<u>Amount Refunded</u>	<u>Balance with Trustee</u>	
		<u>2004</u>	<u>2003</u>
State Trunkline Fund Bonds:			
Series 1994A	123.8	123.8	120.3
Series 1996B	45.2	45.2	43.9
Series 2001A	<u>99.3</u>	<u>99.3</u>	<u>--</u>
 TOTAL	 <u>\$268.3</u>	 <u>\$268.3</u>	 <u>\$164.3</u>

Note 4 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2004

B. Revenue Dedicated Notes Payable

The Department issued Grant Anticipation Notes in fiscal years ending 2001 and 2002. The Notes have variable rates that may bear interest at a daily interest rate, a weekly rate, note interest term rate, long-term interest rate, or an ARS interest rate. The Notes are issued in accordance with the authorization provided in P.A. 51 of 1951, as amended. The principal and interest on the Notes are payable solely from and are secured by an irrevocable pledge of the State share of all federal grants received each year under the Federal-Aid Highway Program.

Revenue Dedicated Notes Payable
 Department of Transportation (in thousands)

	<u>Amounts</u> <u>Issued</u>	<u>Outstanding</u>		<u>Maturities</u>
		<u>9/30/04</u>	<u>9/30/03</u>	
2001 (Series A, B, C, D)	400,000	400,000	400,000	2008
2002 (Series A, B, C, D)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	2009
Total Revenue				
Dedicated Notes Payable	\$ 600,000	\$ 600,000	\$ 600,000	

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

C. 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).

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2004

Changes in General Long-term Obligations:

Changes in general long-term obligations (in thousands) for the fiscal year ended September 30, 2004 and 2003, are summarized as follows:

	Revenue Dedicated Debt - Oversight Entity		Capital Lease Obligations	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Bonds and Capital Lease Obligations:				
Balance - Beginning	\$ 1,175,750	\$ 1,172,582	\$ 918	\$ 1,002
New bond issues/capital lease additions and adjustments	289,160	35,020	--	--
Accretion on Capital Appreciation Bonds	4,407	6,023	--	--
Bond principal retirements/ capital lease payments and adjustments	<u>(146,018)</u>	<u>(37,875)</u>	<u>(92)</u>	<u>(84)</u>
Balance - Ending	<u>\$ 1,323,299</u>	<u>\$ 1,175,750</u>	<u>\$ 826</u>	<u>\$ 918</u>
Other Obligations:				
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Balance - Beginning	\$ 1,283	\$ 1,128	\$ 27,431	\$ 30,449
Net increase (decrease) in estimated liabilities	<u>100</u>	<u>155</u>	<u>5,471</u>	<u>(3,018)</u>
Balance - Ending	<u>\$ 1,383</u>	<u>\$ 1,283</u>	<u>\$ 32,902</u>	<u>\$ 27,431</u>

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2004

Note 5: Leases

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

Actual rental expenditures incurred under operating leases totaled \$1,264,618 and \$1,157,591 during fiscal years 2004 and 2003, respectively.

Summary of the noncancelable operating and capital leasing commitments to maturity for fiscal year 2004 follows (in thousands):

Noncancelable Lease Commitments					
Fiscal Year 2004					
Fiscal Year Ended September 30	Operating Leases	Capital Leases			Total
		Principal	Interest	Executory	Total
2005	\$ 1,777	\$ 100	\$ 60	\$ 56	\$ 216
2006	913	109	50	56	216
2007	719	120	40	56	216
2008	668	132	28	56	216
2009	144	78	18	27	124
<u>2010 - 2016</u>	<u>--</u>	<u>287</u>	<u>46</u>	<u>60</u>	<u>392</u>
Total	<u>\$ 4,222</u>	<u>\$ 826</u>	<u>\$ 241</u>	<u>\$ 311</u>	<u>\$ 1,379</u>

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

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

Note 5 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

The historical cost of assets acquired under capital leases, which are included in the government-wide statements of the SOMCAFR, at September 30, 2004 and 2003, follows (in thousands):

	<u>2004</u>	<u>2003</u>
Buildings	\$1,320	\$1,320
Equipment	—	—
TOTAL	<u>\$1,320</u>	<u>\$1,320</u>

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2004

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>2004</u>	<u>2003</u>
State Trunkline Fund	\$24,392	\$22,030
Comprehensive Transportation Fund	848	897
State Aeronautics Fund	<u>555</u>	<u>493</u>
 Total Department of Transportation Contributions	 <u>\$25,796</u>	 <u>\$23,421</u>

B. Compensated Absences

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

In 2004, the State instituted a banked leave time program whereby employees work a regular schedule, but receive pay for a reduced number of hours. The unpaid hours accrue to a banked leave time account. Employees will be compensated for the unpaid hours upon separation, death, or retirement from State service. The value of unused banked leave time hours will be contributed to the employee's State of Michigan 401(k) or 457 plan based on the hourly rate earned at the time of separation from State service.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STAMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2004

The following table summarizes Department of Transportation related compensated absences liabilities as of September 30, 2004 and 2003 (in thousands):

	<u>Sick Leave</u>		<u>Annual Leave</u>		<u>Banked Leave</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
State Trunkline Fund	\$12,815	13,715	\$13,452	\$11,601	\$4,191	\$ 0	\$30,458	\$25,316
Comprehensive Transportation Fund	548	611	530	520	162	0	1,240	1,132
State Aeronautics Fund	515	525	326	279	124	0	964	804
Blue Water Bridge	<u>88</u>	<u>91</u>	<u>110</u>	<u>88</u>	<u>41</u>	<u>0</u>	<u>239</u>	<u>179</u>
TOTAL	<u>\$13,965</u>	<u>\$14,942</u>	<u>\$14,418</u>	<u>\$12,489</u>	<u>\$4,519</u>	<u>\$ 0</u>	<u>\$32,902</u>	<u>\$27,431</u>

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

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, 2004

Note 7: Capital Assets

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

Classification: The following tables summarize, by major class of asset, fiscal year 2004 changes in reported costs for the Department's capital assets (in millions):

	Changes in Capital Assets Fiscal Year 2004				
	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
<u>Capital assets, not depreciated:</u>					
Roads	\$10,349.6	153.4	(86.3)	--	\$10,416.6
Land & Land Improvements	2,828.0	11.8	--	1.3	2,841.0
Bridges	1,214.1	135.3	(66.7)	--	1,282.7
Construction in Progress	1,099.2	275.5	(283.5)	(3.3)	1,088.0
<u>Capital assets, depreciated:</u>					
Ramps	500.9	12.8	(1.1)	--	512.7
Equipment	113.7	8.3	(7.3)	(0.1)	114.8
Buildings	127.7	2.5	--	--	130.2
Railroads	35.0	--	--	--	35.0
Rest Areas & Welcome Centers	60.1	--	--	0.1	60.2
Land Improvements	2.8	--	--	--	2.8
Airports	1.9	--	--	--	1.9
<u>Less accumulated depreciation for:</u>					
Ramps	(290.1)	(20.3)	1.1	--	(309.4)
Equipment	(83.3)	(7.0)	7.3	--	(83.0)
Buildings	(40.3)	(3.3)	--	--	(43.6)
Railroads	(19.1)	(0.9)	--	--	(20.0)
Rest Areas & Welcome Centers	(26.3)	(1.4)	--	--	(27.7)
Land Improvements	(.8)	(0.1)	--	--	(0.8)
Airports	(.4)	(0.1)	--	--	(0.4)
 Total Capital Assets	 <u>\$15,872.7</u>	 <u>\$566.5</u>	 <u>\$(436.5)</u>	 <u>\$(2.0)</u>	 <u>\$16,001.1</u>

Note 7 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

Funding Source: Following is a summary of funding sources for investments in capital assets as of September 30, 2004 (in millions):

<u>Fund</u>	<u>Investment @</u> <u>9/30/2004</u>
State Trunkline Fund	\$ 15,951.1
Comprehensive Transportation Fund	31.8
State Aeronautics Fund	<u>18.2</u>
Total Investment in Capital Assets	\$ 16,001.1

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

Note 8: Excess of Expenditures Over Appropriation

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

The Department incurred no overexpenditures in fiscal year 2004 or in fiscal year 2003.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2004

Note 9: Interfund Transfers by the Michigan Transportation Fund

Interfund transfers are reported as other financing sources and uses on our Schedule of Revenues, Expenditures, and Changes in Fund Balances.

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

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

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

Other transfers from MTF are also required by P.A. 51 of 1951, or the current year's appropriation bill. See the table below for MTF's interfund transfers in fiscal years 2004 and 2003.

<u>Interfund Transactions</u>	<u>FY 04</u>	<u>FY 03</u>
MTF Distribution – STF	\$704,709,704	\$646,616,100
MTF Distribution - CTF	166,353,223	162,323,709
Other State agencies	38,434,855	117,525,390
Debt Service	43,000,000	43,000,000
Economic Development Program	40,275,000	40,275,000
Local Road Program	33,000,000	33,000,000
Critical Bridge	7,205,620	7,155,600
Planning	6,281,351	5,523,383
Highways	2,130,592	3,136,863
Rail Grade Crossing	3,000,000	3,000,000
Railroad Safety & Tariffs	1,641,069	1,266,946
Finance and Administration	1,127,500	1,127,500
Worker's Compensation	81,500	--
Office of Information Management	<u>22,990</u>	<u>16,427</u>
 Total	 <u>\$1,047,263,405</u>	 <u>\$1,063,966,918</u>

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

Note 10: Component Unit - Mackinac Bridge Authority

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

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

The Authority repaid \$10,000,000 between fiscal years 1993 and 2003, with an additional \$250,000 repaid in fiscal year 2004, to the Michigan Transportation Fund. These repayments come directly from the revenue generated by bridge tolls and are not included as a financing use of the State Trunkline Fund. A balance of \$52,750,000 is owed to the Michigan Transportation Fund and a balance of \$12,306,172 is owed to the State Trunkline Fund.

For the fiscal year ended September 30, 2004, a current receivable of \$1,204,482.37 is recorded in the State Trunkline Fund's balance sheet as an amount due from component units for the authority's reimbursement of payroll and related expenses. An account payable due to the Department is recorded in the Authority's balance sheet.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

Note 11: Contingencies and Commitments

A. Litigation

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

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

In March 2002, the County Road Association of Michigan (CRAM) and the Chippewa County Road Commission filed a lawsuit against John A. Engler, et al concerning the provisions of Executive Order 2001-9. The lawsuit challenges the constitutionality of the reduction of funds by Executive Order that would have otherwise been spent under the Michigan Transportation Fund and the Comprehensive Transportation Fund, but, under the Executive Order would make additional funds available in the General Fund.

The case is in the appeal process.

For more information, see Note 23 of the financial statements included in the fiscal year 2004 SOMCAFR.

B. Federal Grants

Federal revenues are generally subject to review and audit by grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grant. As of September 30, 2004 and 2003, the Department estimates the disallowance of recognized revenues will not be material to the financial statements.

Note 11 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

C. Construction Projects

The Department has entered into construction contracts for transportation related special revenue funds and trust funds. As of September 30, 2004 and 2003, the balances remaining on these contracts equaled \$545.5 million and \$562.2 million, respectively. As of September 30, 2004 and 2003, the balances remaining on these contracts, less the trust fund equaled \$472.3 million and \$475.9 million, respectively. As of September 30, 2004 and 2003, the balances remaining on these contracts in the State Trunkline Fund equaled \$386.5 million and \$381.7 million, respectively.

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

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 the annual appropriation act, unencumbered balances at fiscal year end are transferred to the road and bridge construction account.

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

BLUE WATER BRIDGE FUND

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

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

COMPREHENSIVE TRANSPORTATION FUND

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

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 the annual appropriation act, any unencumbered balance lapses and reverts to the fund for appropriation in the following fiscal year.

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND

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

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

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.

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND (continued)

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.

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.

2001 BUILD MICHIGAN III BOND PROCEEDS FUND

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

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND (continued)

2001 & 2002 BUILD MICHIGAN II GRANT ANTICIPATION NOTES

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 \$400 million of state trunkline notes. The notes will be secured by a pledge of, and be payable solely from the State of Michigan's share of federal reimbursements for projects administered by the department and other eligible federal assistance that the department shall receive from the Federal Highway Administration with respect to federally-aided highway construction projects under or in accordance with Title 23 of the United States Code or any success highway program established under federal law, and the moneys in the Note Payment Fund. Proceeds of the notes will be used to provide the Department with funds to advance and accelerate the completion of the Build Michigan II highway program.

2004 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 \$185.7 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.

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND

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

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

2002 COMPREHENSIVE TRANSPORTATION FUND BOND PROCEEDS FUND

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

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND (cont.)

2003 COMPREHENSIVE TRANSPORTATION FUND BOND PROCEEDS FUND

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

TRANSPORTATION RELATED TRUST FUND

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

SPECIAL FEDERAL BRIDGE REPLACEMENT TRUST FUND

This fund was established in conjunction with the Federal Highway Act of 1970, Section 144. The fund accounts for the federal, 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
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

TRANSPORTATION RELATED TRUST FUND (continued)

METROPOLITAN PLANNING FUND

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

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2004 and 2003
 (In Thousands)

ASSETS	MICHIGAN TRANSPORTATION FUND		STATE TRUNKLINE FUND	
	2004	2003	2004	2003
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 164	21
Equity in Common Cash	81,974	186,685	-	80,579
Receivables:				
Taxes, interest, and penalties (at net)	118,843	116,895	-	-
Federal aid	-	-	84,545	77,625
Local units	-	-	21,958	24,837
Other funds and component units	106,785	-	765,962	519,992
Miscellaneous	4,639	6,892	7,848	8,486
Inventories	-	-	5,921	5,594
	<u>312,242</u>	<u>310,472</u>	<u>886,398</u>	<u>717,134</u>
Noncurrent Assets:				
Receivables:				
Taxes	1,381	1,615	-	-
Federal aid	-	-	-	-
Local units	-	-	35,881	35,672
Advances to other funds	-	-	21,689	25,984
Land contracts	-	-	1,908	3,847
Miscellaneous	-	-	-	-
	<u>1,381</u>	<u>1,615</u>	<u>59,478</u>	<u>65,503</u>
Total Noncurrent Assets	<u>1,381</u>	<u>1,615</u>	<u>59,478</u>	<u>65,503</u>
Total Assets	<u>\$ 313,623</u>	<u>\$ 312,087</u>	<u>\$ 945,877</u>	<u>\$ 782,637</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	\$ 3,549	\$ 540	\$ 12,648	\$ 26,326
Accounts payable	238,628	236,512	169,275	120,400
Contract reserve payable	-	-	9,997	7,513
Amounts due to other funds	52,475	51,641	1,689	1,095
Deposits, permits and other liabilities	-	-	490	612
Deferred revenue	17,589	21,780	13,765	13,291
	<u>312,242</u>	<u>310,472</u>	<u>207,863</u>	<u>169,237</u>
Total Current Liabilities	<u>312,242</u>	<u>310,472</u>	<u>207,863</u>	<u>169,237</u>
Long-Term Liabilities:				
Deferred revenue	1,381	1,615	14,095	15,785
Advances from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>313,623</u>	<u>312,087</u>	<u>221,959</u>	<u>185,022</u>
Fund Balances:				
Reserved for encumbrances	-	-	26,915	27,009
Reserved for unencumbered restricted revenue balances	-	-	194,967	233,602
Reserved for unencumbered capital outlay and work projects	-	-	379,868	226,653
Reserved for revolving loan programs	-	-	15,400	14,472
Reserved for construction & debt service	-	-	70,272	55,247
Reserved for noncurrent assets	-	-	28,683	29,217
	<u>-</u>	<u>-</u>	<u>28,683</u>	<u>29,217</u>
Total Reserved	<u>-</u>	<u>-</u>	<u>716,104</u>	<u>586,200</u>
Unreserved	-	-	7,814	11,415
	<u>-</u>	<u>-</u>	<u>7,814</u>	<u>11,415</u>
Total Fund Balances	<u>-</u>	<u>-</u>	<u>723,918</u>	<u>597,615</u>
Total Liabilities and Fund Balances	<u>\$ 313,623</u>	<u>\$ 312,087</u>	<u>\$ 945,877</u>	<u>\$ 782,637</u>

