

MICHIGAN DEPARTMENT OF TRANSPORTATION

ANNUAL FINANCIAL REPORT

Fiscal Years Ended September 30, 2006 & 2005

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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, 2006**

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



STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

KIRK T. STEUDLE
DIRECTOR

April 30, 2007

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

We are pleased to submit the Annual Financial Report for the Michigan Department of Transportation (Department) for the fiscal years ended September 30, 2005 and 2006. 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 State of Michigan's economic recovery continues to lag behind other states due to the fundamental restructuring in the manufacturing sector. As a result of reduced fuel consumption due to increased retail prices, transportation revenues decreased in Fiscal Year (FY) 2006. The revenues deposited in the Michigan Transportation Fund (MTF) decreased by \$9.5 million or 0.4 percent in FY 2006, when compared to FY 2005. Total MTF revenue decreased from \$1.976 billion in FY 2005 to \$1.966 billion in FY 2006. Between FY 2005 and FY 2006, a decrease in gasoline and diesel taxes collected of \$13.9 million was only partially offset by an increase in vehicle registration taxes of \$4.3 million. Revenues from fuel taxes and registration taxes collected were 4.0 percent and 2.7 percent, respectively, lower than FY 2006 estimates prepared by the Economic Revenue Forecasting Division of the Department of Treasury. Disbursements from the MTF to the State Trunkline Fund (STF), counties, and cities/villages decreased 3.0 percent, 1.4 percent, and 1.1 percent, respectively.

In FY 2006, the Comprehensive Transportation Fund (CTF) received \$165.4 million total MTF revenue, a \$1.9 million or 1.2 percent decrease compared to FY 2005 in MTF revenues for public transportation services. The CTF also receives \$66.4 million in sales tax revenue from vehicle-related sales, which had a substantial increase of \$9.5 million or 16.7 percent in FY 2006, due to legislation that redirected a portion of sales tax away from the CTF in FY 2005. The amount of aviation fuel tax revenue deposited in the Aeronautics Fund decreased by \$0.7 million or 11.1 percent over the previous fiscal year.

Despite the revenue decline, the Department effectively managed available revenues by reducing administrative costs. The Department took advantage of recent declines in interest rates and refinanced \$17.9 million of outstanding CTF bonds. This resulted in savings of \$850,000 for the Department. The Department also issued \$244.5 million in new STF bonds, which included a gain of \$5.9 million from an Interest Rate Swap Termination instrument. The Department continues to maintain a strong fiscal plan that supports the Five-Year Transportation Program. The Department continues to maintain its AA+ rating from Standard and Poor's. The Department continues to maintain outstanding debt service coverage ratios of 7.5 times, or better, coverage for both CTF and STF bonds, well within both the State Transportation Commission's and Michigan Compiled Law's required limits of four and two times coverage, respectively.

In 2005, the authorizations that provided federal transportation dollars were replaced with a new law, Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). In 2006, Congress provided \$36 billion of obligation authority to states, upholding the commitment from SAFETEA-LU. Michigan received \$1.061 billion in FY 2006 apportionments and \$919 million in new obligation authority for FY 2006.

PROGRAM OVERVIEW

In FY 2006, the Department 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 the Department's control in good condition by 2007. At the end of FY 2006, freeway pavement and bridge conditions were 89.9 and 86.4 percent, respectively. Non-freeway pavement and bridge conditions were 83.7 and 86.5 percent, respectively. Asset management technology and strategies continue to enhance accurate forecasting of pavement condition and assists prioritization of future projects. Over \$1.2 billion was spent on capital outlay expenditures for roads and bridges in FY 2006.

The Department's comprehensive Highway Safety Program focused on improving traffic control devices and driver information systems in an effort to improve driver safety. As part of the Department's FY 2006 Highway Safety Program, \$63 million was committed to the design, construction, and placement of signs, pavement markings, guardrail, traffic signals, and other safety improvement projects. As a result of the FY 2006 Highway Safety Program, the Department estimates the number of crash reductions at 378 minor injury and property damage crashes, and 46 severe injuries and fatalities.

Accomplishments in FY 2006 included adding 150 million feet of pavement markings statewide and replacing special markings in approximately 40 of Michigan's 83 counties. The Department also upgraded signs on 234 miles of non-freeway facilities and 308 miles of freeway. The Department replaced or upgraded deteriorated, non-standard guardrail, and crash attenuators along 76 miles of roadway; installed 11 new traffic signals, upgraded/modernized 248 traffic signals and beacons, six school devices, four fire station warning devices, and re-timed 149 signals, predominantly, along eight high volume traffic corridors.

The Department's focus continues to be on the preservation of existing public transportation services by providing \$166.9 million in CTF monies for local transit operations and over \$18 million in CTF plus \$8 million in toll credits, to match \$120 million in federal transit capital funds. State and federal funds were used to maintain intercity bus services and state funds continued to support Michigan's passenger rail services. Passenger rail ridership continued to increase in FY 2006. Safety of the public transportation system was advanced through investments in the Incremental Train Controlled System signal system to allow for 95 mph speeds in portions of western Michigan; the second highest passenger travel speeds in the country. Safety was also the focus of the Department's ongoing oversight of private motor bus and limousine carriers. The Department's public transportation program focused on environmental stewardship with continued growth in the MichiVan vanpool program and financial support of local agency advancements in the area of "green" transit facilities and "green" transit buses. Additionally, transit facility renovations have assisted with community redevelopment in several areas of the state.

In FY 2006, the Freight Services and Safety Division continued to maintain rail freight service on over 650 miles of state owned rail way. Almost \$4 million was loaned out to construct rail facilities needed to accommodate economic expansion and job creation. In addition, over \$5 million was spent to improve safety at railroad/highway grade crossings.

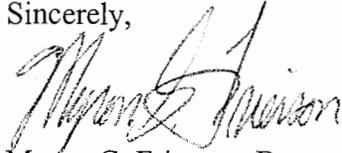
During FY 2006, the Department contracted for 208 airport improvement projects, all having significant safety benefits. In addition to the safety benefit, 89 percent of the projects were developed to preserve the existing infrastructure and 11 percent were to expand the runway capacity. These Department bid projects totaled \$45 million. Through the All Weather Airport Access Program, 61 percent of eligible airports in Michigan now have achieved all weather accessibility. Annual inspections at 220 public use airports and heliports were conducted and licenses provided for 237 public use landing sites; 77 hospital heliports, 84 flight schools, and 214 aircraft dealers. Over 7,500 aircraft were registered. Important safety publications, the *Michigan Aeronautical Chart* was distributed to 18,000 pilots, and the *Airport Directory* was dispersed to registered aircraft owners. Additionally, over 2,000 charts and 1,800 directories were sold.

CONCLUSION

In FY 2006, \$3.9 billion was expended from all sources to address Michigan's transportation needs. The Department's challenge continues to be making wise investment decisions with its resources to maximize the results achieved. This has fostered many innovative ideas in the Department and will undoubtedly promote even more in the future.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Myron G. Frierson".

Myron G. Frierson, Bureau Director
Finance and Administration

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
 SEPTEMBER 30, 2006 and 2005
 (In Thousands)

	GOVERNMENTAL FUND TYPES				TOTALS	
	SPECIAL REVENUE		DEBT SERVICE		(Memorandum Only)	
	2006	2005	2006	2005	2006	2005
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 153	\$ 175	\$ -	\$ -	\$ 153	\$ 175
Equity in Common Cash	161,811	348,021	27	455	161,838	348,477
Receivables:						
Taxes, interest, and penalties (at net)	106,407	112,154	-	-	106,407	112,154
Federal aid	144,858	171,469	-	-	144,858	171,469
Local units	88,831	80,280	-	-	88,831	80,280
Other funds and Component Units	1,188,946	864,195	-	-	1,188,946	864,195
Miscellaneous	14,895	16,212	-	-	14,895	16,212
Inventories	7,028	6,447	-	-	7,028	6,447
Total Current Assets	1,712,929	1,598,953	27	455	1,712,955	1,599,409
Noncurrent Assets:						
Receivables:						
Taxes	1,923	1,707	-	-	1,923	1,707
Federal aid	-	-	-	-	-	-
Local units	42,264	41,463	-	-	42,264	41,463
Advances to other funds	-	19,783	-	-	-	19,783
Land contracts	2,154	956	-	-	2,154	956
Miscellaneous	1,158	1,357	-	-	1,158	1,357
Total Noncurrent Assets	47,499	65,266	-	-	47,499	65,266
Total Assets	\$ 1,760,427	\$ 1,664,219	\$ 27	\$ 455	\$ 1,760,454	\$ 1,664,675
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Warrants outstanding	\$ 5,424	\$ 16,701	\$ -	\$ 267	\$ 5,424	\$ 16,968
Accounts payable	494,649	474,364	27	188	494,676	474,552
Contract reserve payable	6,272	9,538	-	-	6,272	9,538
Due to other funds and Components	163,130	85,255	-	-	163,130	85,255
Deposits, permits and other liabilities	1,493	4,717	-	-	1,493	4,717
Deferred revenue	27,155	27,039	-	-	27,155	27,039
Total Current Liabilities	698,123	617,614	27	455	698,149	618,069
Long-Term Liabilities:						
Deferred revenue	5,235	16,390	-	-	5,235	16,390
Advances from other funds	-	19,783	-	-	-	19,783
Total Liabilities	703,358	653,787	27	455	703,384	654,242
Fund Balance:						
Reserved for encumbrances	126,802	117,916	-	-	126,802	117,916
Reserved for unencumbered restricted revenue balances	195,121	175,579	-	-	195,121	175,579
Reserved for unencumbered capital outlay and work projects	356,624	403,769	-	-	356,624	403,769
Reserved for revolving funds	34,518	28,937	-	-	34,518	28,937
Reserved for construction & debt service	85,121	83,917	-	-	85,121	83,917
Reserved for noncurrent assets	28,831	28,477	-	-	28,831	28,477
Total Reserves	827,016	838,594	-	-	827,016	838,594
Unreserved	230,054	171,839	-	-	230,054	171,839
Total Fund Balances	1,057,070	1,010,433	-	-	1,057,070	1,010,433
Total Liabilities and Fund Balances	\$ 1,760,427	\$ 1,664,219	\$ 27	\$ 455	\$ 1,760,454	\$ 1,664,675

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, 2006 and 2005
 (In Thousands)