BLUE WATER BRIDGE FUND		COMPREHENSIVE TRANSPORTATION FUND		STATE AERONAUTICS FUND		COMBINED TRUNKLINE FUND BOND PROCEEDS FUND	
2004	2003	2004	2003	2004	2003	2004	2003
\$ 365	\$ 30	\$ 12	\$ 14	\$ -	\$ -	\$ 16	\$ -
-	18,576	41,852	56,889	19,343	14,240	250,759	203,365
-	-	-	-	752	728	-	-
-	-	8,326	8,294	24,265	37,378	3,265	7,923
-	-	905	679	18,877	7,523	774	824
20,836	-	11,612	11,427	-	-	-	-
4	20	1,333	451	43	39	13	28
-	-	-	-	-	-	-	-
<u>21,205</u>	<u>18,625</u>	<u>64,040</u>	<u>77,753</u>	<u>63,281</u>	<u>59,909</u>	<u>254,826</u>	<u>212,140</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	6,189	4,726	650	648	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,766	2,161	-	-	-	-
-	-	7,955	6,886	650	649	-	-
<u>\$ 21,205</u>	<u>\$ 18,625</u>	<u>\$ 71,995</u>	<u>\$ 84,640</u>	<u>\$ 63,931</u>	<u>\$ 60,557</u>	<u>\$ 254,826</u>	<u>\$ 212,140</u>
\$ 0	\$ 6	\$ 302	\$ 3,720	\$ 927	\$ 1,586	\$ 88	\$ 5,782
397	257	18,348	11,626	28,815	31,799	4,595	13,322
-	-	28	32	-	807	30	870
2,224	2,213	51	40	35	25	-	-
-	-	0	31	-	-	-	-
976	815	-	-	9,706	7,760	682	641
<u>3,597</u>	<u>3,291</u>	<u>18,728</u>	<u>15,449</u>	<u>39,483</u>	<u>41,977</u>	<u>5,396</u>	<u>20,616</u>
-	-	1,766	2,161	-	-	-	-
21,689	25,984	-	-	-	-	-	-
<u>25,286</u>	<u>29,275</u>	<u>20,495</u>	<u>17,610</u>	<u>39,483</u>	<u>41,977</u>	<u>5,396</u>	<u>20,616</u>
206	39	31,274	41,127	1,739	1,166	-	-
-	-	8,190	8,784	-	-	-	-
3,526	727	563	430	15,748	11,178	-	-
-	-	11,340	11,182	2,200	2,200	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,732</u>	<u>766</u>	<u>51,367</u>	<u>61,523</u>	<u>19,688</u>	<u>14,544</u>	<u>-</u>	<u>-</u>
<u>(7,814)</u>	<u>(11,415)</u>	<u>133</u>	<u>5,507</u>	<u>4,760</u>	<u>4,035</u>	<u>249,430</u>	<u>191,524</u>
<u>(4,081)</u>	<u>(10,650)</u>	<u>51,500</u>	<u>67,030</u>	<u>24,448</u>	<u>18,580</u>	<u>249,430</u>	<u>191,524</u>
<u>\$ 21,205</u>	<u>\$ 18,625</u>	<u>\$ 71,995</u>	<u>\$ 84,640</u>	<u>\$ 63,931</u>	<u>\$ 60,557</u>	<u>\$ 254,826</u>	<u>\$ 212,140</u>

ASSETS	COMBINED TRANSPORTATION BOND PROCEEDS FUND		TRANSPORTATION RELATED TRUST FUND		TOTALS	
	2004	2003	2004	2003	2004	2003
Current Assets:						
Cash and cash equivalents	\$ -	\$ -	\$ 409	\$ 85	\$ 966	\$ 151
Equity in Common Cash	85,026	106,488	-	3,669	478,953	670,490
Receivables:						
Taxes, interest, and penalties (at net)	-	-	-	-	119,596	117,623
Federal aid	-	-	36,254	33,419	156,655	164,639
Local units	-	-	14,952	17,160	57,466	51,023
Other funds and component units	-	-	-	-	905,195	531,420
Miscellaneous	-	-	169	33	14,048	15,948
Inventories	-	-	-	-	5,921	5,594
Total Current Assets	<u>85,026</u>	<u>106,488</u>	<u>51,783</u>	<u>54,366</u>	<u>1,738,801</u>	<u>1,556,888</u>
Noncurrent Assets:						
Receivables:						
Taxes	-	-	-	-	1,381	1,615
Federal aid	-	-	-	-	-	-
Local units	-	-	-	-	42,720	41,047
Bus and rail lease purchase	-	-	-	-	21,689	25,984
Land contracts	-	-	-	-	1,908	3,847
Miscellaneous	-	-	-	-	1,766	2,161
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,465</u>	<u>74,653</u>
Total Assets	<u>\$ 85,026</u>	<u>\$ 106,488</u>	<u>\$ 51,783</u>	<u>\$ 54,366</u>	<u>\$ 1,808,265</u>	<u>\$ 1,631,541</u>
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Warrants outstanding	\$ -	\$ 163	\$ 387	\$ 9,907	\$ 17,902	\$ 48,030
Accounts payable	2,208	1,516	8,563	25,638	470,829	441,069
Contract reserve payable	45	-	250	4,590	10,350	13,813
Amounts due to other funds	-	-	34,962	-	91,437	55,013
Deposits, permits and other liabilities	-	-	-	-	490	643
Deferred revenue	-	-	7,621	14,232	50,339	58,519
Total Current Liabilities	<u>2,253</u>	<u>1,679</u>	<u>51,783</u>	<u>54,366</u>	<u>641,346</u>	<u>617,087</u>
Long-Term Liabilities:						
Deferred revenue	-	-	-	-	17,243	19,561
Advances from other funds	-	-	-	-	21,689	25,984
Total Liabilities	<u>2,253</u>	<u>1,679</u>	<u>51,783</u>	<u>54,366</u>	<u>680,277</u>	<u>662,632</u>
Fund Balances:						
Reserved for encumbrances	-	-	-	-	60,134	69,341
Reserved for unencumbered restricted revenue balances	-	-	-	-	203,157	242,386
Reserved for unencumbered capital outlay and work projects	-	-	-	-	399,706	238,987
Reserved for Revolving Loan Programs	-	-	-	-	28,940	27,854
Reserved for construction & debt service	-	-	-	-	70,272	55,247
Reserved for noncurrent assets	-	-	-	-	28,683	29,217
Total Reserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>790,892</u>	<u>663,033</u>
Unreserved	<u>82,773</u>	<u>104,809</u>	<u>-</u>	<u>-</u>	<u>337,096</u>	<u>305,876</u>
Total Fund Balances	<u>82,773</u>	<u>104,809</u>	<u>-</u>	<u>-</u>	<u>1,127,988</u>	<u>968,909</u>
Total Liabilities and Fund Balances	<u>\$ 85,026</u>	<u>\$ 106,488</u>	<u>\$ 51,783</u>	<u>\$ 54,366</u>	<u>\$ 1,808,265</u>	<u>\$ 1,631,541</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
 FISCAL YEARS ENDED SEPTEMBER 30, 2004 and 2003
 (In Thousands)

	MICHIGAN TRANSPORTATION FUND		STATE TRUNKLINE FUND	
	2004	2003	2004	2003
REVENUES				
Taxes	\$ 2,007,077	\$ 1,937,851	\$ -	\$ -
License and permits	51,355	56,670	18,934	17,990
Federal aid	-	-	587,495	552,141
Local participation	-	-	38,588	28,589
Interest earnings on common cash	2,874	3,688	6,205	6,008
Non-operating revenue-bridges	-	-	2,142	2,122
Miscellaneous revenue	250	250	22,816	30,226
Total Revenues	<u>2,061,556</u>	<u>1,998,459</u>	<u>676,179</u>	<u>637,075</u>
EXPENDITURES				
Administration and Operations:				
Administration and maintenance	8,074	233	372,779	358,110
Bus operating assistance grants	-	-	-	-
Other grants	1,009,246	936,206	134,924	129,628
Airport development	-	-	-	-
Non-operating expenditures-bridges	-	-	2,078	2,051
Trust fund construction activity	-	-	-	-
Capital lease payments	-	-	160	160
Total Administration and Operations	<u>1,017,320</u>	<u>936,439</u>	<u>509,942</u>	<u>489,948</u>
Capital Outlay:				
Roads and bridges	-	-	801,086	784,433
Other capital outlay	-	-	11,783	9,636
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>812,869</u>	<u>794,069</u>
Total Expenditures	<u>1,017,320</u>	<u>936,439</u>	<u>1,322,811</u>	<u>1,284,017</u>
Excess of Revenues Over (Under) Expenditures	<u>1,044,236</u>	<u>1,062,020</u>	<u>(646,632)</u>	<u>(646,942)</u>
OTHER FINANCING SOURCES				
Michigan transportation fund distribution	-	-	704,710	646,616
Grants and transfers from other funds	3,027	1,947	148,264	146,025
Proceeds from sale of capital assets	-	-	6,903	-
Proceeds from bonds and notes issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Total Other Financing Sources	<u>3,027</u>	<u>1,947</u>	<u>859,877</u>	<u>792,641</u>
OTHER FINANCING USES				
Michigan transportation fund distribution	871,063	808,940	-	-
Grants and transfers to other funds	176,200	255,027	14,260	24,466
Debt service	-	-	72,682	80,700
Total Other Financing Uses	<u>1,047,263</u>	<u>1,063,967</u>	<u>86,942</u>	<u>105,166</u>
Excess of Other Financing Sources Over (Under) Other Financing Uses	<u>(1,044,236)</u>	<u>(1,062,020)</u>	<u>772,935</u>	<u>687,475</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	-	-	126,303	40,534
Fund balances-Beginning of fiscal year	-	-	597,615	557,081
Fund balances-End of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 723,918</u>	<u>\$ 597,615</u>

BLUE WATER BRIDGE FUND		COMPREHENSIVE TRANSPORTATION FUND		STATE AERONAUTICS FUND		COMBINED TRUNKLINE FUND BOND PROCEEDS FUND	
2004	2003	2004	2003	2004	2003	2004	2003
\$ -	\$ -	\$ 64,960	\$ 79,440	\$ 7,721	\$ 7,402	\$ -	\$ -
-	-	290	264	314	293	-	-
-	-	29,670	25,523	107,205	75,039	29,060	22,299
-	-	4	30	17,501	12,272	2,975	2,949
249	243	98	327	381	300	2,117	4,516
-	-	-	-	-	-	-	-
<u>13,706</u>	<u>12,011</u>	<u>4,766</u>	<u>3,964</u>	<u>1,784</u>	<u>826</u>	<u>363</u>	<u>1,034</u>
<u>13,955</u>	<u>12,254</u>	<u>99,787</u>	<u>109,548</u>	<u>134,906</u>	<u>96,131</u>	<u>34,514</u>	<u>30,799</u>
4,886	4,399	11,053	10,046	7,114	5,723	-	1,018
-	-	172,628	170,449	-	-	-	-
-	-	70,491	60,450	-	-	-	-
-	-	-	-	129,759	111,363	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>4,886</u>	<u>4,399</u>	<u>254,172</u>	<u>240,946</u>	<u>136,873</u>	<u>117,086</u>	<u>-</u>	<u>1,018</u>
29	2,204	-	-	-	-	172,414	239,613
-	-	-	-	-	-	-	-
<u>29</u>	<u>2,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,414</u>	<u>239,613</u>
<u>4,915</u>	<u>6,603</u>	<u>254,172</u>	<u>240,946</u>	<u>136,873</u>	<u>117,086</u>	<u>172,414</u>	<u>240,632</u>
<u>9,040</u>	<u>5,651</u>	<u>(154,385)</u>	<u>(131,398)</u>	<u>(1,968)</u>	<u>(20,954)</u>	<u>(137,900)</u>	<u>(209,833)</u>
-	-	166,353	162,324	-	-	-	-
35	-	1,788	1,405	9,674	26,228	5,948	731
-	-	-	-	-	-	-	-
-	-	-	-	-	-	185,710	-
-	-	-	-	-	-	<u>15,535</u>	<u>-</u>
<u>35</u>	<u>-</u>	<u>168,141</u>	<u>163,729</u>	<u>9,674</u>	<u>26,228</u>	<u>207,192</u>	<u>731</u>
-	-	-	-	-	-	-	-
3	3	795	382	52	605	11,386	9,545
<u>2,504</u>	<u>2,264</u>	<u>28,492</u>	<u>21,492</u>	<u>1,787</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,506</u>	<u>2,266</u>	<u>29,287</u>	<u>21,874</u>	<u>1,838</u>	<u>605</u>	<u>11,386</u>	<u>9,545</u>
<u>(2,471)</u>	<u>(2,266)</u>	<u>138,855</u>	<u>141,855</u>	<u>7,836</u>	<u>25,622</u>	<u>195,806</u>	<u>(8,814)</u>
6,568	3,385	(15,530)	10,457	5,868	4,668	57,906	(218,646)
(10,650)	(14,034)	67,030	56,573	18,580	13,912	191,524	410,171
<u>\$ (4,081)</u>	<u>\$ (10,650)</u>	<u>\$ 51,500</u>	<u>\$ 67,030</u>	<u>\$ 24,448</u>	<u>\$ 18,580</u>	<u>\$ 249,430</u>	<u>\$ 191,524</u>