	GOVERNMENTAL FUND TYPES				TOTALS (Memorandum Only)	
	SPECIAL REVENUE		DEBT SERVICE		2006	2005
	2006	2005	2006	2005		
REVENUES						
Taxes	\$ 1,995,393	\$ 1,996,149	\$ -	\$ -	\$ 1,995,393	\$ 1,996,149
License and permits	51,285	50,494	-	-	51,285	50,494
Federal aid	1,124,346	1,104,363	-	-	1,124,346	1,104,363
Local participation	18,536	34,251	-	-	18,536	34,251
Interest earnings	42,986	32,761	-	-	42,986	32,761
Non-operating revenue-bridges	2,629	2,386	-	-	2,629	2,386
Miscellaneous and Service revenue	58,860	59,105	-	1	58,860	59,105
Total Revenues	<u>3,294,034</u>	<u>3,279,510</u>	<u>-</u>	<u>1</u>	<u>3,294,034</u>	<u>3,279,510</u>
EXPENDITURES						
Administration and Operations:						
Administration and maintenance	457,179	449,901	-	-	457,179	449,901
Bus operating assistance grants	181,209	172,128	-	-	181,209	172,128
Other grants	1,141,190	1,145,704	-	-	1,141,190	1,145,704
Airport development	126,525	130,796	-	-	126,525	130,796
Non-operating expenditures-bridges	2,560	2,323	-	-	2,560	2,323
Trust fund construction activity	174,024	158,097	-	-	174,024	158,097
Capital lease payments	151	160	-	-	151	160
Costs of issuance	-	-	161	4,201	161	4,201
Bond principal retirement	-	-	126,979	68,591	126,979	68,591
Bond interest and fiscal charges	-	-	91,739	76,975	91,739	76,975
Total Administration and Operations	<u>2,082,836</u>	<u>2,059,108</u>	<u>218,879</u>	<u>149,767</u>	<u>2,301,715</u>	<u>2,208,875</u>
Capital Outlay:						
Roads and bridges	1,185,804	1,148,186	-	-	1,185,804	1,148,186
Other capital outlay	9,374	17,008	-	-	9,374	17,008
Total Capital Outlay	<u>1,195,178</u>	<u>1,165,194</u>	<u>-</u>	<u>-</u>	<u>1,195,178</u>	<u>1,165,194</u>
Total Expenditures	<u>3,278,014</u>	<u>3,224,302</u>	<u>218,879</u>	<u>149,767</u>	<u>3,496,893</u>	<u>3,374,069</u>
Excess of Revenues Over (Under) Expenditures	<u>16,020</u>	<u>55,208</u>	<u>(218,878)</u>	<u>(149,767)</u>	<u>(202,858)</u>	<u>(94,559)</u>
OTHER FINANCING SOURCES						
Michigan Transportation Fund distribution	796,897	817,726	-	-	796,897	817,726
Grants and transfers from other funds	264,534	242,524	218,718	145,567	483,251	388,091
Proceeds from sale of capital assets	2,650	7,304	-	-	2,650	7,304
Proceeds from bonds and notes issued	279,540	-	18,670	663,450	298,210	663,450
Premium on bonds issued	12,388	-	63	58,629	12,451	58,629
Total Other Financing Sources	<u>1,356,009</u>	<u>1,067,553</u>	<u>237,451</u>	<u>867,646</u>	<u>1,593,460</u>	<u>1,935,199</u>
OTHER FINANCING USES						
Michigan Transportation Fund distribution	796,897	817,726	-	-	796,897	817,726
Grants and transfers to other funds	309,777	277,024	-	-	309,777	277,024
Debt service	218,718	145,567	-	-	218,718	145,567
Payment to refunded bond escrow agent	-	-	18,573	717,879	18,573	717,879
Total Other Financing Uses	<u>1,325,392</u>	<u>1,240,316</u>	<u>18,573</u>	<u>717,879</u>	<u>1,343,965</u>	<u>1,958,195</u>
Excess of Other Financing Sources Over (Under) Other Financing Uses	<u>30,617</u>	<u>(172,763)</u>	<u>218,878</u>	<u>149,767</u>	<u>249,495</u>	<u>(22,996)</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	46,637	(117,555)	-	-	46,637	(117,555)
Fund balances-Beginning of fiscal year	1,010,433	1,127,988	-	-	1,010,433	1,127,988
Fund balances-End of fiscal year	<u>\$ 1,057,069</u>	<u>\$ 1,010,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,057,069</u>	<u>\$ 1,010,433</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, 2006 and 2005
 (In Thousands)

(Statutory/Budgetary Basis)	2006		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	
REVENUES			
Taxes	\$ 1,995,393	\$ 1,995,393	-
License and permits	51,285	51,285	-
Federal aid	851,800	851,800	-
Local participation	16,140	16,140	-
Interest earnings	33,054	33,054	-
Non-operating revenue-bridges	2,629	2,629	-
Miscellaneous and Service revenue	51,348	51,348	-
Total Revenues	<u>3,001,649</u>	<u>3,001,649</u>	<u>-</u>
EXPENDITURES AND ENCUMBRANCES			
Administration and maintenance	524,623	479,886	44,737
Bus operating assistance grants	181,579	181,209	370
Other grants	1,231,626	1,165,659	65,968
Airport development	135,008	133,268	1,740
Non-operating expenditure-bridges	2,629	2,560	69
Total Administration and Operations	<u>2,075,465</u>	<u>1,962,580</u>	<u>112,884</u>
Roads and bridges	998,886	998,539	347
Other capital outlay	13,189	13,040	149
Total Capital Outlay	<u>1,012,076</u>	<u>1,011,579</u>	<u>496</u>
Total Expenditures and Encumbrances	<u>3,087,540</u>	<u>2,974,160</u>	<u>113,380</u>
Excess Revenue Over (Under) Expenditures and Encumbrances	<u>(85,892)</u>	<u>27,489</u>	<u>113,380</u>
OTHER FINANCING SOURCES			
Michigan Transportation Fund distribution	796,897	796,897	-
Grants and transfers from other funds	264,534	264,534	-
Proceeds from sale of capital assets	2,650	2,650	-
Total Other Financing Sources	<u>1,064,081</u>	<u>1,064,081</u>	<u>-</u>
OTHER FINANCING USES			
Michigan Transportation Fund distribution	830,452	796,897	33,555
Grants and transfers to other funds	220,675	216,806	3,869
Debt service	229,864	218,718	11,146
Total Other Financing Uses	<u>1,280,991</u>	<u>1,232,422</u>	<u>48,570</u>
Excess Other Financial Sources Over (Under) Other Financial Uses	<u>(216,910)</u>	<u>(168,341)</u>	<u>48,570</u>
Excess of Revenue and Other Financial Sources Over (Under) Expenditures, Encumbrances and Other Financial Uses	<u>\$ (302,802)</u>	<u>\$ (140,852)</u>	<u>\$ 161,950</u>
RECONCILING ITEMS			
Encumbrances at September 30		126,802	
Funds not annually budgeted		<u>60,687</u>	
Net Reconciling Items		<u>187,488</u>	
Excess of Revenue and Other Financial Sources Over (Under) Expenditures and Other Financial Uses (GAAP Basis)		<u>46,637</u>	
FUND BALANCES (GAAP BASIS)			
Beginning balance		<u>1,010,433</u>	
Ending balances (GAAP Basis)		<u>\$ 1,057,069</u>	

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

2005

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$	1,996,149	\$ 1,996,149	\$ -
	50,494	50,494	-
	898,136	898,136	-
	29,882	29,882	-
	25,226	25,226	-
	2,386	2,386	-
	57,712	57,712	-
	<u>3,059,986</u>	<u>3,059,986</u>	<u>-</u>
	509,685	470,304	39,381
	173,618	173,383	235
	1,215,977	1,145,418	70,559
	133,120	132,708	412
	2,386	2,323	63
	<u>2,034,786</u>	<u>1,924,136</u>	<u>110,651</u>
	1,062,613	1,061,670	943
	84,741	22,298	62,443
	<u>1,147,354</u>	<u>1,083,968</u>	<u>63,386</u>
	<u>3,182,140</u>	<u>3,008,104</u>	<u>174,037</u>
	(122,154)	51,883	174,037
	817,726	817,726	-
	220,641	220,641	-
	-	-	-
	<u>1,038,367</u>	<u>1,038,367</u>	<u>-</u>
	841,426	817,726	23,701
	197,837	196,703	1,134
	162,980	145,567	17,413
	<u>1,202,243</u>	<u>1,159,995</u>	<u>42,248</u>
	<u>(163,876)</u>	<u>(121,629)</u>	<u>42,248</u>
\$	<u>(286,031)</u>	<u>(69,746)</u>	<u>\$ 216,284</u>
		117,916	
		<u>(165,725)</u>	
		<u>(47,809)</u>	
		<u>(117,555)</u>	
		<u>1,127,988</u>	
	\$	<u>1,010,433</u>	

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

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, 2006

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, 2005 & December 31, 2004 follows (In Thousands):

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Assets	\$ 6,491	\$ 6,083
Liabilities	1,376	1,373
Total Equity	5,115	4,710
Total Revenues and Other Sources	5,915	5,397
Total Expenditures and Other Uses	5,510	3,737
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	405	1,661

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.

B. Basis of Presentation

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

Note 1 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

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.

In prior fiscal years, local revenues and related expenditures were recorded for the local unit's share of non state owned construction projects within the State Aeronautics Fund, the State Trunkline Fund, the Comprehensive Transportation Fund, and the Transportation Related Trust Fund on the Statement of Revenues, Expenditures, and Changes in Fund Balances. Since there is no decrease in the state's net financial resources related to the local share of the construction projects, revenues and expenditures should not be recorded. As a result, local revenues and related expenditures of \$121.7 million were removed from the Department's financial statements for Fiscal Year ending September 30, 2005. This also resulted in the reclassification of \$17.5 million of deferred revenue as accounts payable. The Department received written approval from the State of Michigan's Office of Financial Management to record corrected revenue and expenditure amounts in this financial report.

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.

Note 1 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2006

E. Reserved Fund Balance

A comparative analysis of the State Trunkline Fund reserved fund balance at September 30, 2006 and September 30, 2005 follows (In Thousands):

	<u>FY 2006</u>	<u>FY 2005</u>
Reserves:		
Capital Outlay:		
Facilities	\$ 20,819	\$ 20,596
Institutional Roads	953	492
Rail Grade Crossing	--	--
Local Bridge	--	--
Road and Bridge	<u>323,810</u>	<u>358,656</u>
Total Capital Outlay Reserves	345,582	379,744
Encumbrances	80,032	86,835
Restricted Revenue	185,279	168,620
Work Projects	2,193	2,172
Revolving Loan Program	20,468	15,174
Construction and Debt Service	85,121	83,917
Noncurrent Assets:		
Capital Equipment Loans	19,237	19,510
Maintenance Advances	9,594	8,966
Local Unit Loans	<u>--</u>	<u>--</u>
Total Noncurrent Assets	<u>28,831</u>	<u>28,477</u>
Total Reserved Fund Balance	<u>\$ 747,506</u>	<u>\$ 764,938</u>

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

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. "Unfavorable variances" reflect budgetary overdrafts. If both favorable and unfavorable variances exist for a particular line, the amount shown is the net variance.

In 2006 and 2005, 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 2006 and 2005 were \$20.1 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, 2006

Note 3: Current Receivables

A. Contested Receivables

Current receivables recorded in the financial statements represent amounts due to the Department as of September 30, 2006 and 2005, 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. Receivables referred to Treasury for collection will no longer be classified as a receivable with a corresponding entry to allowance for doubtful accounts, but will instead be written-off as uncollectible at the time of referral.

	<u>Contested Receivables</u>	
	(In Thousands)	
	<u>2006</u>	<u>2005</u>
State Aeronautics Fund	\$2,774	\$1,882
State Trunkline Fund	--	--
Comprehensive Transportation Fund	--	--
State Trunkline Bond Proceeds Fund	--	--
Transportation Related Trust Fund	<u> --</u>	<u> --</u>
Total Allowance for Doubtful Accounts	<u>\$2,774</u>	<u>\$1,882</u>

Note 3 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

B. Taxes Receivable

In the Michigan Transportation Fund, the net amount of current receivables, \$226.4 million and \$231.8 million, and allowances for uncollectible receivables, \$114.2 million and \$114.9 million, were recorded for motor fuel taxes due to the fund as of September 30, 2006 and 2005, 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 \$107.6 million and \$134.1 million for the fiscal years ending September 30, 2006 and 2005, respectively. Of those amounts, \$2.5 million and \$10.3 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, 2006.

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 2005, the Department had \$451.1 million of State Trunkline expenditures on projects not under reimbursement agreement. \$138.8 million of these expenditures were placed under reimbursement agreement by the end of fiscal year 2006. The remaining \$312.3 million is included in the fiscal year 2006 amount below. At the end of fiscal year 2006, the Department had \$395.2 million of State Trunkline expenditures on projects not under reimbursement agreement.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2006

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 \$17.9 million and \$87.0 million, respectively. These bonds are recorded in the amounts of \$15.7 million and \$71.8 million, respectively, which are the accreted values at September 30, 2006. 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 %
		9/30/06	9/30/05	First Year	Last Year	
<u>MI Comprehensive Transportation:</u>						
1996 (Series A Refunding)	22,650	--	19,110	1998	2014	5.07
1998 (Series A Refunding)	38,640	33,730	37,645	2005	2011	4.81
2001 (Series A Refunding)	27,765	27,765	27,765	2008	2022	5.01
2002 (Series A Refunding)	89,620	46,485	56,275	2003	2011	5.07
2002 (Series B)	82,310	20,970	23,900	2004	2012	5.13
2003 (Series A)	35,020	21,025	22,295	2004	2023	3.61
2005 (Series A Refunding)	62,180	62,180	62,180	2009	2023	5.15
Series 2006 and Refunding	53,685	53,685	--	2007	2031	4.54
<u>State Trunkline Funds:</u>						
1989 (Series A)	135,779	15,743	20,313	1994	2009	6.75
1992 (Series A & B)	353,210	71,791	78,209	2000	2013	5.72
1996 (Series A)	54,500	1,210	2,345	1998	2007	5.76
1998 (Series A Refunding)	377,890	376,955	377,890	2006	2027	5.03
2001 (Series A)	308,200	38,340	45,225	2003	2012	4.96
2002 (Series A Refunding)	97,870	72,845	73,405	2004	2022	4.71
2004 (Series A Refunding)	103,450	99,820	103,450	2006	2022	4.13
2004	185,710	100,480	100,480	2008	2019	4.36
2005 (Series A Refunding)	223,020	223,020	223,020	2010	2023	5.10
2005 (Series B Refunding)	378,250	378,250	378,250	2010	2019	4.81
Series 2006	244,525	244,525	--	2008	2022	4.74
Total Revenue						
Dedicated Bonded	\$ 2,874,274	\$ 1,888,819	\$ 1,651,757			

Note 4 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2006

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, 2006 and 2005:

Summary of Refunding Transactions
 (In Millions)

<u>Bond Series</u>	<u>Amount Refunded</u>	<u>Balance with Trustee</u>	
		<u>2006</u>	<u>2005</u>
State Trunkline Fund Bonds:			
Series 1996A	45.2	45.2	45.2
Series 2001A	245.8	245.8	245.8
Series 2004	<u>85.2</u>	<u>85.2</u>	<u>85.2</u>
Total State Trunkline Fund Bonds	<u>\$376.3</u>	<u>\$376.3</u>	<u>\$376.3</u>
Comprehensive Transportation Fund Bonds:			
Series 2002B	55.2	52.9	52.9
Series 2003	<u>9.9</u>	<u>9.9</u>	<u>9.9</u>
Total Comprehensive Transportation Fund Bonds	<u>\$65.1</u>	<u>\$62.8</u>	<u>\$62.8</u>
Total	<u>\$441.4</u>	<u>\$439.1</u>	<u>\$439.1</u>

Note 4 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2006

B. Debt Service Requirements

For a detailed schedule of debt service requirements, refer to the SOMCAFR, Note 12.

C. Revenue Dedicated Notes Payable

The Department issued Grant Anticipation Notes in fiscal year ending 2002. The Notes have variable rates that may bear interest at a daily interest rate, a weekly rate, note interest term rate, long-term interest rate, or an ARS interest rate. The Notes 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>9/30/06</u>	<u>9/30/05</u>	
2002 (Series A, B, C, D)	<u>200,000</u>	<u>84,000</u>	<u>172,000</u>	2009
Total Revenue Dedicated Notes Payable	\$ 200,000	\$ 84,000	\$ 172,000	

Note 4 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

D. 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, 2006

Changes in General Long-term Obligations:

Changes in general long-term obligations (In Thousands) for the fiscal year ended September 30, 2006 and 2005, are summarized as follows:

	<u>Revenue Dedicated Debt - Oversight Entity</u>		<u>Capital Lease Obligations</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Bonds and Capital Lease Obligations:				
Balance - Beginning	\$ 1,651,757	\$ 1,323,299	\$ 726	\$ 826
New bond issues/capital lease additions and adjustments	298,210	663,450	--	--
Accretion on Capital Appreciation Bonds	5,702	2,474	--	--
Bond principal retirements/capital lease payments and adjustments	<u>(66,850)</u>	<u>(337,466)</u>	<u>(196)</u>	<u>(100)</u>
Balance - Ending	<u>\$ 1,888,819</u>	<u>\$ 1,651,757</u>	<u>\$ 530</u>	<u>\$ 726</u>
Other Obligations:				
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Balance - Beginning	\$ 1,477	\$ 1,383	\$ 36,816	\$ 32,902
Net increase (decrease) in estimated liabilities	<u>66</u>	<u>93</u>	<u>(1,907)</u>	<u>3,914</u>
Balance - Ending	<u>\$ 1,543</u>	<u>\$ 1,477</u>	<u>\$ 34,909</u>	<u>\$ 36,816</u>

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2006

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 \$1,282,728 and \$1,973,063 during fiscal years 2006 and 2005, respectively.

Summary of the noncancelable operating and capital leasing commitments to maturity for fiscal year 2006 follows (In Thousands):

Noncancelable Lease Commitments					
Fiscal Year 2006					
Fiscal Year Ended	Operating	Capital Leases			
<u>September 30</u>	<u>Leases</u>	<u>Principal</u>	<u>Interest</u>	<u>Executory</u>	<u>Total</u>
2007	1,544	80	28	31	139
2008	1,446	85	23	31	139
2009	960	78	18	27	124
2010	785	47	15	11	73
2011	186	50	12	11	73
<u>2012 - 2015</u>	<u>--</u>	<u>189</u>	<u>19</u>	<u>38</u>	<u>246</u>
Total	<u>\$ 4,920</u>	<u>\$ 530</u>	<u>\$ 115</u>	<u>\$ 149</u>	<u>\$ 794</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.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

The historical cost of assets acquired under capital leases, which are included in the government-wide statements of the SOMCAFR, at September 30, 2006 and 2005, follows (In Thousands):

	<u>2006</u>	<u>2005</u>
Buildings	\$1,069	\$1,320
Equipment	—	—
TOTAL	<u>\$1,069</u>	<u>\$1,320</u>

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

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>2006</u>	<u>2005</u>
State Trunkline Fund	\$35,896	\$32,740
Comprehensive Transportation Fund	972	1,013
State Aeronautics Fund	<u>805</u>	<u>765</u>
Total Department of Transportation Contributions	<u>\$37,673</u>	<u>\$34,519</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, 2006

The following table summarizes Department of Transportation related compensated absences liabilities as of September 30, 2006 and 2005 (In Thousands):

	<u>Sick Leave</u>		<u>Annual Leave</u>		<u>Banked Leave</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
State Trunkline Fund	\$10,649	\$11,961	\$15,651	\$15,102	\$6,193	\$7,153	\$32,492	\$34,216
Comprehensive Transportation Fund	454	515	484	518	205	245	1,142	1,279
State Aeronautics Fund	455	514	365	341	203	209	1,024	1,065
Blue Water Bridge	<u>90</u>	<u>88</u>	<u>127</u>	<u>125</u>	<u>35</u>	<u>44</u>	<u>251</u>	<u>257</u>
TOTAL	<u>\$11,647</u>	<u>\$13,078</u>	<u>\$16,626</u>	<u>\$16,087</u>	<u>\$6,636</u>	<u>\$7,651</u>	<u>\$34,909</u>	<u>\$36,816</u>

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

Beginning in fiscal year 2005, compensated absences liabilities for persons employed at the Michigan Welcome Centers have been included in the Department's totals. The operation of the Centers is overseen by the Michigan Economic Development Corporation while the funding authorization is included in the Department's annual appropriation bill.

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

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

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 2006 changes in reported costs for the Department's capital assets (In Millions):

	Beginning Balance* (Restated)	Changes in Capital Assets Fiscal Year 2006			Ending Balance
		Additions	Deletions	Adjustments	
<u>Capital assets, not depreciated:</u>					
Roads	\$10,930.0	\$65.2	(\$79.4)	\$ --	\$10,915.7
Land & Land Improvements	2,906.0	13.0	--	--	2,919.1
Bridges	1,388.5	132.6	(56.9)	--	1,464.2
Construction in Progress	844.2	273.0	(199.7)	--	917.5
<u>Capital assets, depreciated:</u>					
Ramps	527.1	9.9	(0.5)	--	536.5
Equipment	120.5	15.9	(8.5)	1.3	129.2
Buildings	133.4	3.9	(0.3)	(0.7)	136.3
Railroads	35.0	--	--	--	35.0
Rest Areas & Welcome Centers	61.7	3.4	--	--	65.1
Land Improvements	2.8	--	--	--	2.8
Airports	1.9	--	--	--	1.9
<u>Less accumulated depreciation for:</u>					
Ramps	(328.3)	(21.3)	0.5	--	(349.1)
Equipment	(84.4)	(5.1)	6.9	(0.1)	(82.6)
Buildings	(46.9)	(3.4)	0.2	0.7	(49.4)
Railroads	(20.8)	(0.9)	--	--	(21.7)
Rest Areas & Welcome Centers	(28.5)	(1.4)	--	--	(30.0)
Land Improvements	(0.9)	(0.1)	--	--	(1.0)
Airports	(0.5)	(0.1)	--	--	(0.6)
Total Capital Assets	<u>\$16,440.7</u>	<u>\$484.6</u>	<u>(\$337.7)</u>	<u>\$1.2</u>	<u>\$16,588.9</u>

* - The beginning balance of roads, bridges and construction in progress (CIP) were adjusted to correct prior period errors. Roads were increased \$130.0 million, bridges were increased by \$42.8 million and CIP was decreased by \$28.6 million.

Note 7 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

Funding Source: Following is a summary of funding sources for investments in capital assets as of September 30, 2006 (In Millions):

<u>Fund</u>	<u>Investment @</u> <u>9/30/2006</u>
State Trunkline Fund	\$ 16,538.9
Comprehensive Transportation Fund	31.9
State Aeronautics Fund	<u>18.1</u>
Total Investment in Capital Assets	\$ 16,588.9

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

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 2006 or in fiscal year 2005.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2006

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 Local Bridge program, the Economic Development program, and the Local Road program. Three of the four cents a gallon that MTF receives for gasoline taxes is then added to the total. 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 2006 and 2005.