	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND		TRANSPORTATION RELATED TRUST FUND		TOTALS	
	2004	2003	2004	2003	2004	2003
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,079,758	\$ 2,024,694
License and permits	-	-	-	-	70,893	75,217
Federal aid	-	-	187,790	191,306	941,219	866,308
Local participation	-	-	71,194	79,892	130,262	123,732
Interest earnings on common cash	1,162	1,262	237	-	13,321	16,344
Non-operating revenue-bridges	-	-	-	-	2,142	2,122
Miscellaneous revenue	2	12	5	125	43,692	48,448
Total Revenues	1,164	1,274	259,226	271,322	3,281,288	3,156,863
EXPENDITURES						
Administration and Operations:						
Administration and maintenance	-	-	-	-	403,907	379,529
Bus operating assistance grants	-	-	-	-	172,628	170,449
Other grants	22,950	8,973	-	-	1,237,611	1,135,258
Airport development	-	-	-	-	129,759	111,363
Non-operating expenditures-bridges	-	-	-	-	2,078	2,051
Trust fund construction activity	-	-	265,507	281,712	265,507	281,712
Capital lease payments	-	-	-	-	160	160
Total Administration and Operations	22,950	8,973	265,507	281,712	2,211,650	2,080,521
Capital Outlay:						
Roads and bridges	-	-	-	-	973,529	1,026,250
Other capital outlay	-	-	-	-	11,783	9,636
Total Capital Outlay	-	-	-	-	985,312	1,035,886
Total Expenditures	22,950	8,973	265,507	281,712	3,196,962	3,116,407
Excess of Revenues Over (Under) Expenditures	(21,785)	(7,698)	(6,281)	(10,390)	84,326	40,457
OTHER FINANCING SOURCES						
Michigan transportation fund distribution	-	-	-	-	871,063	808,940
Grants and transfers from other funds and Components	-	-	7,044	10,473	175,780	186,809
Proceeds from sale of capital assets	-	-	-	-	6,903	-
Proceeds from bonds issued	-	35,020	-	-	185,710	35,020
Premium on bond issues	-	1,362	-	-	15,535	1,362
Total Other Financing Sources	-	36,382	7,044	10,473	1,254,991	1,032,131
OTHER FINANCING USES						
Michigan transportation fund distribution	-	-	-	-	871,063	808,940
Grants and transfers to other funds and Components	251	14,140	763	83	203,710	304,251
Debt service	-	-	-	-	105,464	104,455
Total Other Financing Uses	251	14,140	763	83	1,180,237	1,217,647
Excess of Other Financing Sources Over (Under) Other Financing Uses	(251)	22,242	6,281	10,390	74,753	(185,516)
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(22,036)	14,543	-	-	159,079	(145,059)
Fund balances-Beginning of fiscal year	104,809	90,266	-	-	968,909	1,113,968
Fund balances-End of fiscal year	\$ 82,773	\$ 104,809	\$ -	\$ -	\$ 1,127,988	\$ 968,909

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, 2004
 (In Thousands)

(Statutory/Budgetary Basis)	MICHIGAN TRANSPORTATION FUND			STATE TRUNKLINE FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes	\$ 2,007,077	\$ 2,007,077	\$ -	\$ -	\$ -	\$ -
License and permits	51,355	51,355	-	18,934	18,934	-
Federal aid	-	-	-	587,495	587,495	-
Local participation	-	-	-	38,588	38,588	-
Interest earnings	2,874	2,874	-	6,205	6,205	-
Nonoperating revenue-bridges	-	-	-	2,142	2,142	-
Miscellaneous revenue	250	250	-	22,816	22,816	-
Total Revenues	<u>2,061,556</u>	<u>2,061,556</u>	<u>-</u>	<u>676,179</u>	<u>676,179</u>	<u>-</u>
EXPENDITURES AND ENCUMBRANCES						
Administration	7,966	8,074	(108)	434,980	396,434	38,546
Bus operating assistance grants	-	-	-	-	-	-
Other grants	1,009,386	1,009,246	141	181,105	134,927	46,178
Airport development	-	-	-	-	-	-
Nonoperating expenditure-bridges	-	-	-	2,143	2,078	64
Total Administration and Operations	<u>1,017,352</u>	<u>1,017,320</u>	<u>32</u>	<u>618,228</u>	<u>533,440</u>	<u>84,788</u>
Roads and bridges	-	-	-	801,593	801,422	171
Other capital outlay	-	-	-	66,901	14,864	52,037
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>868,494</u>	<u>816,286</u>	<u>52,208</u>
Total Expenditures and Encumbrances	<u>1,017,352</u>	<u>1,017,320</u>	<u>32</u>	<u>1,486,722</u>	<u>1,349,725</u>	<u>136,996</u>
Excess of Revenue Over(Under) Expenditures and Encumbrances	<u>1,044,204</u>	<u>1,044,236</u>	<u>32</u>	<u>(810,543)</u>	<u>(673,546)</u>	<u>136,996</u>
OTHER FINANCING SOURCES						
Michigan transportation fund distribution	-	-	-	704,710	704,710	-
Grants and transfers from other funds	3,027	3,027	-	148,264	148,264	-
Proceeds from sale of capital assets	-	-	-	6,903	6,903	-
Total Financing Sources	<u>3,027</u>	<u>3,027</u>	<u>-</u>	<u>859,877</u>	<u>859,877</u>	<u>-</u>
OTHER FINANCING USES						
Michigan transportation fund distribution	896,795	871,063	25,732	-	-	-
Grants and transfers to other funds	180,115	176,200	3,914	2,029	14,260	(12,231)
Debt service	-	-	-	79,587	72,682	6,905
Total Financing Uses	<u>1,076,909</u>	<u>1,047,263</u>	<u>29,646</u>	<u>81,616</u>	<u>86,942</u>	<u>(5,326)</u>
Excess Other Financial Sources Over(Under) Other Financial Uses	<u>(1,073,882)</u>	<u>(1,044,236)</u>	<u>29,646</u>	<u>778,261</u>	<u>772,935</u>	<u>(5,326)</u>
Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses	<u>\$ (29,678)</u>	<u>-</u>	<u>\$ 29,678</u>	<u>\$ (32,281)</u>	<u>99,388</u>	<u>\$ 131,670</u>
(Statutory/Budgetary Basis) Encumbrances at September 30		-			26,915	
Funds not annually budgeted		-			-	
Net Reconciling Items		<u>-</u>			<u>26,915</u>	
Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis)		<u>-</u>			<u>126,303</u>	
FUND BALANCES (GAAP BASIS)						
Beginning of fiscal year		-			597,615	
End of fiscal year		<u>\$ -</u>			<u>\$ 723,918</u>	

BLUE WATER BRIDGE FUND			COMPREHENSIVE TRANSPORTATION FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ 64,960	\$ 64,960	\$ -
-	-	-	290	290	-
-	-	-	29,670	29,670	-
-	-	-	4	4	-
249	249	-	98	98	-
-	-	-	-	-	-
<u>13,706</u>	<u>13,706</u>	<u>-</u>	<u>4,766</u>	<u>4,766</u>	<u>-</u>
<u>13,955</u>	<u>13,955</u>	<u>-</u>	<u>99,787</u>	<u>99,787</u>	<u>-</u>
10,348	4,886	5,462	12,231	11,386	845
-	-	-	174,630	174,628	2
-	-	-	112,316	99,432	12,884
-	-	-	-	-	-
-	-	-	-	-	-
<u>10,348</u>	<u>4,886</u>	<u>5,462</u>	<u>299,178</u>	<u>285,446</u>	<u>13,732</u>
235	235	-	-	-	-
-	-	-	-	-	-
<u>235</u>	<u>235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>10,583</u>	<u>5,121</u>	<u>5,462</u>	<u>299,178</u>	<u>285,446</u>	<u>13,732</u>
<u>3,372</u>	<u>8,834</u>	<u>5,462</u>	<u>(199,391)</u>	<u>(185,659)</u>	<u>13,732</u>
-	-	-	166,353	166,353	-
-	35	35	1,788	1,788	-
-	-	-	-	-	-
-	<u>35</u>	<u>35</u>	<u>168,141</u>	<u>168,141</u>	<u>-</u>
-	-	-	-	-	-
-	3	(3)	95	795	(699)
<u>2,504</u>	<u>2,504</u>	<u>-</u>	<u>28,721</u>	<u>28,492</u>	<u>229</u>
<u>2,504</u>	<u>2,506</u>	<u>(2)</u>	<u>28,816</u>	<u>29,287</u>	<u>(471)</u>
<u>(2,504)</u>	<u>(2,471)</u>	<u>32</u>	<u>139,326</u>	<u>138,855</u>	<u>(471)</u>
\$ <u>868</u>	\$ <u>6,362</u>	\$ <u>5,494</u>	\$ <u>(60,065)</u>	\$ <u>(46,804)</u>	\$ <u>13,261</u>
	206			31,274	
	-			-	
	<u>206</u>			<u>31,274</u>	
	<u>6,568</u>			<u>(15,530)</u>	
	<u>(10,650)</u>			<u>67,030</u>	
	\$ <u>(4,081)</u>			\$ <u>51,500</u>	

	STATE AERONAUTICS FUND			COMBINED TRUNKLINE FUND BOND PROCEEDS FUND
(Statutory/Budgetary Basis)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Taxes	\$ 7,721	\$ 7,721	\$ -	\$ -
License and permits	314	314	-	-
Federal aid	107,205	107,205	-	-
Local participation	17,501	17,501	-	-
Interest earnings	381	381	-	-
Nonoperating revenue-bridges	-	-	-	-
Miscellaneous revenue	1,784	1,784	-	-
Total Revenues	134,906	134,906	-	-
EXPENDITURES AND ENCUMBRANCES				
Administration	8,408	7,151	1,257	-
Bus operating assistance grants	-	-	-	-
Other grants	-	-	-	-
Airport development	131,625	131,462	163	-
Nonoperating expenditure-bridges	-	-	-	-
Total Administration and Operations	140,033	138,613	1,420	-
Roads and bridges	-	-	-	-
Other capital outlay	-	-	-	-
Total Capital Outlay	-	-	-	-
Total Expenditures and Encumbrances	140,033	138,613	1,420	-
Excess of Revenue Over(Under) Expenditures and Encumbrances	(5,127)	(3,707)	1,420	-
OTHER FINANCING SOURCES				
Michigan transportation fund distribution	-	-	-	-
Grants and transfers from other funds and components	9,674	9,674	-	-
Proceeds from sale of capital assets	-	-	-	-
Total Financing Sources	9,674	9,674,075.83	-	-
OTHER FINANCING USES				
Michigan transportation fund distribution	-	-	-	-
Grants and transfers to other funds and components	50	52	(2)	-
Debt service	1,787	1,787	-	-
Total Financing Uses	1,837	1,838	(2)	-
Excess Other Financial Sources Over(Under) Other Financial Uses	7,837	7,836	(2)	-
Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses	\$ 2,710	4,129	\$ 1,418	-
(Statutory/Budgetary Basis) Encumbrances at September 30		1,739		-
Funds not annually budgeted		-		57,906
Net Reconciling Items		1,739		57,906
Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis)		5,868		57,906
FUND BALANCES (GAAP BASIS)				
Beginning of fiscal year		18,580		191,524
End of fiscal year		\$ 24,448		\$ 249,430

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND		TRANSPORTATION RELATED TRUST FUND	TOTALS		
ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	
\$ -	\$ -	\$ 2,079,758	\$ 2,079,758	\$ -	
-	-	70,893	70,893	-	
-	-	724,369	724,369	-	
-	-	56,093	56,093	-	
-	-	9,806	9,806	-	
-	-	2,142	2,142	-	
-	-	43,322	43,322	-	
-	-	2,986,383	2,986,383	-	
-	-	473,933	427,931	46,003	
-	-	174,630	174,628	2	
-	-	1,302,808	1,243,605	59,203	
-	-	131,625	131,462	163	
-	-	2,143	2,078	64	
-	-	2,085,139	1,979,704	105,435	
-	-	801,827	801,657	171	
-	-	66,901	14,864	52,037	
-	-	868,728	816,521	52,208	
-	-	2,953,867	2,796,225	157,642	
-	-	32,515	190,158	157,642	
-	-	871,063	871,063	-	
-	-	162,754	162,788	35	
-	-	6,903	6,903	-	
-	-	1,040,720	1,040,754	35	
-	-	896,795	871,063	25,732	
-	-	182,289	191,310	(9,021)	
-	-	112,598	105,464	7,134	
-	-	1,191,681	1,167,837	23,844	
-	-	(150,961)	(127,082)	23,879	
-	-	\$ (118,446)	63,075	\$ 181,521	
-	-		60,134		
(22,036)	-		35,870		
(22,036)	-		96,004		
(22,036)	-		159,079		
104,809	-		968,909		
\$ 82,773	\$ -		\$ 1,127,988		

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, 2003
 (In Thousands)

(Statutory/Budgetary Basis)	MICHIGAN TRANSPORTATION FUND			STATE TRUNKLINE FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes	\$ 1,937,851	\$ 1,937,851	\$ -	\$ -	\$ -	\$ -
License and permits	56,670	56,670	-	17,990	17,990	-
Federal aid	-	-	-	552,141	552,141	-
Local participation	-	-	-	28,589	28,589	-
Interest earnings	3,688	3,688	-	6,008	6,008	-
Nonoperating revenue-bridges	-	-	-	2,122	2,122	-
Miscellaneous revenue	250	250	-	30,226	30,226	-
Total Revenues	1,998,459	1,998,459	-	637,075	637,075	-
EXPENDITURES AND ENCUMBRANCES						
Administration	-	233	(233)	411,382	381,800	29,582
Bus operating assistance grants	-	-	-	-	-	-
Other grants	939,576	936,206	3,370	187,015	129,679	57,336
Airport development	-	-	-	-	-	-
Nonoperating expenditure-bridges	-	-	-	2,122	2,051	71
Total Administration and Operations	939,576	936,439	3,137	600,518	513,529	86,989
Roads and bridges	-	-	-	786,086	785,287	799
Other capital outlay	-	-	-	66,690	12,209	54,480
Total Capital Outlay	-	-	-	852,776	797,497	55,279
Total Expenditures and Encumbrances	939,576	936,439	3,137	1,453,294	1,311,026	142,268
Excess of Revenue Over(Under) Expenditures and Encumbrances	<u>1,058,883</u>	<u>1,062,020</u>	<u>3,137</u>	<u>(816,219)</u>	<u>(673,951)</u>	<u>142,268</u>
OTHER FINANCING SOURCES						
Michigan transportation fund distribution	-	-	-	646,616	646,616	-
Grants and transfers from other funds	1,947	1,947	-	146,025	146,025	-
Total Financing Sources	1,947	1,947	-	792,641	792,641	-
OTHER FINANCING USES						
Michigan transportation fund distribution	813,014	808,940	4,074	-	-	-
Grants and transfers to other funds	265,849	255,027	10,822	16,016	24,466	(8,450)
Debt service	-	-	-	92,201	80,700	11,501
Total Financing Uses	1,078,863	1,063,967	14,896	108,217	105,166	3,052
Excess Other Financial Sources Over(Under) Other Financial Uses	<u>(1,076,916)</u>	<u>(1,062,020)</u>	<u>14,896</u>	<u>684,423</u>	<u>687,475</u>	<u>3,052</u>
Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses (Statutory/Budgetary Basis)	<u>\$ (18,033)</u>	<u>-</u>	<u>\$ 18,033</u>	<u>\$ (131,795)</u>	<u>13,525</u>	<u>\$ 145,320</u>
Encumbrances at September 30		-			27,009	
Funds not annually budgeted		-			-	
Net Reconciling Items		-			27,009	
Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis)		-			40,534	
FUND BALANCES (GAAP BASIS)						
Beginning of fiscal year		-			557,081	
End of fiscal year		<u>\$ -</u>			<u>\$ 597,615</u>	