<u>Interfund Transactions</u>	<u>FY 06</u>	<u>FY 05</u>
MTF Distribution – STF	\$631,537,663	\$650,381,648
MTF Distribution - CTF	165,412,758	167,344,123
Other State agencies	58,229,764	38,421,794
Debt Service	43,000,000	43,000,000
Economic Development Program	40,275,000	40,275,000
Local Road Program	33,000,000	33,000,000
Local Bridge	31,359,986	19,446,812
Planning	7,731,291	6,987,043
Highways	2,934,415	2,840,466
Rail Grade Crossing	3,000,000	3,000,000
Railroad Safety & Tariffs	1,810,472	1,726,700
Finance and Administration	1,240,874	1,310,450
Worker's Compensation	--	--
Office of Information Management	<u>204,449</u>	<u>87,699</u>
 Total	 <u>\$1,019,736,671</u>	 <u>\$1,007,821,736</u>

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

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 \$10,500,000 between fiscal years 1993 and 2005, with an additional \$250,000 repaid in fiscal year 2006, 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 \$52,250,000 is owed to the Michigan Transportation Fund and a balance of \$12,306,172 is owed to the State Trunkline Fund.

For the fiscal year ended September 30, 2006, a current receivable of \$1,379,178.76 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, 2006

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 2006 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, 2006 and 2005 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, 2006

C. Construction Projects

The Department has entered into construction contracts for transportation related special revenue funds and trust funds. As of September 30, 2006 and 2005 the balances remaining on these contracts equaled \$765.2 million and \$558.1 million, respectively. As of September 30, 2006 and 2005, the balances remaining on these contracts, less the trust fund equaled \$691.5 million and \$500.4 million, respectively. As of September 30, 2006 and 2005, the balances remaining on these contracts in the State Trunkline Fund equaled \$562.8 million and \$442.6 million, respectively.

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

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, 2006

COMPREHENSIVE TRANSPORTATION FUND

The Comprehensive Transportation Fund was created for the purpose of planning, developing and funding public transportation systems within the State. It was created by Public Acts 326, 327, and 328 of 1972, and Public Act 197 of 1973. In 1975, Public Acts 195, 196, and 239 were enacted, providing further additions and amendments to the laws governing this fund. Fund revenues consist primarily of federal revenues, a portion of vehicle-related sales tax, and transfers from the Michigan Transportation Fund. Expenditures and transfers are for administration, transit and intercity bus operating and capital assistance, debt service, and rail freight services and safety programs. In accordance with statutory provisions, any unencumbered balance at fiscal year end lapses and reverts to the fund for appropriation in the following fiscal year.

STATE AERONAUTICS FUND

This fund, established by Public Act 327 of 1945, administers development and capital improvement projects for local airports. Its budget is subject to annual legislative review and appropriation. Financing consists mostly of federal and revenues 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, 2006

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, 2006

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.

2006 STATE TRUNKLINE FUND BOND PROCEEDS FUND

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

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:

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND (continued)

2002 COMPREHENSIVE TRANSPORTATION FUND BOND PROCEEDS FUND

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

2003 COMPREHENSIVE TRANSPORTATION FUND BOND PROCEEDS FUND

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

2006 COMPREHENSIVE TRANSPORTATION FUND BOND PROCEEDS FUND

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

TRANSPORTATION RELATED TRUST FUND

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

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

TRANSPORTATION RELATED TRUST FUND (continued)

SPECIAL FEDERAL BRIDGE REPLACEMENT TRUST FUND

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

FEDERAL COUNTY ROAD TRUST FUND

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

FEDERAL URBAN TRANSPORTATION SYSTEM TRUST FUND

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

HIGHWAY TOPICS AND SAFETY PROGRAM TRUST FUND

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

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, 2006 and 2005
 (In Thousands)

ASSETS	MICHIGAN TRANSPORTATION FUND		STATE TRUNKLINE FUND (excluding Blue Water Bridge Fund)	
	2006	2005	2006	2005
Current Assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 10	\$ 32
Equity in Common Cash	-	114,897	-	-
Taxes, interest, and penalties (at net)	105,792	111,413	-	-
Federal aid	-	-	80,011	108,142
Local units	-	-	22,343	27,801
Other funds and component units	175,181	70,063	752,608	756,148
Miscellaneous	6,391	6,975	8,192	8,516
Inventories	-	-	7,028	6,447
Total Current Assets	<u>287,364</u>	<u>303,347</u>	<u>870,192</u>	<u>907,087</u>
Noncurrent Assets:				
Receivables:				
Taxes	1,923	1,707	-	-
Federal aid	-	-	-	-
Local units	-	-	36,654	35,265
Advances to other funds	-	-	-	19,783
Land contracts	-	-	2,154	956
Miscellaneous	-	-	-	-
Total Noncurrent Assets	<u>1,923</u>	<u>1,707</u>	<u>38,808</u>	<u>56,005</u>
Total Assets	<u>\$ 289,287</u>	<u>\$ 305,054</u>	<u>\$ 909,000</u>	<u>\$ 963,091</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	\$ 342	\$ 718	\$ 3,396	\$ 11,905
Accounts payable	221,666	231,920	141,841	153,390
Contract reserve payable	-	-	4,197	5,769
Amounts due to other funds	47,941	52,619	2,580	2,239
Deposits, permits and other liabilities	-	-	527	1,091
Deferred revenue	17,414	18,089	7,877	7,085
Total Current Liabilities	<u>287,364</u>	<u>303,347</u>	<u>160,417</u>	<u>181,479</u>
Long-Term Liabilities:				
Deferred revenue	1,923	1,707	2,154	13,326
Advances from other funds	-	-	-	-
Total Liabilities	<u>289,287</u>	<u>305,054</u>	<u>162,571</u>	<u>194,805</u>
Fund Balances:				
Reserved for encumbrances	-	-	80,032	86,835
Reserved for unencumbered restricted revenue balances	-	-	185,279	168,620
Reserved for unencumbered capital outlay and work projects	-	-	347,776	381,916
Reserved for revolving loan programs	-	-	20,468	15,174
Reserved for construction & debt service	-	-	85,121	83,917
Reserved for noncurrent assets	-	-	28,831	28,477
Total Reserved	<u>-</u>	<u>-</u>	<u>747,507</u>	<u>764,938</u>
Unreserved	-	-	(1,078)	3,349
Total Fund Balances	<u>-</u>	<u>-</u>	<u>746,429</u>	<u>768,287</u>
Total Liabilities and Fund Balances	<u>\$ 289,287</u>	<u>\$ 305,054</u>	<u>\$ 909,000</u>	<u>\$ 963,091</u>

BLUE WATER BRIDGE FUND		COMPREHENSIVE TRANSPORTATION FUND		STATE AERONAUTICS FUND		COMBINED TRUNKLINE FUND BOND PROCEEDS FUND	
2006	2005	2006	2005	2006	2005	2006	2005
\$ 142	\$ 134	\$ 1	\$ 8	\$ -	\$ -	\$ -	\$ 1
-	-	45,216	38,432	21,738	17,350	-	103,384
-	-	-	-	615	741	-	-
-	-	6,979	5,414	30,298	31,957	914	3,529
-	-	1,045	958	20,073	17,457	3,340	4,019
7,617	26,341	10,609	11,644	-	-	242,932	-
199	196	65	483	49	10	-	-
-	-	-	-	-	-	-	-
<u>7,958</u>	<u>26,670</u>	<u>63,913</u>	<u>56,939</u>	<u>72,772</u>	<u>67,516</u>	<u>247,186</u>	<u>110,933</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	5,206	5,676	404	522	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	<u>1,158</u>	<u>1,357</u>	-	-	-	-
-	-	6,364	7,033	404	522	-	-
<u>\$ 7,958</u>	<u>\$ 26,670</u>	<u>\$ 70,277</u>	<u>\$ 63,971</u>	<u>\$ 73,176</u>	<u>\$ 68,038</u>	<u>\$ 247,186</u>	<u>\$ 110,933</u>
\$ -	\$ 7	\$ 93	\$ 1,455	\$ 1,457	\$ 482	\$ 3	\$ 13
342	399	11,272	7,107	48,617	44,500	25,365	12,180
-	-	9	24	463	936	409	488
2,180	2,224	67	70	56	51	83,262	-
-	-	966	3,626	-	-	-	-
<u>1,257</u>	<u>991</u>	-	-	-	-	<u>606</u>	<u>875</u>
<u>3,779</u>	<u>3,620</u>	<u>12,407</u>	<u>12,282</u>	<u>50,592</u>	<u>45,969</u>	<u>109,646</u>	<u>13,555</u>
-	-	1,158	1,357	-	-	-	-
-	<u>19,783</u>	-	-	-	-	-	-
<u>3,779</u>	<u>23,404</u>	<u>13,565</u>	<u>13,638</u>	<u>50,592</u>	<u>45,969</u>	<u>109,646</u>	<u>13,555</u>
1,453	999	38,489	27,846	6,827	2,236	-	-
-	-	6,287	6,959	3,555	-	-	-
1,648	5,615	-	-	7,200	16,238	-	-
-	-	11,850	11,563	2,200	2,200	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,101</u>	<u>6,615</u>	<u>56,627</u>	<u>46,369</u>	<u>19,781</u>	<u>20,673</u>	<u>-</u>	<u>-</u>
<u>1,078</u>	<u>(3,349)</u>	<u>86</u>	<u>3,964</u>	<u>2,803</u>	<u>1,396</u>	<u>137,540</u>	<u>97,379</u>
<u>4,179</u>	<u>3,266</u>	<u>56,712</u>	<u>50,333</u>	<u>22,584</u>	<u>22,069</u>	<u>137,540</u>	<u>97,379</u>
<u>\$ 7,958</u>	<u>\$ 26,670</u>	<u>\$ 70,277</u>	<u>\$ 63,971</u>	<u>\$ 73,176</u>	<u>\$ 68,038</u>	<u>\$ 247,186</u>	<u>\$ 110,933</u>

ASSETS	COMBINED TRANSPORTATION BOND PROCEEDS FUND		TRANSPORTATION RELATED TRUST FUND		TOTALS	
	2006	2005	2006	2005	2006	2005
Current Assets:						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 153	\$ 175
Equity in Common Cash	94,858	73,958	-	-	161,811	348,021
Taxes, interest, and penalties (at net)	-	-	-	-	106,407	112,154
Federal aid	-	-	26,655	22,427	144,858	171,469
Local units	-	-	42,030	30,044	88,831	80,280
Other funds and component units	-	-	-	-	1,188,946	864,195
Miscellaneous	-	-	-	33	14,895	16,212
Inventories	-	-	-	-	7,028	6,447
Total Current Assets	<u>94,858</u>	<u>73,958</u>	<u>68,686</u>	<u>52,504</u>	<u>1,712,929</u>	<u>1,598,953</u>
Noncurrent Assets:						
Receivables:						
Taxes	-	-	-	-	1,923	1,707
Federal aid	-	-	-	-	-	-
Local units	-	-	-	-	42,264	41,463
Bus and rail lease purchase	-	-	-	-	-	19,783
Land contracts	-	-	-	-	2,154	956
Miscellaneous	-	-	-	-	1,158	1,357
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,499</u>	<u>65,266</u>
Total Assets	<u>\$ 94,858</u>	<u>\$ 73,958</u>	<u>\$ 68,686</u>	<u>\$ 52,504</u>	<u>\$ 1,760,427</u>	<u>\$ 1,664,219</u>
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Warrants outstanding	\$ 6	\$ 376	\$ 127	\$ 1,747	\$ 5,424	\$ 16,701
Accounts payable	5,183	4,268	40,363	20,599	494,649	474,364
Contract reserve payable	43	214	1,152	2,107	6,272	9,538
Amounts due to other funds	-	-	27,043	28,051	163,130	85,255
Deposits, permits and other liabilities	-	-	-	-	1,493	4,717
Deferred revenue	-	-	-	-	27,155	27,039
Total Current Liabilities	<u>5,233</u>	<u>4,858</u>	<u>68,686</u>	<u>52,504</u>	<u>698,123</u>	<u>617,614</u>
Long-Term Liabilities:						
Deferred revenue	-	-	-	-	5,235	16,390
Advances from other funds	-	-	-	-	-	19,783
Total Liabilities	<u>5,233</u>	<u>4,858</u>	<u>68,686</u>	<u>52,504</u>	<u>703,358</u>	<u>653,787</u>
Fund Balances:						
Reserved for encumbrances	-	-	-	-	126,802	117,916
Reserved for unencumbered restricted revenue balances	-	-	-	-	195,121	175,579
Reserved for unencumbered capital outlay and work projects	-	-	-	-	356,624	403,769
Reserved for Revolving Loan Programs	-	-	-	-	34,518	28,937
Reserved for construction & debt service	-	-	-	-	85,121	83,917
Reserved for noncurrent assets	-	-	-	-	28,831	28,477
Total Reserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>827,016</u>	<u>838,594</u>
Unreserved	<u>89,625</u>	<u>69,100</u>	<u>-</u>	<u>-</u>	<u>230,054</u>	<u>171,839</u>
Total Fund Balances	<u>89,625</u>	<u>69,100</u>	<u>-</u>	<u>-</u>	<u>1,057,070</u>	<u>1,010,433</u>
Total Liabilities and Fund Balances	<u>\$ 94,858</u>	<u>\$ 73,958</u>	<u>\$ 68,686</u>	<u>\$ 52,504</u>	<u>\$ 1,760,427</u>	<u>\$ 1,664,219</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FISCAL YEARS ENDED SEPTEMBER 30, 2006 and 2005
(In Thousands)

	MICHIGAN TRANSPORTATION FUND		STATE TRUNKLINE FUND (excluding Blue Water Bridge Fund)	
	2006	2005	2006	2005
REVENUES				
Taxes	\$ 1,923,013	\$ 1,932,507	\$ -	\$ -
License and permits	33,105	34,579	17,499	15,339
Federal aid	-	-	709,456	753,863
Local participation	-	-	16,113	29,850
Interest earnings on common cash	7,602	6,328	23,692	17,492
Non-operating revenue-bridges	-	-	2,629	2,386
Miscellaneous and Service revenue	3,194	3,014	27,416	31,535
Total Revenues	<u>1,966,913</u>	<u>1,976,427</u>	<u>796,805</u>	<u>850,465</u>
EXPENDITURES				
Administration and Operations:				
Administration and maintenance	9,346	8,797	426,416	415,075
Bus operating assistance grants	-	-	-	-
Other grants	948,101	960,180	138,025	125,507
Airport development	-	-	-	-
Non-operating expenditures-bridges	-	-	2,560	2,323
Trust fund construction activity	-	-	-	-
Capital lease payments	-	-	151	160
Total Administration and Operations	<u>957,447</u>	<u>968,977</u>	<u>567,151</u>	<u>543,065</u>
Capital Outlay:				
Roads and bridges	-	-	943,671	988,810
Other capital outlay	-	-	9,366	16,729
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>953,037</u>	<u>1,005,539</u>
Total Expenditures	<u>957,447</u>	<u>968,977</u>	<u>1,520,188</u>	<u>1,548,604</u>
Excess of Revenues Over (Under) Expenditures	<u>1,009,466</u>	<u>1,007,451</u>	<u>(723,383)</u>	<u>(698,139)</u>
OTHER FINANCING SOURCES				
Michigan transportation fund distribution	-	-	631,485	650,382
Grants and transfers from other funds	1,007	371	255,717	205,226
Proceeds from sale of capital assets	-	-	2,633	7,304
Proceeds from bonds and notes issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Total Other Financing Sources	<u>1,007</u>	<u>371</u>	<u>889,834</u>	<u>862,912</u>
OTHER FINANCING USES				
Michigan transportation fund distribution	796,897	817,726	-	-
Grants and transfers to other funds	213,575	190,096	3,088	6,306
Debt service	-	-	185,196	114,122
Total Other Financing Uses	<u>1,010,473</u>	<u>1,007,822</u>	<u>188,284</u>	<u>120,428</u>
Excess of Other Financing Sources Over (Under) Other Financing Uses	<u>(1,009,466)</u>	<u>(1,007,451)</u>	<u>701,550</u>	<u>742,483</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	-	-	(21,833)	44,344
Fund balances-Beginning of fiscal year	-	-	768,262	723,918
Fund balances-End of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 746,429</u>	<u>\$ 768,262</u>

BLUE WATER BRIDGE FUND		COMPREHENSIVE TRANSPORTATION FUND		STATE AERONAUTICS FUND		COMBINED TRUNKLINE FUND BOND PROCEEDS FUND	
2006	2005	2006	2005	2006	2005	2006	2005
\$ -	\$ -	\$ 66,405	\$ 56,924	\$ 5,974	\$ 6,719	\$ -	\$ -
-	-	374	277	308	300	-	-
-	-	24,945	20,450	117,398	123,823	98,953	51,467
-	-	-	-	27	32	2,395	4,369
816	652	171	(19)	773	772	6,192	5,178
-	-	-	-	-	-	-	-
<u>13,942</u>	<u>14,428</u>	<u>1,306</u>	<u>5,557</u>	<u>5,491</u>	<u>3,177</u>	<u>6,736</u>	<u>874</u>
<u>14,758</u>	<u>15,081</u>	<u>93,201</u>	<u>83,190</u>	<u>129,971</u>	<u>134,823</u>	<u>114,275</u>	<u>61,888</u>
4,756	4,882	8,750	10,681	6,249	9,398	1,308	599
-	-	181,209	172,128	-	-	-	-
-	-	35,518	44,145	-	-	-	-
-	-	-	-	126,525	130,796	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>4,756</u>	<u>4,882</u>	<u>225,477</u>	<u>226,954</u>	<u>132,774</u>	<u>140,194</u>	<u>1,308</u>	<u>599</u>
6,708	297	-	-	-	-	235,425	159,078
-	-	8	-	-	279	-	-
<u>6,708</u>	<u>297</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>279</u>	<u>235,425</u>	<u>159,078</u>
<u>11,464</u>	<u>5,180</u>	<u>225,485</u>	<u>226,954</u>	<u>132,774</u>	<u>140,473</u>	<u>236,733</u>	<u>159,676</u>
<u>3,294</u>	<u>9,901</u>	<u>(132,284)</u>	<u>(143,764)</u>	<u>(2,803)</u>	<u>(5,650)</u>	<u>(122,457)</u>	<u>(97,789)</u>
-	-	165,413	167,344	-	-	-	-
-	-	1,810	1,740	6,000	6,000	-	25,866
-	-	-	-	17	-	-	-
-	-	-	-	-	-	244,525	-
-	-	-	-	-	-	11,064	-
-	-	<u>167,223</u>	<u>169,084</u>	<u>6,017</u>	<u>6,000</u>	<u>255,589</u>	<u>25,866</u>
-	-	-	-	-	-	-	-
22	25	74	218	47	57	92,971	80,129
<u>2,383</u>	<u>2,504</u>	<u>28,486</u>	<u>26,269</u>	<u>2,652</u>	<u>2,672</u>	<u>-</u>	<u>-</u>
<u>2,405</u>	<u>2,529</u>	<u>28,560</u>	<u>26,487</u>	<u>2,699</u>	<u>2,729</u>	<u>92,971</u>	<u>80,129</u>
<u>(2,405)</u>	<u>(2,529)</u>	<u>138,663</u>	<u>142,597</u>	<u>3,318</u>	<u>3,271</u>	<u>162,619</u>	<u>(54,263)</u>
888	7,372	6,379	(1,167)	515	(2,379)	40,161	(152,052)
3,290	(4,081)	50,333	51,500	22,069	24,448	97,379	249,430
<u>\$ 4,179</u>	<u>\$ 3,290</u>	<u>\$ 56,712</u>	<u>\$ 50,333</u>	<u>\$ 22,584</u>	<u>\$ 22,069</u>	<u>\$ 137,540</u>	<u>\$ 97,379</u>

	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND		TRANSPORTATION RELATED TRUST FUND		TOTALS	
	2006	2005	2006	2005	2006	2005
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,995,393	\$ 1,996,149
License and permits	-	-	-	-	51,285	50,494
Federal aid	-	-	173,594	154,760	1,124,346	1,104,363
Local participation	-	-	-	-	18,536	34,251
Interest earnings on common cash	3,733	2,203	7	153	42,986	32,761
Non-operating revenue-bridges	-	-	-	-	2,629	2,386
Miscellaneous and Service revenue	354	328	423	191	58,860	59,105
Total Revenues	<u>4,086</u>	<u>2,532</u>	<u>174,024</u>	<u>155,104</u>	<u>3,294,034</u>	<u>3,279,510</u>
EXPENDITURES						
Administration and Operations:						
Administration and maintenance	354	328	-	141	457,179	449,901
Bus operating assistance grants	-	-	-	-	181,209	172,128
Other grants	19,546	15,872	-	-	1,141,190	1,145,704
Airport development	-	-	-	-	126,525	130,796
Non-operating expenditures-bridges	-	-	-	-	2,560	2,323
Trust fund construction activity	-	-	174,024	158,097	174,024	158,097
Capital lease payments	-	-	-	-	151	160
Total Administration and Operations	<u>19,900</u>	<u>16,201</u>	<u>174,024</u>	<u>158,237</u>	<u>2,082,836</u>	<u>2,059,108</u>
Capital Outlay:						
Roads and bridges	-	-	-	-	1,185,804	1,148,186
Other capital outlay	-	-	-	-	9,374	17,008
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,195,178</u>	<u>1,165,194</u>
Total Expenditures	<u>19,900</u>	<u>16,201</u>	<u>174,024</u>	<u>158,237</u>	<u>3,278,014</u>	<u>3,224,302</u>
Excess of Revenues Over (Under) Expenditures	<u>(15,813)</u>	<u>(13,669)</u>	<u>-</u>	<u>(3,133)</u>	<u>16,020</u>	<u>55,208</u>
OTHER FINANCING SOURCES						
Michigan transportation fund distribution	-	-	-	-	796,897	817,726
Grants and transfers from other funds and Components	-	-	-	3,321	264,534	242,524
Proceeds from sale of capital assets	-	-	-	-	2,650	7,304
Proceeds from bonds issued	35,015	-	-	-	279,540	-
Premium on bond issues	1,323	-	-	-	12,388	-
Total Other Financing Sources	<u>36,338</u>	<u>-</u>	<u>-</u>	<u>3,321</u>	<u>1,356,009</u>	<u>1,067,553</u>
OTHER FINANCING USES						
Michigan transportation fund distribution	-	-	-	-	796,897	817,726
Grants and transfers to other funds and Components	-	4	-	188	309,777	277,024
Debt service	-	-	-	-	218,718	145,567
Total Other Financing Uses	<u>-</u>	<u>4</u>	<u>-</u>	<u>188</u>	<u>1,325,392</u>	<u>1,240,316</u>
Excess of Other Financing Sources Over (Under) Other Financing Uses	<u>36,338</u>	<u>(4)</u>	<u>-</u>	<u>3,133</u>	<u>30,617</u>	<u>(172,763)</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	20,525	(13,673)	-	-	46,637	(117,555)
Fund balances-Beginning of fiscal year	69,100	82,773	-	-	1,010,433	1,127,988
Fund balances-End of fiscal year	<u>\$ 89,625</u>	<u>\$ 69,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,057,069</u>	<u>\$ 1,010,433</u>