BLUE WATER BRIDGE FUND			COMPREHENSIVE TRANSPORTATION FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ 79,440	\$ 79,440	\$ -
-	-	-	264	264	-
-	-	-	25,523	25,523	-
-	-	-	30	30	-
243	243	-	327	327	-
-	-	-	-	-	-
<u>12,011</u>	<u>12,011</u>	<u>-</u>	<u>3,964</u>	<u>3,964</u>	<u>-</u>
12,254	12,254	-	109,548	109,548	-
10,355	4,438	5,917	11,466	10,696	770
-	-	-	171,472	171,470	2
-	-	-	106,186	99,907	6,279
-	-	-	-	-	-
-	-	-	-	-	-
<u>10,355</u>	<u>4,438</u>	<u>5,917</u>	<u>289,124</u>	<u>282,073</u>	<u>7,051</u>
2,204	2,204	-	-	-	-
-	-	-	-	-	-
<u>2,204</u>	<u>2,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>12,558</u>	<u>6,642</u>	<u>5,917</u>	<u>289,124</u>	<u>282,073</u>	<u>7,051</u>
(305)	5,612	5,917	(179,576)	(172,525)	7,051
-	-	-	162,324	162,324	-
-	-	-	1,405	1,405	-
-	-	-	163,729	163,729	-
-	-	-	-	-	-
-	3	(3)	403	382	21
<u>2,308</u>	<u>2,264</u>	<u>45</u>	<u>21,492</u>	<u>21,492</u>	<u>-</u>
2,308	2,266	42	21,895	21,874	21
(2,308)	(2,266)	42	141,834	141,855	21
\$ <u>(2,613)</u>	<u>3,345</u>	\$ <u>5,958</u>	\$ <u>(37,742)</u>	<u>(30,670)</u>	\$ <u>7,072</u>
	39			41,127	
	-			-	
	<u>39</u>			<u>41,127</u>	
	3,385			10,457	
	(14,034)			56,573	
\$ <u>(10,650)</u>			\$ <u>(37,742)</u>	<u>67,030</u>	

	STATE AERONAUTICS FUND			COMBINED TRUNKLINE FUND BOND PROCEEDS FUND
(Statutory/Budgetary Basis)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Taxes	\$ 7,402	\$ 7,402	\$ -	\$ -
License and permits	293	293	-	-
Federal aid	75,039	75,039	-	-
Local participation	12,272	12,272	-	-
Interest earnings	300	300	-	-
Nonoperating revenue-bridges	-	-	-	-
Miscellaneous revenue	826	826	-	-
Total Revenues	96,131	96,131	-	-
EXPENDITURES AND ENCUMBRANCES				
Administration	6,553	5,737	817	-
Bus operating assistance grants	-	-	-	-
Other grants	-	-	-	-
Airport development	113,844	112,515	1,328	-
Nonoperating expenditure-bridges	-	-	-	-
Total Administration and Operations	120,397	118,252	2,145	-
Roads and bridges	-	-	-	-
Other capital outlay	-	-	-	-
Total Capital Outlay	-	-	-	-
Total Expenditures and Encumbrances	120,397	118,252	2,145	-
Excess of Revenue Over(Under) Expenditures and Encumbrances	(24,265)	(22,120)	2,145	-
OTHER FINANCING SOURCES				
Michigan transportation fund distribution	-	-	-	-
Grants and transfers from other funds and components	26,228	26,228	-	-
Total Financing Sources	26,228	26,228	-	-
OTHER FINANCING USES				
Michigan transportation fund distribution	-	-	-	-
Grants and transfers to other funds and components	655	605	49	-
Debt service	-	-	-	-
Total Financing Uses	655	605	49	-
Excess Other Financial Sources Over(Under) Other Financial Uses	25,573	25,622	49	-
Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses (Statutory/Budgetary Basis)	\$ 1,308	3,502	\$ 2,194	-
Encumbrances at September 30		1,166		-
Funds not annually budgeted		-		(218,646)
Net Reconciling Items		1,166		(218,646)
Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis)		4,668		(218,646)
FUND BALANCES (GAAP BASIS)				
Beginning of fiscal year		13,912		410,171
End of fiscal year		\$ 18,580		\$ 191,524

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND		TRANSPORTATION RELATED TRUST FUND	TOTALS		
ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	
\$ -	\$ -	\$ 2,024,694	\$ 2,024,694	\$ -	
-	-	75,217	75,217	-	
-	-	652,702	652,702	-	
-	-	40,891	40,891	-	
-	-	10,565	10,565	-	
-	-	2,122	2,122	-	
-	-	47,277	47,277	-	
-	-	<u>2,853,468</u>	<u>2,853,468</u>	-	
-	-	439,756	402,903	36,852	
-	-	171,472	171,470	2	
-	-	1,232,777	1,165,792	66,985	
-	-	113,844	112,515	1,328	
-	-	2,122	2,051	71	
-	-	<u>1,959,970</u>	<u>1,854,731</u>	<u>105,239</u>	
-	-	788,290	787,491	799	
-	-	66,690	12,209	54,480	
-	-	854,980	799,700	55,279	
-	-	<u>2,814,950</u>	<u>2,654,432</u>	<u>160,518</u>	
-	-	38,518	199,036	160,518	
-	-	808,940	808,940	-	
-	-	175,605	175,605	-	
-	-	984,544	984,544	-	
-	-	813,014	808,940	4,074	
-	-	282,923	280,483	2,440	
-	-	116,001	104,455	11,546	
-	-	<u>1,211,938</u>	<u>1,193,878</u>	<u>18,060</u>	
-	-	(227,393)	(209,334)	18,060	
-	-	<u>\$ (188,875)</u>	<u>(10,298)</u>	<u>\$ 178,578</u>	
-	-		69,341		
14,543	-		(204,103)		
14,543	-		(134,762)		
14,543	-		(145,059)		
90,266	-		1,113,968		
\$ <u>104,809</u>	\$ <u>-</u>		\$ <u>968,909</u>		

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF DEBT SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

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. 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. All subsequent State Trunkline Fund related bond issues are accounted for in this fund.

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. The funds merged include the Comprehensive Transportation Bond and Interest Redemption Fund, and the 1986 Comprehensive Transportation Refunding Bond and Interest Redemption Fund. All subsequent Comprehensive Transportation Fund related bond issues are accounted for in this 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, 2004 and 2003
 (In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND		COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND		TOTALS	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	ASSETS					
Current Assets:						
Equity in Common Cash	\$ 61	\$ 347	\$ -	\$ -	\$ 61	\$ 347
Amounts due from other funds	-	-	-	-	-	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 61</u>	<u>\$ 347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61</u>	<u>\$ 347</u>
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Warrants Outstanding	\$ -	\$ 321	\$ -	\$ -	\$ -	\$ 321
Accounts payable and other liabilities	61	26	-	-	61	26
Amounts due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>61</u>	<u>347</u>	<u>-</u>	<u>-</u>	<u>61</u>	<u>347</u>
Fund Balances:						
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 61</u>	<u>\$ 347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61</u>	<u>\$ 347</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION
SCHEDULE OF REVENUES AND EXPENDITURES
SPECIAL REVENUE FUNDS
LAST TEN YEARS
 SEPTEMBER 30, 2004
 (In Thousands)

	<u>1994-1995</u>	<u>1995-1996</u>	<u>1996-1997</u>	<u>1997-1998</u>
REVENUES AND OTHER SOURCES:				
Michigan Transportation Fund	\$ 1,361,993	\$ 1,402,386	\$ 1,531,558	\$ 1,760,457
State Trunkline Fund				
Economic Development	132,328	111,438	100,715	100,287
Traditional Program	664,417	704,757	924,447	1,155,026
Blue Water Bridge Fund	529	1,386	536	10,580
Comprehensive Transportation Fund	215,001	219,502	228,497	226,155
Aeronautics Fund	76,468	94,190	91,272	70,615
Transportation Related Trust Fund	-	-	-	-
1989 State Trunkline Bond Proceeds Fund	-	2,381	324	253
1992 State Trunkline Bond Proceeds Fund	159,098	64,312	35,622	18,373
1992 State Trunkline Critical Bridge Bond Proceeds Fund	433	132	111	104
1992 Comprehensive Transportation Bond Proceeds Fund	1,446	-	1,064	900
1994 State Trunkline Bond Proceeds Fund	88,044	149,869	103,710	40,051
1996 State Trunkline Bond Proceeds Fund	-	-	56,391	2,079
2001 Build Michigan III Bond Proceeds	-	-	-	-
2001 & 2002 Build Michigan II Grant Anticipation Note Proceeds	-	-	-	-
2002 & 2003 Comprehensive Transportation Bond Proceeds Fund	-	-	-	-
2004 State Trunkline Bond Proceeds	-	-	-	-
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 2,699,757</u>	<u>\$ 2,750,353</u>	<u>\$ 3,074,247</u>	<u>\$ 3,384,879</u>
EXPENDITURES AND OTHER USES:				
Michigan Transportation Fund	\$ 1,361,993	\$ 1,402,385	\$ 1,531,558	\$ 1,760,457
State Trunkline Fund				
Economic Development	127,426	145,609	124,129	109,345
Traditional Program	639,036	641,136	879,185	1,089,716
Blue Water Bridge Fund	7,998	30,001	-	5,271
Comprehensive Transportation Fund	179,070	199,578	223,501	267,159
Aeronautics Fund	79,254	92,574	83,243	71,914
Transportation Related Trust Fund	-	-	-	-
1989 State Trunkline Bond Proceeds Fund	1,796	4,405	1,066	1,519
1992 State Trunkline Bond Proceeds Fund	217,576	73,640	43,521	23,027
1992 State Trunkline Critical Bridge Bond Proceeds Fund	10,539	4,094	157	580
1992 Comprehensive Transportation Bond Proceeds Fund	3,743	-	6,569	3,545
1994 State Trunkline Bond Proceeds Fund	140,602	198,243	119,378	52,368
1996 State Trunkline Bond Proceeds Fund	-	-	12,695	19,862
2001 Build Michigan III Bond Proceeds	-	-	-	-
2001 & 2002 Build Michigan II Grant Anticipation Note Proceeds	-	-	-	-
2002 & 2003 Comprehensive Transportation Bond Proceeds Fund	-	-	-	-
2004 State Trunkline Bond Proceeds	-	-	-	-
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 2,769,033</u>	<u>\$ 2,791,664</u>	<u>\$ 3,025,002</u>	<u>\$ 3,404,762</u>

<u>1998-1999</u>	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>
\$ 1,844,829	\$ 1,892,570	\$ 1,913,540	\$ 1,974,234	\$ 2,000,406	\$ 2,064,583
114,030	109,260	113,111	114,264	111,868	106,607
1,251,440	1,537,389	1,439,365	1,367,935	1,317,848	1,429,449
11,454	16,535	12,493	11,478	12,254	13,989
243,990	249,647	270,656	270,695	273,277	267,928
74,229	93,818	133,811	155,619	122,359	144,580
-	224,680	244,625	277,726	281,796	266,271
5,508	3,514	112	41	719	152
12,288	15,312	11,914	5,087	2,168	2,419
76	85	13	2	-	-
1,985	730	609	104	15	-
10,615	6,984	3,110	486	918	71
(119)	9	3	154	-	-
-	-	330,576	49,090	14,684	27,691
-	-	410,848	218,262	13,040	9,477
-	-	-	89,179	37,641	1,164
-	-	-	-	-	201,896
<u>\$ 3,570,324</u>	<u>\$ 4,150,531</u>	<u>\$ 4,884,786</u>	<u>\$ 4,534,356</u>	<u>\$ 4,188,993</u>	<u>\$ 4,536,277</u>

\$ 1,844,829	\$ 1,892,570	\$ 1,913,540	\$ 1,974,234	\$ 2,000,406	\$ 2,064,583
115,337	87,927	108,988	109,955	102,399	121,527
1,363,640	1,493,359	1,385,715	1,277,342	1,286,783	1,288,226
5,220	7,728	12,482	10,326	8,869	7,421
237,021	241,984	281,121	288,324	262,820	283,459
99,057	90,195	131,899	159,609	117,691	138,712
-	224,680	244,625	277,726	281,796	266,271
3,126	1,582	132	314	625	1,271
16,050	18,886	12,667	5,970	2,194	5,495
242	1,123	1	262	-	-
2,395	1,013	5,176	5,474	1,773	-
14,228	8,281	3,688	520	1,164	3,997
23,776	2,257	(74)	-	-	-
-	-	75,734	113,740	76,606	51,124
-	-	164,805	259,282	169,588	58,497
-	-	-	671	21,340	23,201
-	-	-	-	-	63,416
<u>\$ 3,724,921</u>	<u>\$ 4,071,584</u>	<u>\$ 4,340,498</u>	<u>\$ 4,483,749</u>	<u>\$ 4,334,054</u>	<u>\$ 4,377,200</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ECONOMIC DEVELOPMENT FUND
 FISCAL YEARS ENDED SEPTEMBER 30, 2004 and 2003
 (In Thousands)

	2004	2003
REVENUES AND OTHER SOURCES		
Licenses and permits	\$ 13,607	\$ 12,953
Federal aid	36,535	42,100
Local participation	14,700	14,639
Interest earnings	1,491	1,628
Michigan Transportation Fund distribution	40,275	40,275
Miscellaneous	-	129
Operating Transfers In	-	143
	<u>106,607</u>	<u>111,868</u>
EXPENDITURES AND OTHER USES		
Administration	536	706
Forest roads	5,029	5,008
Target industries-state takeovers	27,899	10,350
Rural county urban system	4,145	3,497
Urban county congestion	34,416	32,742
Rural county primary	34,742	39,142
Debt service	14,761	10,954
	<u>121,527</u>	<u>102,399</u>
Total Expenditures and Other Uses		
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>(14,920)</u>	<u>9,469</u>
Fund Balances-Beginning of fiscal year	101,584	92,115
Fund Balances-End of fiscal year	<u>\$ 86,664</u>	<u>\$ 101,584</u>

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

MICHIGAN DEPARTMENT OF TRANSPORTATION
SCHEDULE OF DEBT SERVICE REQUIREMENTS ON THE OUTSTANDING BONDS AND NOTES
STATE TRUNKLINE FUND AND COMPREHENSIVE TRANSPORTATION FUND
 SEPTEMBER 30, 2004
 (In Thousands)

Bonds*

FISCAL YEARS ENDING SEPTEMBER 30	STATE TRUNKLINE FUND			COMPREHENSIVE TRANSPORTATION FUND			COMBINED TOTAL		
	PRINCIPLE	INTEREST	TOTAL	PRINCIPLE	INTEREST	TOTAL	PRINCIPLE	INTEREST	TOTAL
2005	28,925	47,749	76,674	17,790	13,376	31,166	46,715	61,125	107,840
2006	29,835	47,075	76,910	19,155	12,457	31,612	48,990	59,532	108,522
2007	30,385	46,473	76,858	20,075	11,538	31,613	50,460	58,011	108,471
2008	42,970	45,812	88,782	21,170	10,493	31,663	64,140	56,305	120,445
2009	44,150	44,618	88,768	22,215	9,452	31,667	66,365	54,070	120,435
2010	45,515	43,252	88,767	23,445	8,218	31,663	68,960	51,470	120,430
2011	47,115	41,669	88,784	24,655	7,004	31,659	71,770	48,673	120,443
2012	48,815	39,975	88,790	12,195	6,016	18,211	61,010	45,991	107,001
2013	50,625	38,153	88,778	12,790	5,394	18,184	63,415	43,547	106,962
2014	52,915	35,863	88,778	13,435	4,736	18,171	66,350	40,599	106,949
2015	55,710	33,073	88,783	8,170	4,045	12,215	63,880	37,118	100,998
2016	58,685	30,093	88,778	8,580	3,631	12,211	67,265	33,724	100,989
2017	61,805	26,972	88,777	9,020	3,196	12,216	70,825	30,168	100,993
2018	65,115	23,659	88,774	9,470	2,738	12,208	74,585	26,396	100,981
2019	68,610	20,164	88,774	9,950	2,257	12,207	78,560	22,421	100,981
2020	51,270	16,618	67,888	10,470	1,742	12,212	61,740	18,360	80,100
2021	53,860	14,040	67,900	11,010	1,206	12,216	64,870	15,246	80,116
2022	56,625	11,271	67,896	11,570	642	12,212	68,195	11,914	80,109
2023	25,335	9,197	34,532	2,490	118	2,608	27,825	9,315	37,140
2024	26,645	7,897	34,542	-	-	-	26,645	7,897	34,542
2025	28,010	6,531	34,541	-	-	-	28,010	6,531	34,541
2026	18,785	5,361	24,146	-	-	-	18,785	5,361	24,146
2027	19,770	4,377	24,147	-	-	-	19,770	4,377	24,147
2028	16,970	3,417	20,387	-	-	-	16,970	3,417	20,387
2029	17,885	2,502	20,387	-	-	-	17,885	2,502	20,387
2030	18,850	1,538	20,388	-	-	-	18,850	1,538	20,388
2031	19,870	522	20,392	-	-	-	19,870	522	20,392
TOTAL	\$ 1,085,050	\$ 647,871	\$ 1,732,921	\$ 267,655	\$ 108,258	\$ 375,913	\$ 1,352,705	\$ 756,129	\$ 2,108,834

Notes

FISCAL YEARS ENDING SEPTEMBER 30	PRINCIPLE	INTEREST**	TOTAL	PRINCIPLE	INTEREST	TOTAL	PRINCIPLE	INTEREST	TOTAL
2005	20,000	24,000	44,000	-	-	-	20,000	24,000	44,000
2006	80,000	23,200	103,200	-	-	-	80,000	23,200	103,200
2007	140,000	20,000	160,000	-	-	-	140,000	20,000	160,000
2008	160,000	14,400	174,400	-	-	-	160,000	14,400	174,400
2009	200,000	8,000	208,000	-	-	-	200,000	8,000	208,000
Total	\$ 600,000	\$ 89,600	\$ 689,600	\$ -	\$ -	\$ -	\$ 600,000	\$ 89,600	\$ 689,600

* The debt service schedule has been modified this fiscal year to present the bonds at their accreted value.

** Interest payments are estimated at 4%

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

FISCAL YEAR ENDED SEPTEMBER 30, 2004
(In Thousands)

	Totals	Preliminary Engineering	Right-of-Way
STATE TRUNKLINE FUND			
Roads and bridges	\$ 801,257	\$ 111,346	\$ 19,661
Economic development fund	106,230	1,702	3,469
Work orders - state facilities	7,243	-	-
Subtotal	914,731	113,049	23,131
BLUE WATER BRIDGE FUND			
	29	-	(2)
Subtotal	29	-	(2)
STATE AERONAUTICS AND GENERAL FUNDS			
Airport development	133,158	21,845	9,259
Subtotal	133,158	21,845	9,259
COMPREHENSIVE TRANSPORTATION FUND			
Rail freight	8,859	-	-
Bus transit	33,884	-	-
Intercity bus, rail, water	5,478	-	-
Subtotal	48,220	-	-
BOND FUNDS			
1989 State Trunkline	1,271	1,241	-
1992 State Trunkline	5,495	1,333	111
1992 Comprehensive Transportation	-	-	-
1994 State Trunkline	3,997	(32)	3
1996 State Trunkline	-	-	-
2001 State Trunkline BM3	114,540	9,830	2,171
2001 & 2002 State Trunkline BM2	58,497	-	-
2002 & 2003 Comprehensive Transportation	23,201	1,206	17
Subtotal	207,001	13,579	2,303
Total Capital Acquisitions	\$ 1,303,139	\$ 148,472	\$ 34,691

<u>Utility Relocation</u>	<u>Physical Construction</u>	<u>Construction Supervision</u>	<u>Special Projects</u>	<u>Other Activities</u>
\$ 1,608	\$ 634,672	\$ 58,246	\$ 53	\$ (24,330)
-	80,944	1,496	-	18,618
-	-	-	-	7,243
<u>1,608</u>	<u>715,616</u>	<u>59,743</u>	<u>53</u>	<u>1,531</u>
-	-	11	-	19
-	-	11	-	19
-	92,112	4,841	-	5,101
-	92,112	4,841	-	5,101
-	-	-	-	8,859
-	-	-	-	33,884
-	-	-	-	5,478
-	-	-	-	48,220
-	0	-	-	30
-	4,045	(2)	-	7
-	-	-	-	-
-	3,545	470	-	11
-	-	-	-	-
-	90,625	7,613	-	4,301
-	25,563	3,392	-	29,541
-	14,260	728	-	6,989
-	138,038	12,202	-	40,880
<u>\$ 1,608</u>	<u>\$ 945,766</u>	<u>\$ 76,797</u>	<u>\$ 53</u>	<u>\$ 95,751</u>

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

FISCAL YEAR ENDED SEPTEMBER 30, 2003
(In Thousands)

	Totals	Preliminary Engineering	Right-of-Way
STATE TRUNKLINE FUND			
Roads and bridges	\$ 801,529	\$ 104,837	\$ 30,779
Economic development fund	90,740	311	679
Work orders - state facilities	9,633	-	-
Subtotal	901,901	105,148	31,458
BLUE WATER BRIDGE FUND			
	2,204	-	-
Subtotal	2,204	-	-
STATE AERONAUTICS AND GENERAL FUNDS			
Airport development	111,298	12,567	10,195
Subtotal	111,298	12,567	10,195
COMPREHENSIVE TRANSPORTATION FUND			
Rail freight	5,885	-	-
Bus transit	28,734	-	-
Intercity bus, rail, water	7,815	-	-
Subtotal	42,434	-	-
BOND FUNDS			
1989 State Trunkline	625	517	-
1992 State Trunkline	2,194	1,668	329
1992 Comprehensive Transportation	385	-	-
1994 State Trunkline	1,164	12	324
1996 State Trunkline	-	-	-
2001 State Trunkline BM3	76,606	11,588	7,178
2001 & 2002 State Trunkline BM2	169,588	-	-
2002 & 2003 Comprehensive Transportation	21,340	309	2
Subtotal	271,901	14,093	7,833
Total Capital Acquisitions	\$ 1,329,738	\$ 131,808	\$ 49,486

<u>Utility Relocation</u>	<u>Physical Construction</u>	<u>Construction Supervision</u>	<u>Special Projects</u>	<u>Other Activities</u>
\$ 951	\$ 599,889	\$ 49,677	\$ 239	\$ 15,156
-	80,673	806	-	8,272
-	-	-	-	9,633
<u>951</u>	<u>680,562</u>	<u>50,482</u>	<u>239</u>	<u>33,061</u>
-	-	-	-	2,204
-	-	-	-	2,204
-	124,273	13,447	-	(49,184)
-	124,273	13,447	-	(49,184)
-	-	-	-	5,885
-	-	-	-	28,734
-	-	-	-	7,815
-	-	-	-	42,434
-	-	-	-	108
81	56	56	-	4
-	217	-	-	168
-	366	318	-	144
-	-	-	-	-
-	76,733	4,593	-	(23,485)
-	116,862	12,765	-	39,961
-	5,958	21	-	15,049
<u>81</u>	<u>200,192</u>	<u>17,753</u>	<u>-</u>	<u>31,949</u>
<u>\$ 1,032</u>	<u>\$ 1,005,027</u>	<u>\$ 81,682</u>	<u>\$ 239</u>	<u>\$ 60,464</u>

Michigan Department of Transportation
Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2004
(In Thousands)

Grantor Agency/ Federal Assistance Program Title	CFDA Program Number	Pass Through Entity	Pass- Through Entity Identification Number	Directly Expended by Department 2004	Distributed To Sub- Recipients 2004	Total Expended and Distributed 2004
Federal Highway Administration:						
Highway Planning and Construction	20.205			\$ 770,229	\$ 39,704	\$ 809,932
Total Federal Highway Administration				\$ 770,229	\$ 39,704	\$ 809,932
Federal Motor Carrier Safety Administration:						
National Motor Carrier Safety	20.218	State Police	97-0066	\$ 115	-	\$ 115
Total Federal Motor Carrier Safety Administration				\$ 115	-	\$ 115
Federal Aviation Administration:						
Airport Improvement Program	20.106			\$ 56,996	\$ 51,433	\$ 108,429
Total Federal Aviation Administration				\$ 56,996	\$ 51,433	\$ 108,429
Federal Railroad Administration:						
Next Generation High Speed Rail Program	20.312			\$ 949	-	\$ 949
Total Federal Railroad Administration				\$ 949	-	\$ 949
Federal Transit Administration:						
Section 5309 - Capital Investment Grants	20.500			\$ 185	\$ 14,618	\$ 14,803
Section 5311 - Public Transportation for Non-Urbanized Areas/Operating	20.509			-	6,883	6,883
Section 5311 - Public Transportation for Non-Urbanized Areas/Capital	20.509			987	2,638	3,625
Section 5303 - Metropolitan Planning Grants	20.505			4	1,865	1,869
Section 5307 - Urbanized Area Formula Program	20.507			-	-	-
Section 5310 - Elderly and Persons with Disabilities Program	20.513			-	2,677	2,677
Section 5313(b) - State Planning and Research Program	20.515			98	298	397
Section 3037 - Job Access and Reverse Commute Program	20.516			-	265	265
Total Federal Transit Administration				\$ 1,274	\$ 29,244	\$ 30,518
DEPARTMENT TOTAL				\$ 829,563	\$ 120,381	\$ 949,944

Michigan Department of Transportation
Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2003
(In Thousands)

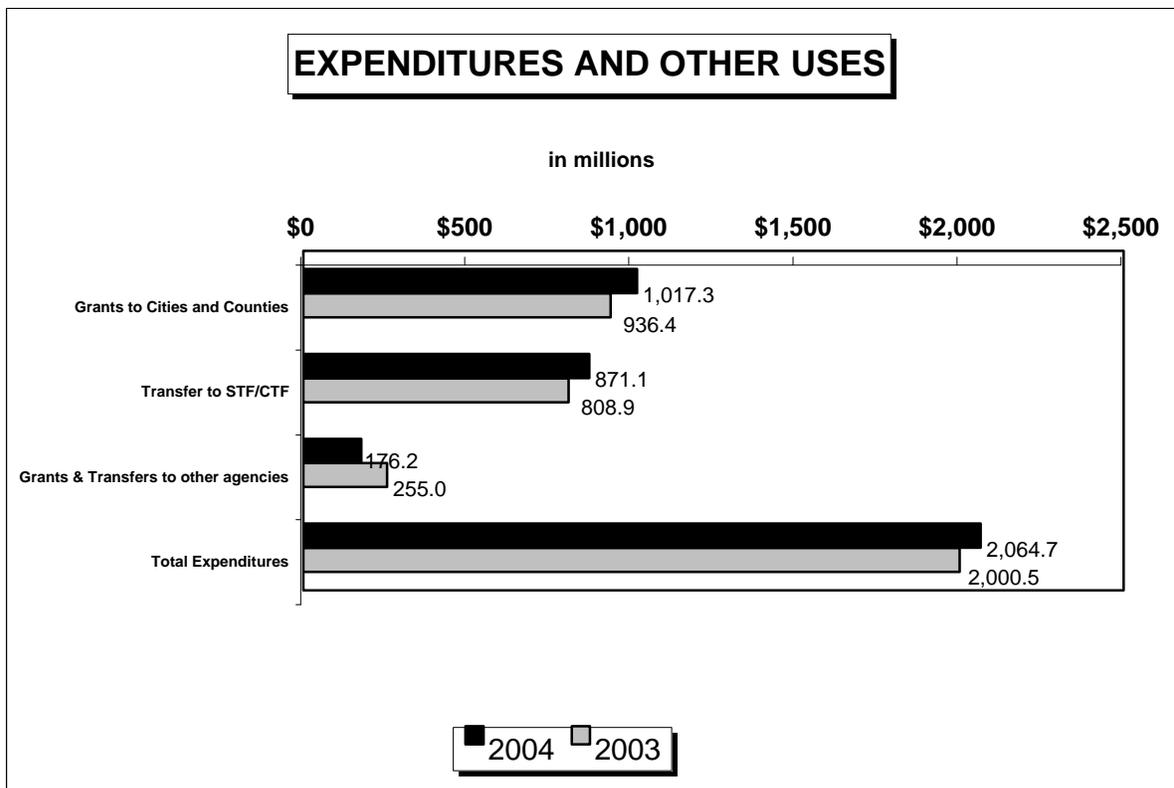
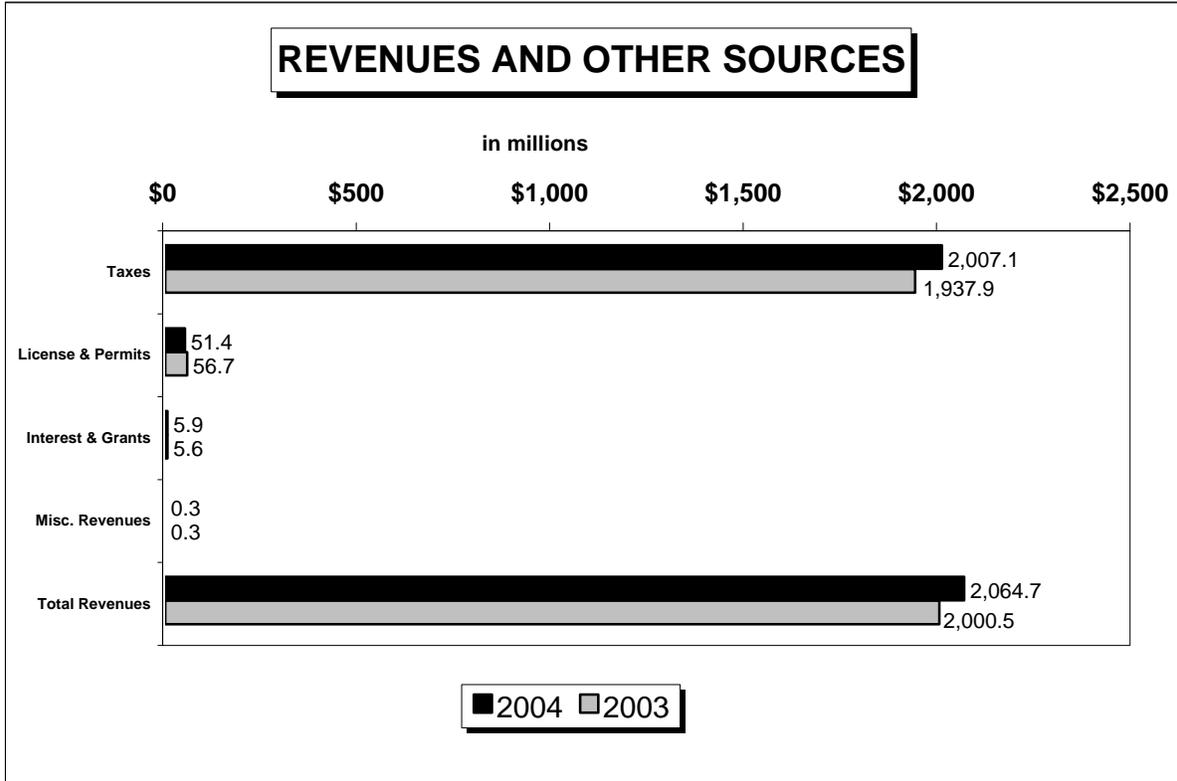
Grantor Agency/ Federal Assistance Program Title	CFDA Program Number	Pass Through Entity	Pass- Through Entity Identification Number	Directly Expended by Department 2003	Distributed To Sub- Recipients 2003	Total Expended and Distributed 2003
Federal Highway Administration:						
Highway Planning and Construction	20.205			\$ <u>726,372</u>	\$ <u>39,751</u>	\$ <u>766,124</u>
Total Federal Highway Administration				\$ <u>726,372</u>	\$ <u>39,751</u>	\$ <u>766,124</u>
Federal Motor Carrier Safety Administration:						
National Motor Carrier Safety	20.218	State Police	97-0066	\$ <u>114</u>	\$ <u>-</u>	\$ <u>114</u>
Total Federal Motor Carrier Safety Administration				\$ <u>114</u>	\$ <u>-</u>	\$ <u>114</u>
Federal Aviation Administration:						
Airport Improvement Program	20.106			\$ <u>50,674</u>	\$ <u>24,281</u>	\$ <u>74,955</u>
Total Federal Aviation Administration				\$ <u>50,674</u>	\$ <u>24,281</u>	\$ <u>74,955</u>
Federal Railroad Administration:						
Next Generation High Speed Rail Program	20.312			\$ <u>2,426</u>	\$ <u>-</u>	\$ <u>2,426</u>
Total Federal Railroad Administration				\$ <u>2,426</u>	\$ <u>-</u>	\$ <u>2,426</u>
Federal Transit Administration:						
Section 5309 - Capital Investment Grants	20.500			\$ <u>231</u>	\$ <u>9,347</u>	\$ <u>9,578</u>
Section 5311 - Public Transportation for Non-Urbanized Areas/Operating	20.509			331	6,482	6,813
Section 5311 - Public Transportation for Non-Urbanized Areas/Capital	20.509			1,428	2,229	3,657
Section 5303 - Metropolitan Planning Grants	20.505			-	1,814	1,814
Section 5307 - Urbanized Area Formula Program	20.507			-	-	-
Section 5310 - Elderly and Persons with Disabilities Program	20.513			134	1,943	2,077
Section 5313(b) - State Planning and Research Program	20.515			(10)	308	298
Section 3037 - Job Access and Reverse Commuter Program	20.516			<u>(63)</u>	<u>657</u>	<u>595</u>
Total Federal Transit Administration				\$ <u>2,051</u>	\$ <u>22,780</u>	\$ <u>24,831</u>
DEPARTMENT TOTAL				\$ <u><u>781,637</u></u>	\$ <u><u>86,813</u></u>	\$ <u><u>868,450</u></u>