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, 2006
 (In Thousands)

(Statutory/Budgetary Basis)	MICHIGAN TRANSPORTATION FUND			STATE TRUNKLINE FUND (excluding Blue Water Bridge Fund)		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes	\$ 1,923,013	\$ 1,923,013	\$ -	\$ -	\$ -	\$ -
License and permits	33,105	33,105	-	17,499	17,499	-
Federal aid	-	-	-	709,456	709,456	-
Local participation	-	-	-	16,113	16,113	-
Interest earnings	7,602	7,602	-	23,692	23,692	-
Non-operating revenue-bridges	-	-	-	2,629	2,629	-
Miscellaneous and Service revenue	3,194	3,194	-	27,416	27,416	-
Total Revenues	1,966,913	1,966,913	-	796,805	796,805	-
EXPENDITURES AND ENCUMBRANCES						
Administration	9,777	9,346	430	485,025	450,079	34,946
Bus operating assistance grants	-	-	-	-	-	-
Other grants	1,004,653	948,101	56,553	146,158	143,924	2,234
Airport development	-	-	-	-	-	-
Nonoperating expenditure-bridges	-	-	-	2,629	2,560	69
Total Administration and Operations	1,014,430	957,447	56,983	633,811	596,562	37,249
Roads and bridges	-	-	-	991,099	990,752	347
Other capital outlay	-	-	-	13,055	12,906	149
Total Capital Outlay	-	-	-	1,004,154	1,003,658	496
Total Expenditures and Encumbrances	1,014,430	957,447	56,983	1,637,965	1,600,220	37,745
Excess of Revenue Over(Under)						
Expenditures and Encumbrances	952,483	1,009,466	56,983	(841,161)	(803,415)	37,745
OTHER FINANCING SOURCES						
Michigan transportation fund distribution	-	-	-	631,485	631,485	-
Proceeds from sale of capital assets	-	-	-	2,633	2,633	-
Grants and transfers from other funds	1,007	1,007	-	255,717	255,717	-
Total Other Financing Sources	1,007	1,007	-	889,834	889,834	-
OTHER FINANCING USES						
Michigan transportation fund distribution	830,452	796,897	33,555	-	-	-
Grants and transfers to other funds	218,535	213,575	4,960	2,000	3,088	(1,088)
Debt service	-	-	-	193,968	185,196	8,772
Total Other Financing Uses	1,048,987	1,010,473	38,514	195,968	188,284	7,684
Excess Other Financial Sources Over(Under)						
Other Financial Uses	(1,047,980)	(1,009,466)	38,514	693,866	701,550	7,684
Excess of Revenue and Other Financial Sources and Other Financial Uses	\$ (95,497)	-	\$ 95,497	\$ (147,295)	(101,865)	\$ 45,429
RECONCILING ITEMS						
Encumbrances at September 30		-			80,032	
Funds not annually budgeted		-			-	
Net Reconciling Items		-			80,032	
Excess of Revenue and Other Financial Sources Over(Under)Expenditures and Other Financial Uses (GAAP Basis)		-			(21,833)	
FUND BALANCES (GAAP BASIS)						
Beginning balance		-			768,262	
Ending balances (GAAP Basis)		\$ -			\$ 746,429	

BLUE WATER BRIDGE FUND			COMPREHENSIVE TRANSPORTATION FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ 66,405	\$ 66,405	\$ -
-	-	-	374	374	-
-	-	-	24,945	24,945	-
-	-	-	-	-	-
816	816	-	171	171	-
-	-	-	-	-	-
<u>13,942</u>	<u>13,942</u>	<u>-</u>	<u>1,306</u>	<u>1,306</u>	<u>-</u>
<u>14,758</u>	<u>14,758</u>	<u>-</u>	<u>93,201</u>	<u>93,201</u>	<u>-</u>
11,023	5,131	5,892	10,284	9,001	1,283
-	-	-	181,579	181,209	370
-	-	-	80,815	73,635	7,181
-	-	-	-	-	-
-	-	-	-	-	-
<u>11,023</u>	<u>5,131</u>	<u>5,892</u>	<u>272,678</u>	<u>263,844</u>	<u>8,834</u>
<u>7,787</u>	<u>7,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>130</u>	<u>130</u>	<u>-</u>
<u>7,787</u>	<u>7,787</u>	<u>-</u>	<u>130</u>	<u>130</u>	<u>-</u>
<u>18,810</u>	<u>12,918</u>	<u>5,892</u>	<u>272,808</u>	<u>263,974</u>	<u>8,834</u>
<u>(4,052)</u>	<u>1,840</u>	<u>5,892</u>	<u>(179,607)</u>	<u>(170,773)</u>	<u>8,834</u>
-	-	-	165,413	165,413	-
-	-	-	-	-	-
-	-	-	1,810	1,810	-
-	-	-	167,223	167,223	-
-	-	-	-	-	-
-	22	(22)	90	74	16
<u>2,383</u>	<u>2,383</u>	<u>-</u>	<u>28,844</u>	<u>28,486</u>	<u>357</u>
<u>2,383</u>	<u>2,405</u>	<u>(22)</u>	<u>28,934</u>	<u>28,560</u>	<u>373</u>
<u>(2,383)</u>	<u>(2,405)</u>	<u>(22)</u>	<u>138,290</u>	<u>138,663</u>	<u>373</u>
\$ <u>(6,435)</u>	<u>(565)</u>	\$ <u>5,870</u>	\$ <u>(41,318)</u>	<u>(32,110)</u>	\$ <u>9,207</u>
	1,453			38,489	
	-			-	
	<u>1,453</u>			<u>38,489</u>	
	<u>888</u>			<u>6,379</u>	
	<u>3,290</u>			<u>50,333</u>	
\$ <u><u>4,179</u></u>			\$ <u><u>56,712</u></u>		

(Statutory/Budgetary Basis)	STATE AERONAUTICS FUND			COMBINED TRUNKLINE FUND BOND PROCEEDS FUND
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Taxes	\$ 5,974	\$ 5,974	\$ -	\$ -
License and permits	308	308	-	-
Federal aid	117,398	117,398	-	-
Local participation	27	27	-	-
Interest earnings	773	773	-	-
Non-operating revenue-bridges	-	-	-	-
Miscellaneous and Service revenue	5,491	5,491	-	-
Total Revenues	129,971	129,971	-	-
EXPENDITURES AND ENCUMBRANCES				
Administration	8,515	6,329	2,186	-
Bus operating assistance grants	-	-	-	-
Other grants	-	-	-	-
Airport development	135,008	133,268	1,740	-
Nonoperating expenditure-bridges	-	-	-	-
Total Administration and Operations	143,523	139,597	3,926	-
Roads and bridges	-	-	-	-
Other capital outlay	4	4	-	-
Total Capital Outlay	4	4	-	-
Total Expenditures and Encumbrances	143,527	139,601	3,926	-
Excess of Revenue Over(Under)				
Expenditures and Encumbrances	(13,555)	(9,630)	3,926	-
OTHER FINANCING SOURCES				
Michigan transportation fund distribution	-	-	-	-
Proceeds from sale of capital assets	17	17	-	-
Grants and transfers from other funds and components	6,000	6,000	-	-
Total Other Financing Sources	6,017	6,017	-	-
OTHER FINANCING USES				
Michigan transportation fund distribution	-	-	-	-
Grants and transfers to other funds and components	50	47	3	-
Debt service	4,669	2,652	2,017	-
Total Other Financing Uses	4,719	2,699	2,020	-
Excess Other Financial Sources Over(Under)				
Other Financial Uses	1,298	3,318	2,020	-
Excess of Revenue and Other Financial Sources				
Over(Under) Expenditures, Encumbrances and Other Financial Uses	\$ (12,257)	(6,312)	\$ 5,946	-
RECONCILING ITEMS				
Encumbrances at September 30		6,827		-
Funds not annually budgeted		-		40,161
Net Reconciling Items		6,827		40,161
Excess of Revenue and Other Financial Sources				
Over(Under) Expenditures and Other Financial Uses (GAAP Basis)		515		40,161
FUND BALANCES (GAAP BASIS)				
Beginning balance		22,069		97,379
Ending balances (GAAP Basis)		\$ 22,584		\$ 137,540

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND		TRANSPORTATION RELATED TRUST FUND	TOTALS		VARIANCE FAVORABLE (UNFAVORABLE)
ACTUAL	ACTUAL	BUDGET	ACTUAL		
\$ -	\$ -	\$ 1,995,393	\$ 1,995,393	\$ -	
-	-	51,285	51,285	-	
-	-	851,800	851,800	-	
-	-	16,140	16,140	-	
-	-	33,054	33,054	-	
-	-	2,629	2,629	-	
-	-	51,348	51,348	-	
-	-	3,001,649	3,001,649	-	
-	-	524,623	479,886		44,737
-	-	181,579	181,209		370
-	-	1,231,626	1,165,659		65,968
-	-	135,008	133,268		1,740
-	-	2,629	2,560		69
-	-	2,075,465	1,962,580		112,884
-	-	998,886	998,539		347
-	-	13,189	13,040		149
-	-	1,012,076	1,011,579		496
-	-	3,087,540	2,974,160		113,380
-	-	(85,892)	27,489		113,380
-	-	796,897	796,897		-
-	-	2,650	2,650		-
-	-	264,534	264,534		-
-	-	1,064,081	1,064,081		-
-	-	830,452	796,897		33,555
-	-	220,675	216,806		3,869
-	-	229,864	218,718		11,146
-	-	1,280,991	1,232,422		48,570
-	-	(216,910)	(168,341)		48,570
-	-	\$ (302,802)	(140,852)	\$	161,950
-	-		126,802		
20,525	-		60,687		
20,525	-		187,488		
20,525	-		46,637		
69,100	-		1,010,433		
\$ 89,625	\$ -		\$ 1,057,069		

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, 2005
 (In Thousands)