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEARS ENDED SEPTEMBER 30, 2004 AND 2003

- (A) The Department changed the format of the Schedule of Expenditures of Federal Awards (SEFA) to be consistent with the reporting model provided by the State of Michigan.
- (B) Amounts reported for the fiscal year ended September 30, 2003 were restated in FY 2004. Previously, expenditures reported under the Federal Transit Administration were reported under incorrect CFDA program numbers.
- (C) The Department's method of reporting accrued expenditures was revised in FY04. Previously, all accrued expenditures were reported as directly expended by the Department. The Department will now determine if accrued expenditures should be reported as directly expended or distributions to sub-recipients on an individual basis. The amounts reported for fiscal year ended September 30, 2003 were not restated to reflect this change.

MICHIGAN DEPARTMENT OF TRANSPORTATION MICHIGAN TRANSPORTATION FUND GRAPHICS

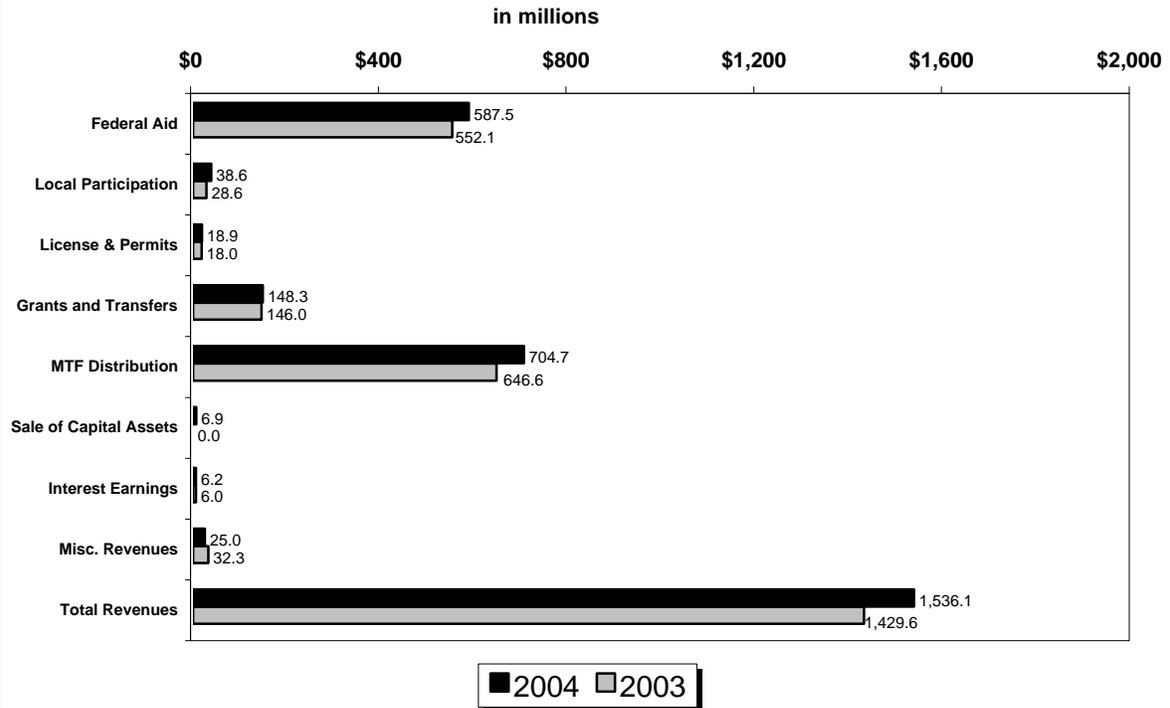
FISCAL YEARS ENDED SEPTEMBER 30, 2004 AND 2003



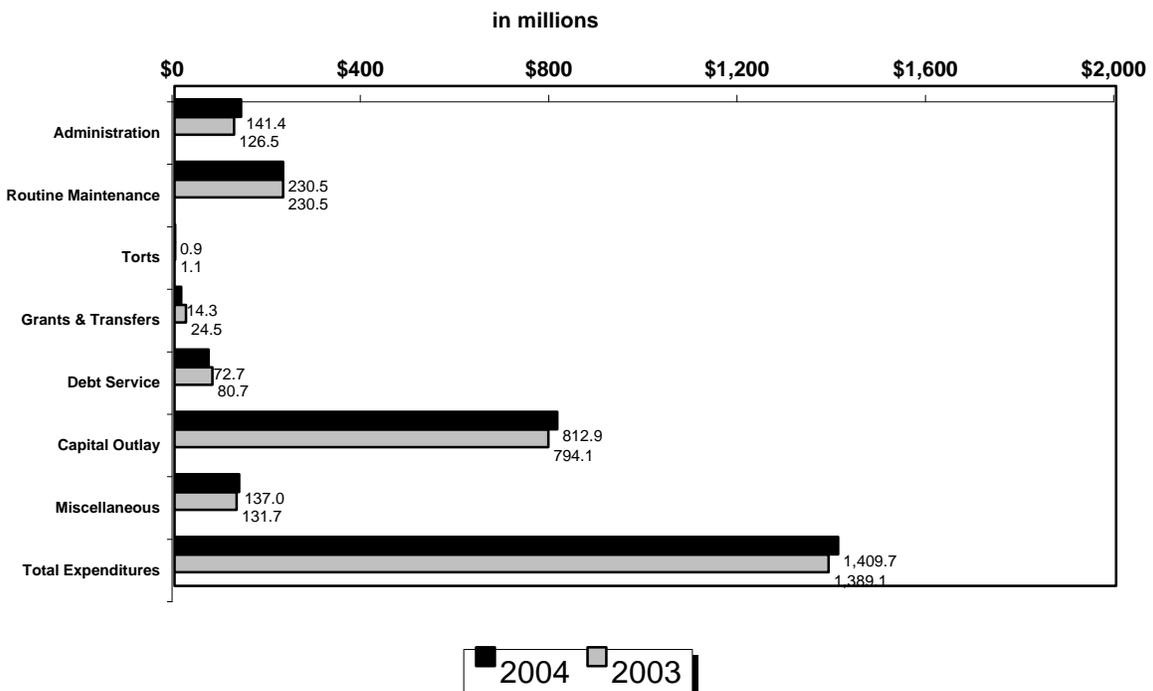
MICHIGAN DEPARTMENT OF TRANSPORTATION STATE TRUNKLINE FUND GRAPHICS

Includes Economic Development Fund
FISCAL YEARS ENDED SEPTEMBER 30, 2004 AND 2003

REVENUES AND OTHER SOURCES

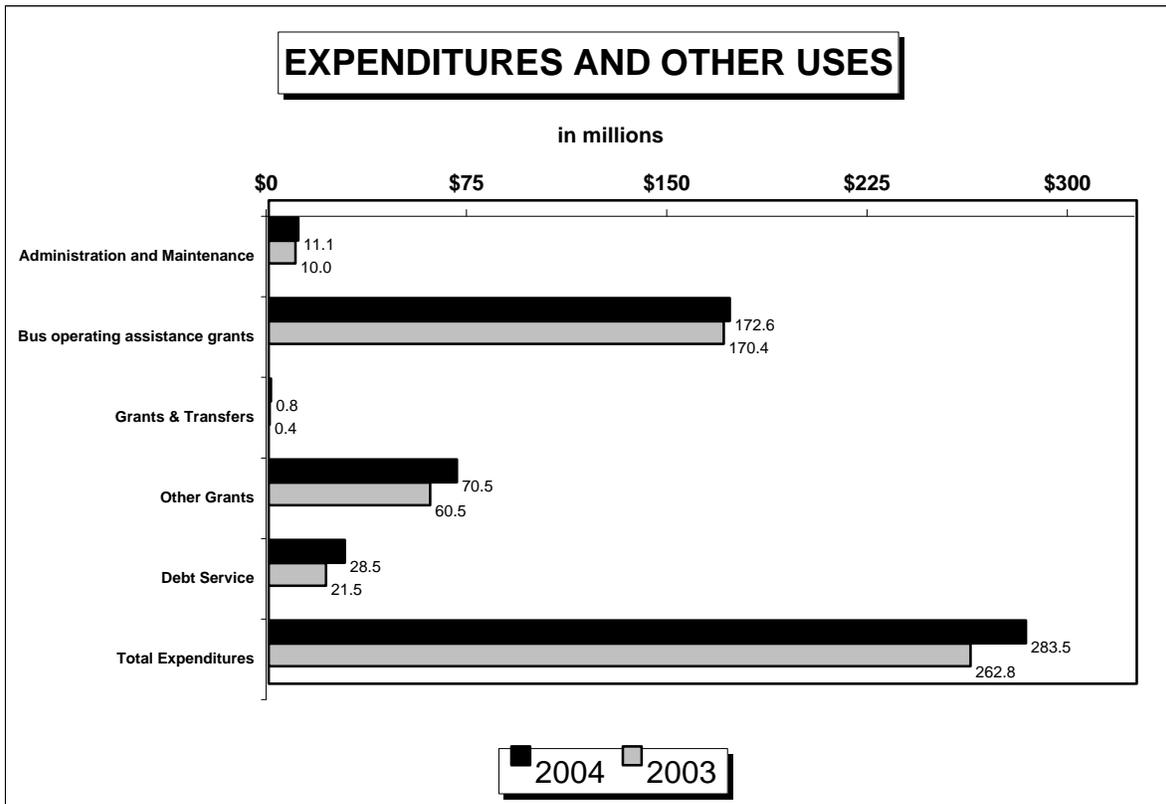
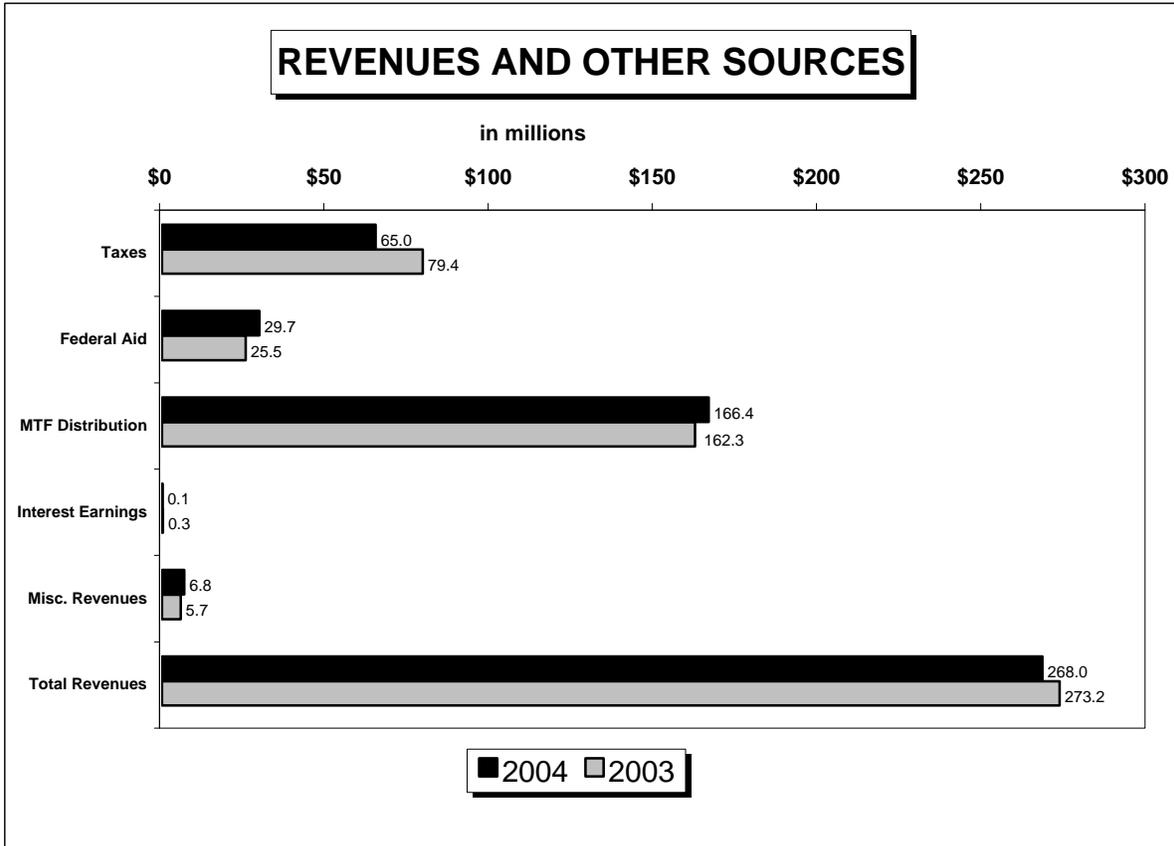