(Statutory/Budgetary Basis)	MICHIGAN TRANSPORTATION FUND			STATE TRUNKLINE FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes	\$ 1,932,507	\$ 1,932,507	\$ -	\$ -	\$ -	\$ -
License and permits	34,579	34,579	-	15,339	15,339	-
Federal aid	-	-	-	753,863	753,863	-
Local participation	-	-	-	46,788	46,788	-
Interest earnings	6,328	6,328	-	17,492	17,492	-
Nonoperating revenue-bridges	-	-	-	2,386	2,386	-
Miscellaneous revenue	3,014	3,014	-	31,535	31,535	-
Total Revenues	<u>1,976,427</u>	<u>1,976,427</u>	<u>-</u>	<u>867,403</u>	<u>867,403</u>	<u>-</u>
EXPENDITURES AND ENCUMBRANCES						
Administration	9,270	8,797	473	465,564	435,542	30,023
Bus operating assistance grants	-	-	-	-	-	-
Other grants	986,831	960,180	26,651	165,979	131,940	34,039
Airport development	-	-	-	-	-	-
Nonoperating expenditure-bridges	-	-	-	2,386	2,323	63
Total Administration and Operations	<u>996,101</u>	<u>968,977</u>	<u>27,124</u>	<u>633,930</u>	<u>569,805</u>	<u>64,125</u>
Roads and bridges	-	-	-	1,061,496	1,060,552	943
Other capital outlay	-	-	-	84,462	22,019	62,443
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,145,958</u>	<u>1,082,572</u>	<u>63,386</u>
Total Expenditures and Encumbrances	<u>996,101</u>	<u>968,977</u>	<u>27,124</u>	<u>1,779,888</u>	<u>1,652,377</u>	<u>127,511</u>
Excess of Revenue Over(Under) Expenditures and Encumbrances	<u>980,327</u>	<u>1,007,451</u>	<u>27,124</u>	<u>(912,485)</u>	<u>(784,974)</u>	<u>127,511</u>
OTHER FINANCING SOURCES						
Michigan transportation fund distribution	-	-	-	650,382	650,382	-
Grants and transfers from other funds	371	371	-	212,530	212,530	-
Total Financing Sources	<u>371</u>	<u>371</u>	<u>-</u>	<u>862,912</u>	<u>862,912</u>	<u>-</u>
OTHER FINANCING USES						
Michigan transportation fund distribution	841,426	817,726	23,701	-	-	-
Grants and transfers to other funds	195,668	190,096	5,572	2,029	6,306	(4,277)
Debt service	-	-	-	129,306	114,122	15,185
Total Financing Uses	<u>1,037,094</u>	<u>1,007,822</u>	<u>29,272</u>	<u>131,335</u>	<u>120,428</u>	<u>10,907</u>
Excess Other Financial Sources Over(Under) Other Financial Uses	<u>(1,036,723)</u>	<u>(1,007,451)</u>	<u>29,272</u>	<u>731,576</u>	<u>742,483</u>	<u>10,907</u>
Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses	<u>\$ (56,396)</u>	<u>-</u>	<u>\$ 56,396</u>	<u>\$ (180,909)</u>	<u>(42,490)</u>	<u>\$ 138,418</u>
(Statutory/Budgetary Basis) Encumbrances at September 30		-			86,835	
Funds not annually budgeted		-			-	
Net Reconciling Items		-			86,835	
Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis)		-			44,344	
FUND BALANCES (GAAP BASIS)						
Beginning of fiscal year		-			723,918	
End of fiscal year		<u>\$ -</u>			<u>\$ 768,262</u>	

:)	BLUE WATER BRIDGE FUND			COMPREHENSIVE TRANSPORTATION FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$	-	\$ -	\$ -	\$ 56,924	\$ 56,924	\$ -
	-	-	-	277	277	-
	-	-	-	20,450	20,450	-
	-	-	-	10	10	-
	652	652	-	(19)	(19)	-
	-	-	-	-	-	-
	<u>14,428</u>	<u>14,428</u>	<u>-</u>	<u>5,557</u>	<u>5,557</u>	<u>-</u>
	<u>15,081</u>	<u>15,081</u>	<u>-</u>	<u>83,200</u>	<u>83,200</u>	<u>-</u>
	10,701	5,062	5,639	12,879	11,183	1,697
	-	-	-	173,619	173,384	235
	-	-	-	80,113	70,244	9,869
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>10,701</u>	<u>5,062</u>	<u>5,639</u>	<u>266,612</u>	<u>254,811</u>	<u>11,801</u>
	<u>1,117</u>	<u>1,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,117</u>	<u>1,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>11,818</u>	<u>6,179</u>	<u>5,639</u>	<u>266,612</u>	<u>254,811</u>	<u>11,801</u>
	<u>3,262</u>	<u>8,902</u>	<u>5,639</u>	<u>(183,412)</u>	<u>(171,611)</u>	<u>11,801</u>
	-	-	-	167,344	167,344	-
	-	-	-	1,740	1,740	-
	-	-	-	<u>169,084</u>	<u>169,084</u>	<u>-</u>
	-	-	-	-	-	-
	-	25	(25)	90	218	(128)
	<u>2,507</u>	<u>2,504</u>	<u>3</u>	<u>28,494</u>	<u>26,269</u>	<u>2,225</u>
	<u>2,507</u>	<u>2,529</u>	<u>(22)</u>	<u>28,584</u>	<u>26,487</u>	<u>2,097</u>
	<u>(2,507)</u>	<u>(2,529)</u>	<u>(22)</u>	<u>140,500</u>	<u>142,597</u>	<u>2,097</u>
\$	<u>756</u>	<u>6,372</u>	<u>\$ 5,617</u>	<u>\$ (42,912)</u>	<u>(29,014)</u>	<u>\$ 13,898</u>
		999			27,846	
		-			-	
		<u>999</u>			<u>27,846</u>	
		<u>7,372</u>			<u>(1,167)</u>	
		<u>(4,081)</u>			<u>51,500</u>	
	\$	<u><u>3,290</u></u>		\$	<u><u>50,333</u></u>	

(Statutory/Budgetary Basis)	STATE AERONAUTICS FUND			COMBINED TRUNKLINE FUND BOND PROCEEDS FUND
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Taxes	\$ 6,719	\$ 6,719	\$ -	\$ -
License and permits	300	300	-	-
Federal aid	123,823	123,823	-	-
Local participation	23,490	23,490	-	-
Interest earnings	772	772	-	-
Nonoperating revenue-bridges	-	-	-	-
Miscellaneous revenue	3,471	3,471	-	-
Total Revenues	158,574	158,574	-	-
EXPENDITURES AND ENCUMBRANCES				
Administration	11,270	9,721	1,549	-
Bus operating assistance grants	-	-	-	-
Other grants	-	-	-	-
Airport development	156,872	156,460	412	-
Nonoperating expenditure-bridges	-	-	-	-
Total Administration and Operations	168,142	166,181	1,962	-
Roads and bridges	-	-	-	-
Other capital outlay	279	279	-	-
Total Capital Outlay	279	279	-	-
Total Expenditures and Encumbrances	168,421	166,460	1,962	-
Excess of Revenue Over(Under) Expenditures and Encumbrances	(9,847)	(7,885)	1,962	-
OTHER FINANCING SOURCES				
Michigan transportation fund distribution	-	-	-	-
Grants and transfers from other funds and components	6,000	6,000	-	-
Total Financing Sources	6,000	6,000	-	-
OTHER FINANCING USES				
Michigan transportation fund distribution	-	-	-	-
Grants and transfers to other funds and components	50	57	(7)	-
Debt service	2,673	2,672	-	-
Total Financing Uses	2,723	2,729	(7)	-
Excess Other Financial Sources Over(Under) Other Financial Uses	3,277	3,271	(7)	-
Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses	\$ (6,569)	(4,615)	\$ 1,955	-
(Statutory/Budgetary Basis) Encumbrances at September 30		2,236		-
Funds not annually budgeted		-		(152,052)
Net Reconciling Items		2,236		(152,052)
Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis)		(2,379)		(152,052)
FUND BALANCES (GAAP BASIS)				
Beginning of fiscal year		24,448		249,430
End of fiscal year		\$ 22,069		\$ 97,379

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND		TRANSPORTATION RELATED TRUST FUND	TOTALS		
ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	
\$ -	\$ -	\$ 1,996,149	\$ 1,996,149	\$ -	
-	-	50,494	50,494	-	
-	-	898,136	898,136	-	
-	-	70,288	70,288	-	
-	-	25,226	25,226	-	
-	-	2,386	2,386	-	
-	-	58,005	58,005	-	
-	-	3,100,686	3,100,686	-	
-	-	509,685	470,304	39,381	
-	-	173,619	173,384	235	
-	-	1,232,923	1,162,364	70,559	
-	-	156,872	156,460	412	
-	-	2,386	2,323	63	
-	-	2,075,486	1,964,835	110,651	
-	-	1,062,613	1,061,670	943	
-	-	84,741	22,298	62,443	
-	-	1,147,354	1,083,968	63,386	
-	-	3,222,840	3,048,803	174,037	
-	-	(122,154)	51,883	174,037	
-	-	817,726	817,726	-	
-	-	220,641	220,641	-	
-	-	1,038,367	1,038,367	-	
-	-	841,426	817,726	23,701	
-	-	197,837	196,703	1,134	
-	-	162,980	145,567	17,413	
-	-	1,202,243	1,159,995	42,248	
-	-	(163,876)	(121,629)	42,248	
-	-	\$ (286,031)	(69,746)	\$ 216,284	
-	-	-	117,916	-	
(13,673)	-	-	(165,725)	-	
(13,673)	-	-	(47,809)	-	
(13,673)	-	-	(117,555)	-	
82,773	-	-	1,127,988	-	
\$ 69,100	\$ -	-	\$ 1,010,433	-	

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF DEBT SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

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, 2006 and 2005
 (In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND		COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND		TOTALS	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
ASSETS						
Current Assets:						
Equity in Common Cash	\$ 27	\$ 455	\$ -	\$ -	\$ 27	\$ 455
Amounts due from other funds	-	-	-	-	-	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 27</u>	<u>\$ 455</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 27</u>	<u>\$ 455</u>
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Warrants Outstanding	\$ -	\$ 267	\$ -	\$ -	\$ -	\$ 267
Accounts payable and other liabilities	27	188	-	-	27	188
Amounts due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>27</u>	<u>455</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>455</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>\$ 27</u>	<u>\$ 455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 455</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FISCAL YEARS ENDED SEPTEMBER 30, 2006 and 2005
(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND		COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND		TOTALS	
	2006	2005	2006	2005	2006	2005
REVENUES						
Interest earnings	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ 1
Total Revenues	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
EXPENDITURES						
Costs of issuance	-	3,621	161	580	161	4,201
Bond principal retirement	107,889	53,026	19,090	15,565	126,979	68,591
Bond interest and fiscal charges	<u>79,691</u>	<u>63,599</u>	<u>12,049</u>	<u>13,376</u>	<u>91,739</u>	<u>76,975</u>
Total Expenditures	<u>187,579</u>	<u>120,247</u>	<u>31,299</u>	<u>29,520</u>	<u>218,879</u>	<u>149,767</u>
Excess of Revenues Over (Under) Expenditures	<u>(187,579)</u>	<u>(120,246)</u>	<u>(31,299)</u>	<u>(29,520)</u>	<u>(218,878)</u>	<u>(149,767)</u>
OTHER FINANCING SOURCES						
Proceeds from refunding bond issues	-	601,270	18,670	62,180	18,670	663,450
Premium on bonds issued	-	50,815	63	7,815	63	58,629
Transfer from State Trunkline Fund	187,579	116,626	-	-	187,579	116,626
Transfer from Comprehensive Transportation Fund	<u>-</u>	<u>-</u>	<u>31,139</u>	<u>28,941</u>	<u>31,139</u>	<u>28,941</u>
Total Other Financing Sources	<u>187,579</u>	<u>768,710</u>	<u>49,872</u>	<u>98,935</u>	<u>237,451</u>	<u>867,646</u>
OTHER FINANCING USES						
Transfer to Treasury for operations	-	-	-	-	-	-
Payment to refunded bond escrow agent	<u>-</u>	<u>648,464</u>	<u>18,573</u>	<u>69,415</u>	<u>18,573</u>	<u>717,879</u>
Total Other Financing Uses	<u>-</u>	<u>648,464</u>	<u>18,573</u>	<u>69,415</u>	<u>18,573</u>	<u>717,879</u>
Excess of Other Sources Over (Under) Other Uses	<u>187,579</u>	<u>120,246</u>	<u>31,299</u>	<u>29,520</u>	<u>218,878</u>	<u>149,767</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-	-	-
Fund balances-Beginning of fiscal year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances-End of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION
SCHEDULE OF REVENUES AND EXPENDITURES
SPECIAL REVENUE FUNDS
LAST TEN YEARS
 SEPTEMBER 30, 2006
 (In Thousands)