EXPENDITURES AND OTHER USES

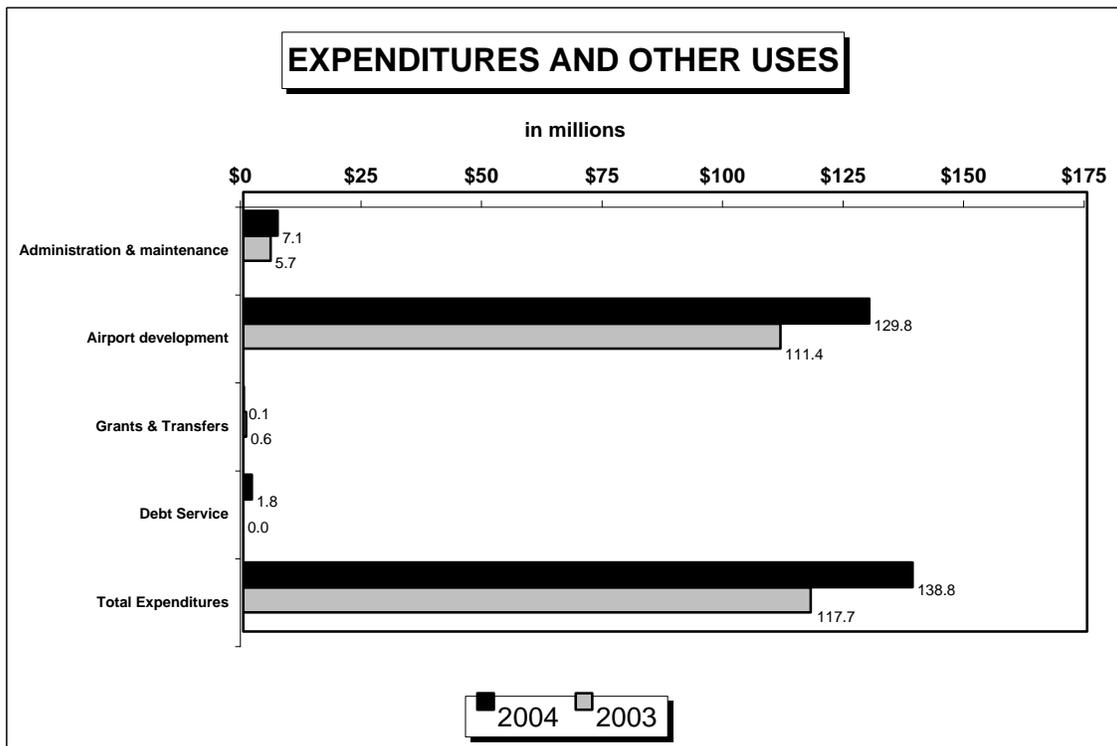
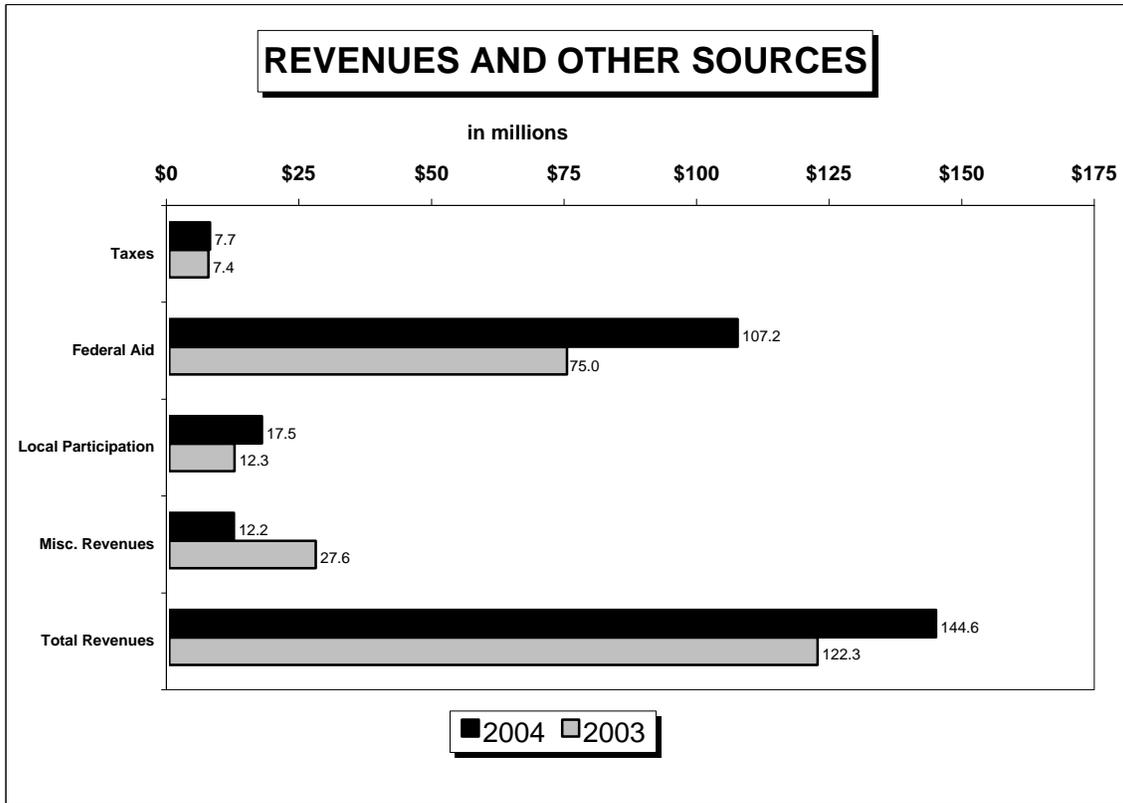


MICHIGAN DEPARTMENT OF TRANSPORTATION COMPREHENSIVE TRANSPORTATION FUND GRAPHICS

FISCAL YEARS ENDED SEPTEMBER 30, 2004 AND 2003

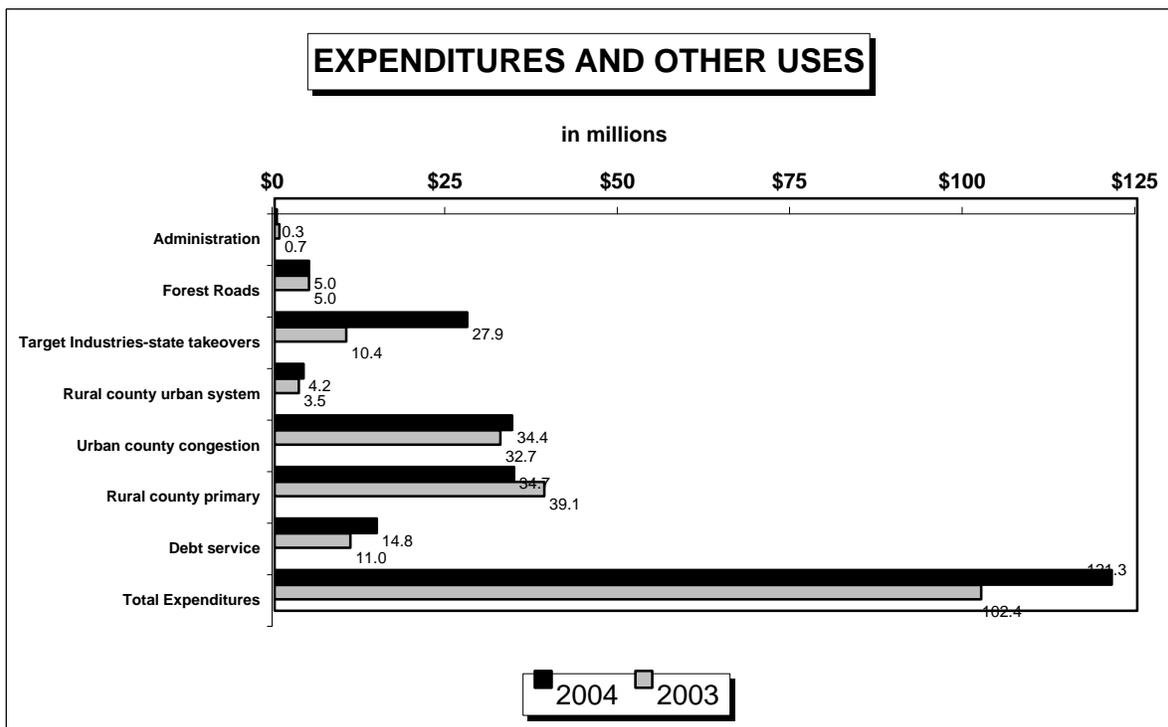
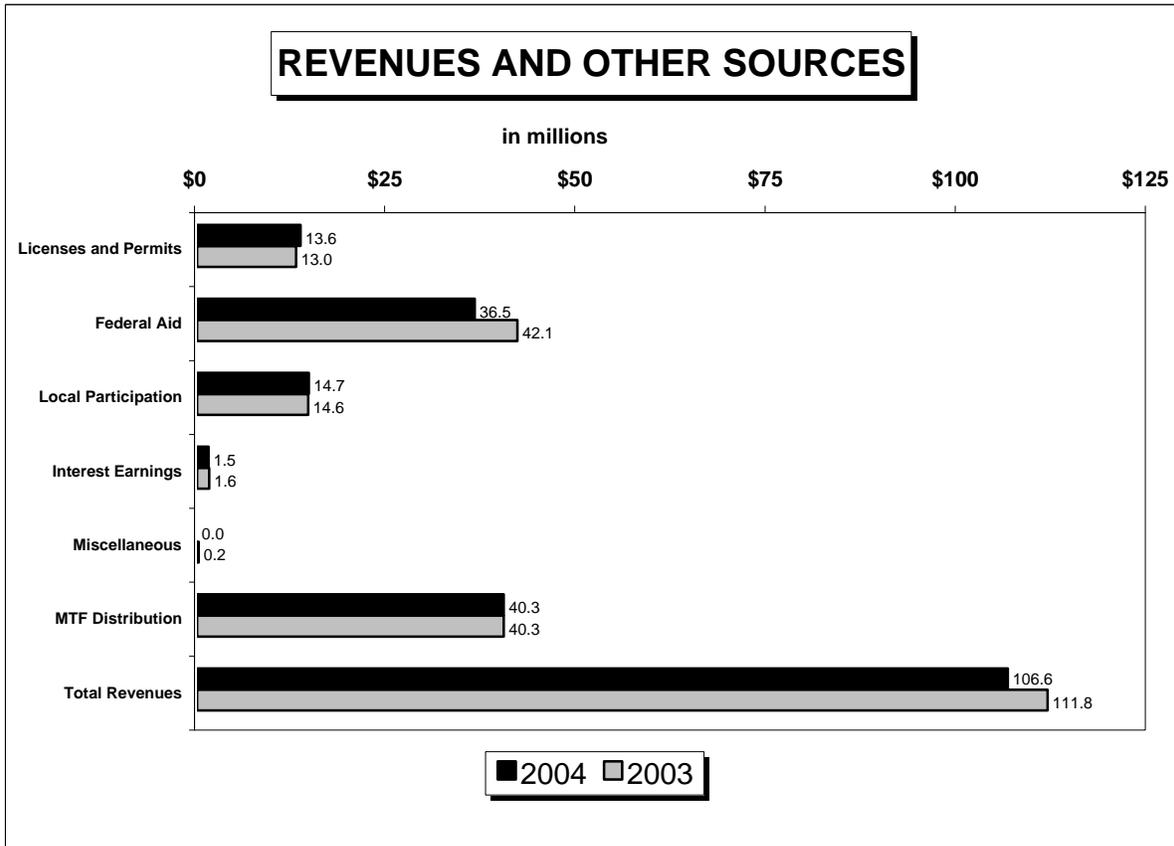


MICHIGAN DEPARTMENT OF TRANSPORTATION
STATE AERONAUTICS FUND GRAPHICS
 FISCAL YEARS ENDED SEPTEMBER 30, 2004 AND 2003

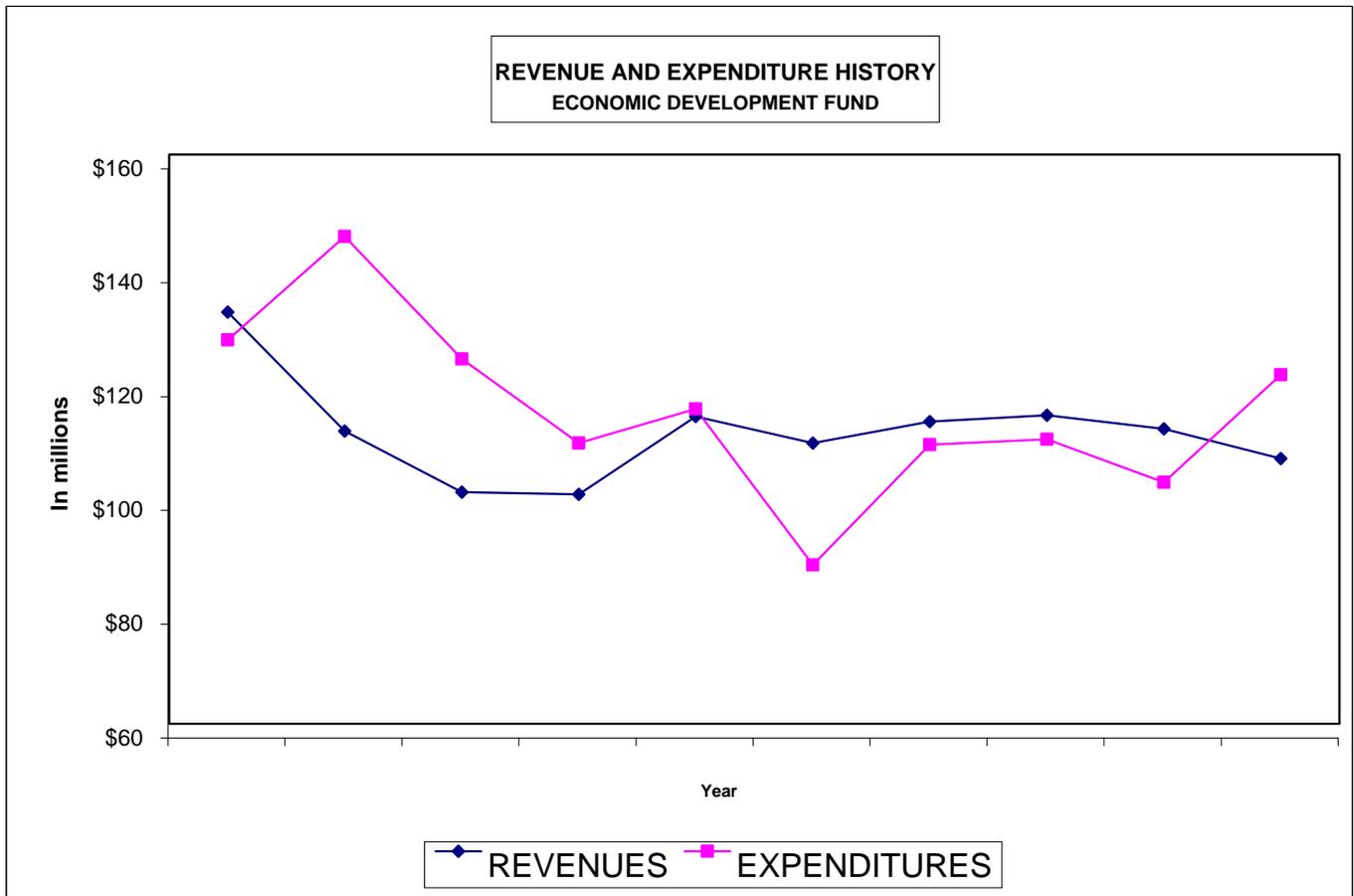
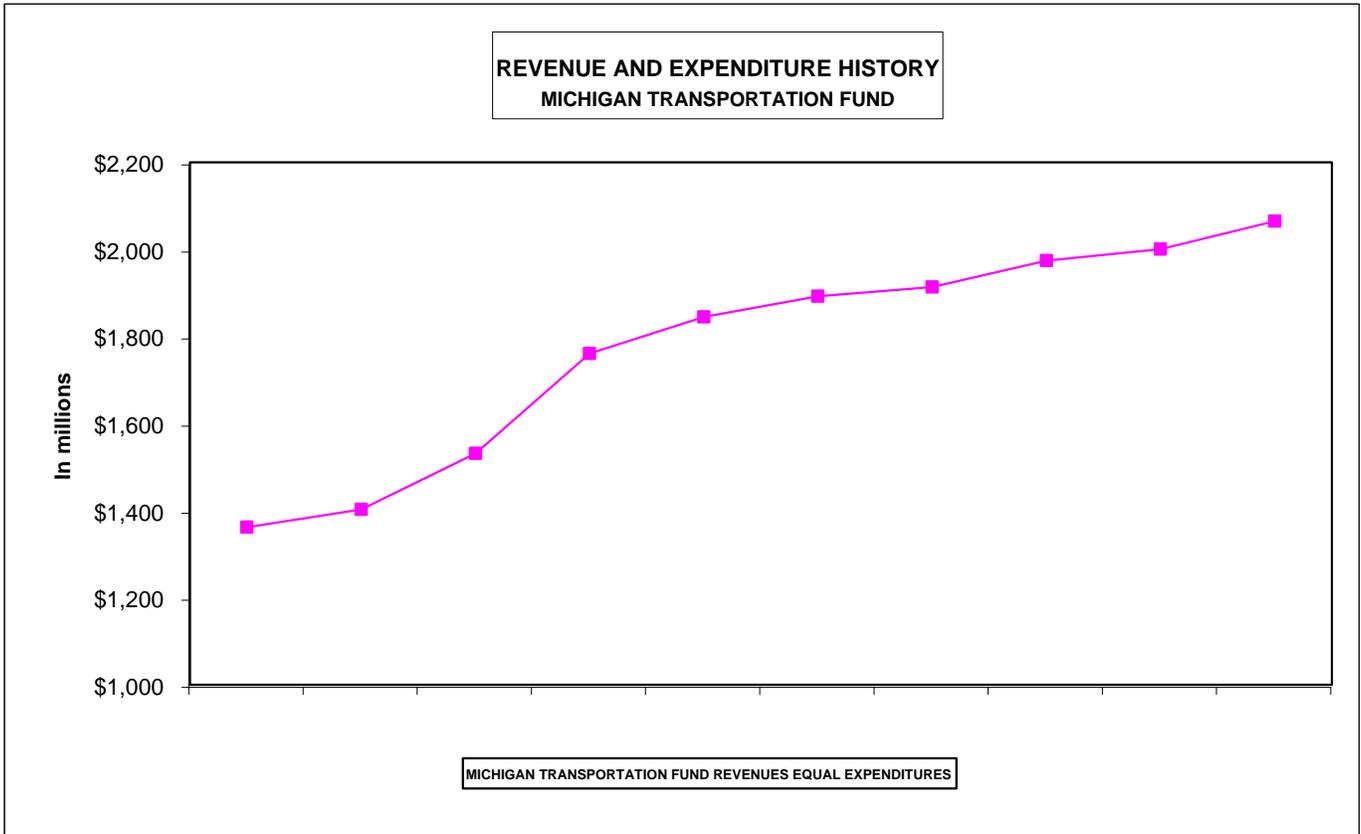


MICHIGAN DEPARTMENT OF TRANSPORTATION ECONOMIC DEVELOPMENT FUND GRAPHICS

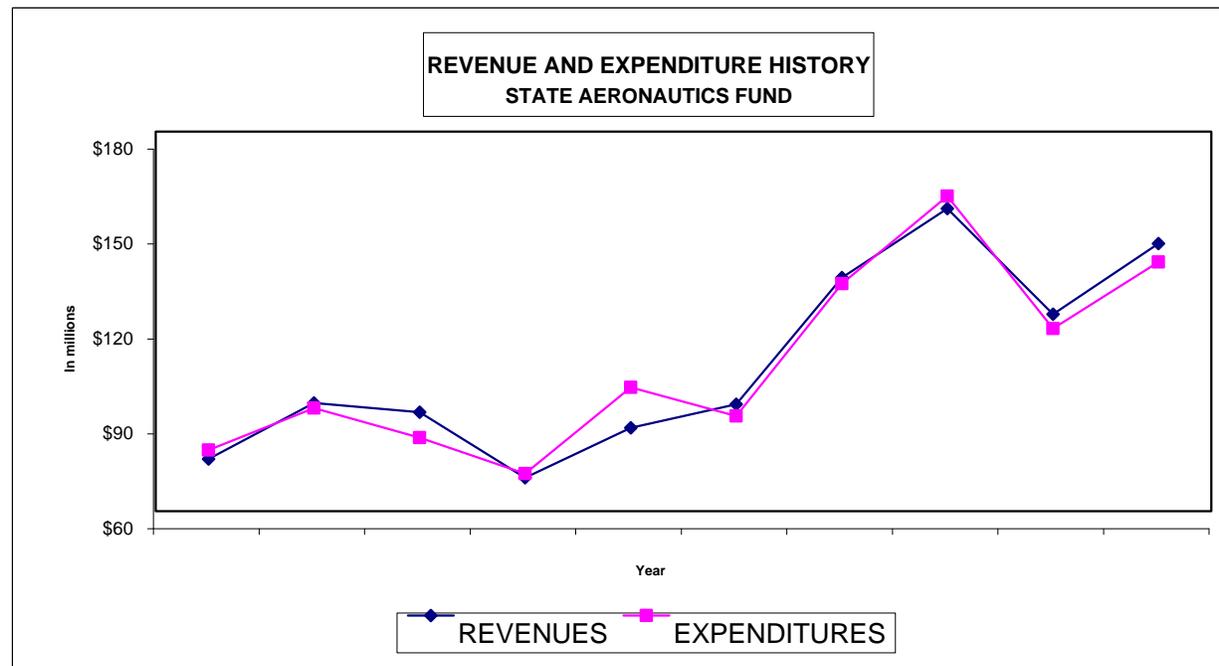
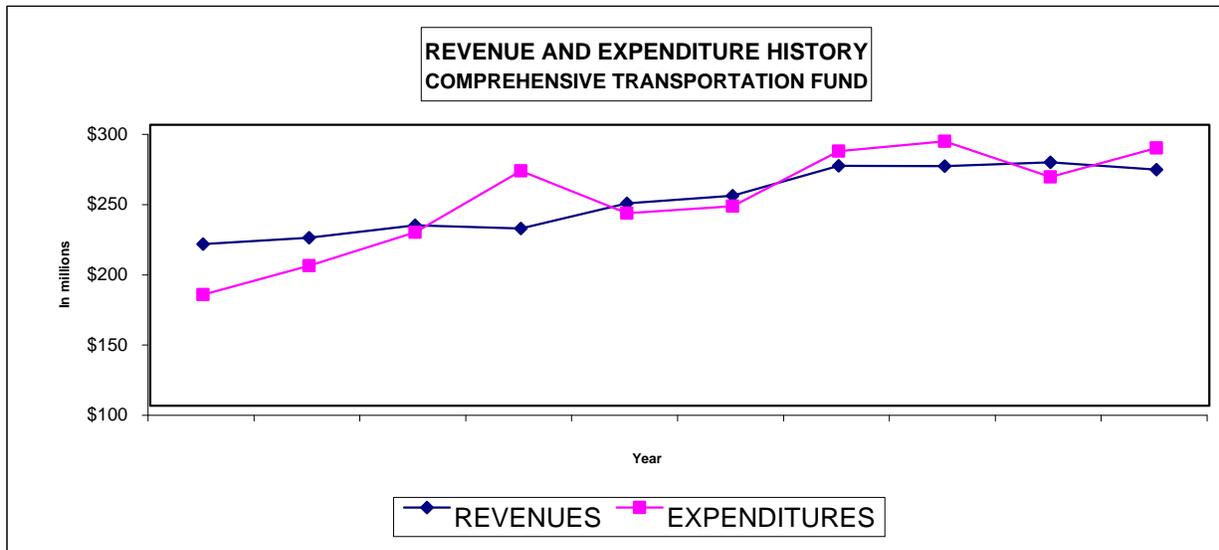
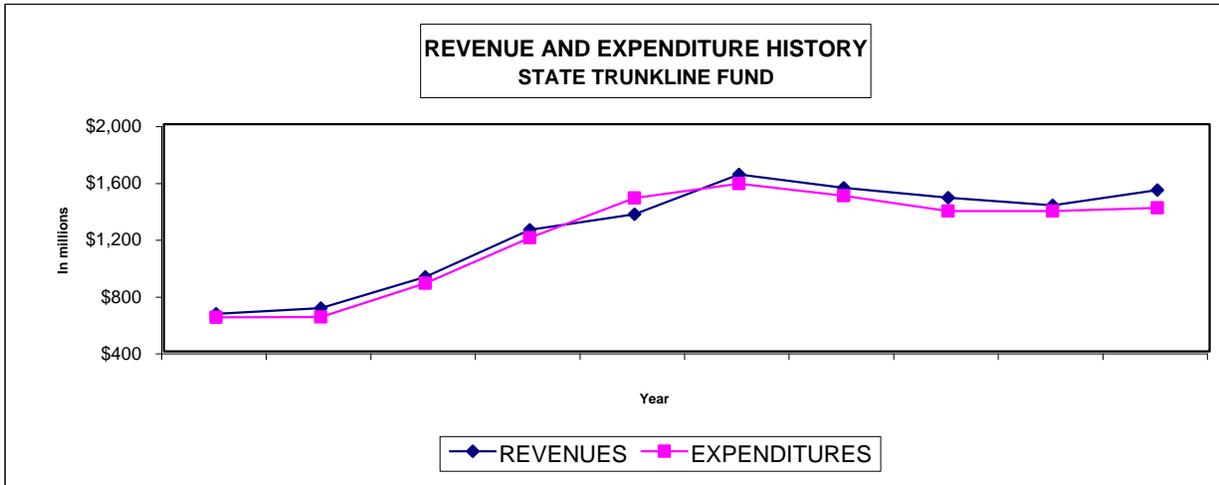
FISCAL YEARS ENDED SEPTEMBER 30, 2004 AND 2003



MICHIGAN DEPARTMENT OF TRANSPORTATION TEN YEAR REVENUE AND EXPENDITURE HISTORY



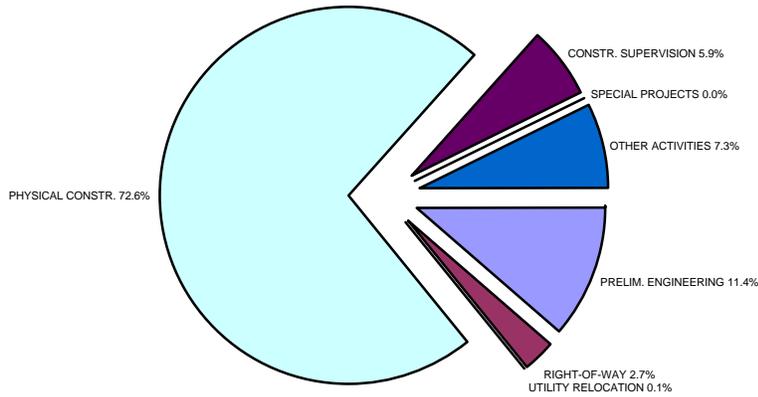
MICHIGAN DEPARTMENT OF TRANSPORTATION TEN YEAR REVENUE AND EXPENDITURE HISTORY



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

FISCAL YEARS ENDED SEPTEMBER 30, 2004 AND 2003

2004

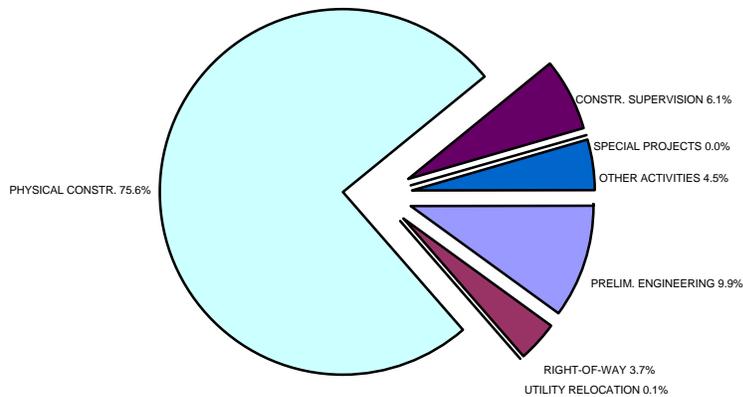


FISCAL YEAR 2004 AMOUNT

(In Thousands)

PRELIM. ENGINEERING	\$ 148,472
RIGHT-OF-WAY	34,691
UTILITY RELOCATION	1,608
PHYSICAL CONSTR.	945,766
CONSTR. SUPERVISION	76,797
SPECIAL PROJECTS	53
OTHER ACTIVITIES	95,751
TOTAL	\$ 1,303,138

2003



FISCAL YEAR 2003 AMOUNT

(In Thousands)

PRELIM. ENGINEERING	\$ 131,808
RIGHT-OF-WAY	49,486
UTILITY RELOCATION	1,032
PHYSICAL CONSTR.	1,005,027
CONSTR. SUPERVISION	81,682
SPECIAL PROJECTS	239
OTHER ACTIVITIES	60,464
TOTAL	\$ 1,329,738