	<u>1996-1997</u>	<u>1997-1998</u>	<u>1998-1999</u>	<u>1999-2000</u>
REVENUES AND OTHER SOURCES:				
Michigan Transportation Fund	\$ 1,531,558	\$ 1,760,457	\$ 1,844,829	\$ 1,892,570
State Trunkline Fund				
Economic Development	100,715	100,287	114,030	109,260
Traditional Program	924,447	1,155,026	1,251,440	1,537,389
Blue Water Bridge Fund	536	10,580	11,454	16,535
Comprehensive Transportation Fund	228,497	226,155	243,990	249,647
Aeronautics Fund	91,272	70,615	74,229	93,818
Transportation Related Trust Fund	-	-	-	224,680
1989 State Trunkline Bond Proceeds Fund	324	253	5,508	3,514
1992 State Trunkline Bond Proceeds Fund	35,622	18,373	12,288	15,312
1992 State Trunkline Critical Bridge Bond Proceeds Fund	111	104	76	85
1992 Comprehensive Transportation Bond Proceeds Fund	1,064	900	1,985	730
1994 State Trunkline Bond Proceeds Fund	103,710	40,051	10,615	6,984
1996 State Trunkline Bond Proceeds Fund	56,391	2,079	(119)	9
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	-	-	-	-
Jobs Today Bond Proceeds	-	-	-	-
TOTAL REVENUES AND OTHER SOURCES	\$ <u>3,074,247</u>	\$ <u>3,384,879</u>	\$ <u>3,570,324</u>	\$ <u>4,150,531</u>
EXPENDITURES AND OTHER USES:				
Michigan Transportation Fund	\$ 1,531,558	\$ 1,760,457	\$ 1,844,829	\$ 1,892,570
State Trunkline Fund				
Economic Development	124,129	109,345	115,337	87,927
Traditional Program	879,185	1,089,716	1,363,640	1,493,359
Blue Water Bridge Fund	-	5,271	5,220	7,728
Comprehensive Transportation Fund	223,501	267,159	237,021	241,984
Aeronautics Fund	83,243	71,914	99,057	90,195
Transportation Related Trust Fund	-	-	-	224,680
1989 State Trunkline Bond Proceeds Fund	1,066	1,519	3,126	1,582
1992 State Trunkline Bond Proceeds Fund	43,521	23,027	16,050	18,886
1992 State Trunkline Critical Bridge Bond Proceeds Fund	157	580	242	1,123
1992 Comprehensive Transportation Bond Proceeds Fund	6,569	3,545	2,395	1,013
1994 State Trunkline Bond Proceeds Fund	119,378	52,368	14,228	8,281
1996 State Trunkline Bond Proceeds Fund	12,695	19,862	23,776	2,257
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	-	-	-	-
Jobs Today Bond Proceeds	-	-	-	-
TOTAL EXPENDITURES AND OTHER USES	\$ <u>3,025,002</u>	\$ <u>3,404,762</u>	\$ <u>3,724,921</u>	\$ <u>4,071,584</u>

<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
\$ 1,913,540	\$ 1,974,234	\$ 2,000,406	\$ 2,064,583	\$ 1,976,798	\$ 1,967,920
113,111	114,264	111,868	106,607	118,205	98,526
1,439,365	1,367,935	1,317,848	1,429,449	1,612,110	1,588,113
12,493	11,478	12,254	13,989	15,081	14,758
270,656	270,695	273,277	267,928	252,284	260,424
133,811	155,619	122,359	144,580	164,574	135,989
244,625	277,726	281,796	266,271	239,403	174,024
112	41	719	152	891	49
11,914	5,087	2,168	2,419	947	85
13	2	-	-	-	-
609	104	15	-	-	-
3,110	486	918	71	374	20
3	154	-	-	-	-
330,576	49,090	14,684	27,691	11,765	7,019
410,848	218,262	13,040	9,477	67,623	93,546
-	89,179	37,641	1,164	2,531	40,425
-	-	-	201,896	6,152	269,072
-	-	-	-	-	73
<u>\$ 4,884,786</u>	<u>\$ 4,534,356</u>	<u>\$ 4,188,993</u>	<u>\$ 4,536,277</u>	<u>\$ 4,468,738</u>	<u>\$ 4,650,043</u>

\$ 1,913,540	\$ 1,974,234	\$ 2,000,406	\$ 2,064,583	\$ 1,976,798	\$ 1,967,920
108,988	109,955	102,399	121,527	113,014	90,141
1,385,715	1,277,342	1,286,783	1,288,226	1,572,956	1,618,331
12,482	10,326	8,869	7,421	7,709	13,870
281,121	288,324	262,820	283,459	253,451	254,045
131,899	159,609	117,691	138,712	166,954	135,473
244,625	277,726	281,796	266,271	239,403	174,024
132	314	625	1,271	635	14
12,667	5,970	2,194	5,495	880	6,078
1	262	-	-	-	-
5,176	5,474	1,773	-	-	-
3,688	520	1,164	3,997	411	(520)
(74)	-	-	-	-	-
75,734	113,740	76,606	51,124	56,489	13,663
164,805	259,282	169,588	58,497	66,207	94,827
-	671	21,340	23,201	16,205	19,900
-	-	-	63,416	115,184	132,305
-	-	-	-	-	83,336
<u>\$ 4,340,498</u>	<u>\$ 4,483,749</u>	<u>\$ 4,334,054</u>	<u>\$ 4,377,200</u>	<u>\$ 4,586,296</u>	<u>\$ 4,603,407</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ECONOMIC DEVELOPMENT FUND

FISCAL YEARS ENDED SEPTEMBER 30, 2006 and 2005
(In Thousands)

	2006	2005
REVENUES AND OTHER SOURCES		
Licenses and permits	\$ 12,337	\$ 10,001
Federal aid	40,724	42,445
Local participation	80	209
Interest earnings	4,614	3,453
Michigan Transportation Fund distribution	40,275	40,275
Miscellaneous	496	2,870
Operating Transfers In	-	2,015
	<u>98,526</u>	<u>101,267</u>
EXPENDITURES AND OTHER USES		
Administration	812	476
Forest roads	5,034	5,021
Target industries-state takeovers	7,962	17,219
Rural county urban system	1,368	1,959
Urban county congestion	29,471	26,041
Rural county primary	30,864	30,336
Debt service	14,630	14,699
	<u>90,141</u>	<u>95,752</u>
Total Expenditures and Other Uses		
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>8,385</u>	<u>5,515</u>
Fund Balances-Beginning of fiscal year	<u>92,179</u>	<u>86,664</u>
Fund Balances-End of fiscal year	<u>\$ 100,564</u>	<u>\$ 92,179</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.

Administration expenditures for fiscal year 2005 have been revised to reflect activity funded only with EDF revenues.

MICHIGAN DEPARTMENT OF TRANSPORTATION
SCHEDULE OF DEBT SERVICE REQUIREMENTS ON THE OUTSTANDING BONDS AND NOTES
STATE TRUNKLINE FUND AND COMPREHENSIVE TRANSPORTATION FUND
 SEPTEMBER 30, 2006
 (In Thousands)

Bonds

FISCAL YEARS ENDING SEPTEMBER 30	STATE TRUNKLINE FUND			COMPREHENSIVE TRANSPORTATION FUND			COMBINED TOTAL		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2007	30,385	74,415	104,800	20,230	12,930	33,160	50,615	87,344	137,959
2008	54,330	75,673	130,003	21,275	12,041	33,316	75,605	87,715	163,320
2009	56,080	73,899	129,979	22,325	10,997	33,322	78,405	84,896	163,301
2010	88,210	71,938	160,148	23,555	9,760	33,315	111,765	81,698	193,463
2011	91,910	68,226	160,136	24,765	8,544	33,309	116,675	76,770	193,445
2012	95,840	64,293	160,133	12,310	7,553	19,863	108,150	71,846	179,996
2013	99,985	60,118	160,103	12,790	6,990	19,780	112,775	67,108	179,883
2014	104,730	55,328	160,058	13,365	6,401	19,766	118,095	61,728	179,823
2015	110,725	49,520	160,245	9,215	5,784	14,999	119,940	55,304	175,244
2016	116,430	43,772	160,202	9,670	5,329	14,999	126,100	49,101	175,201
2017	122,520	37,682	160,202	10,145	4,851	14,996	132,665	42,533	175,198
2018	128,505	31,673	160,178	10,650	4,347	14,997	139,155	36,020	175,175
2019	134,885	25,262	160,147	11,190	3,808	14,998	146,075	29,070	175,145
2020	93,630	18,224	111,854	11,775	3,220	14,995	105,405	21,444	126,849
2021	98,470	13,359	111,829	12,390	2,608	14,998	110,860	15,967	126,827
2022	103,620	8,180	111,800	13,035	1,965	15,000	116,655	10,145	126,800
2023	76,650	3,587	80,237	2,635	1,356	3,991	79,285	4,942	84,227
2024	12,800	1,350	14,150	2,770	1,226	3,996	15,570	2,576	18,146
2025	13,455	694	14,149	2,910	1,088	3,998	16,365	1,781	18,146
2026	3,485	270	3,755	3,055	942	3,997	6,540	1,212	7,752
2027	3,665	92	3,757	3,210	789	3,999	6,875	881	7,756
2028	-	-	-	3,370	629	3,999	3,370	629	3,999
2029	-	-	-	3,535	460	3,995	3,535	460	3,995
2030	-	-	-	3,715	284	3,999	3,715	284	3,999
2031	-	-	-	1,955	98	2,053	1,955	98	2,053
TOTAL	\$ 1,640,310	\$ 777,554	\$ 2,417,864	\$ 265,840	\$ 113,999	\$ 379,839	\$ 1,906,150	\$ 891,552	\$ 2,797,702

Notes

FISCAL YEARS ENDING SEPTEMBER 30	PRINCIPAL	INTEREST*	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2007	52,000	1,453	53,453	-	-	-	52,000	1,453	53,453
2008	32,000	107	32,107	-	-	-	32,000	107	32,107
TOTAL	\$ 84,000	\$ 1,560	\$ 85,560	\$ -	\$ -	\$ -	\$ 84,000	\$ 1,560	\$ 85,560

*Interest payments are estimated at 4% with principal payments made November 1.

MICHIGAN DEPARTMENT OF TRANSPORTATION
CONSTRUCTION AND CAPITAL PROPERTY ACQUISITIONS
BY FUNCTIONAL ACTIVITY
FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	<u>Totals</u>	<u>Preliminary Engineering</u>	<u>Right-of-Way</u>
STATE TRUNKLINE FUND			
Roads and bridges	\$ 968,073	\$ 126,038	\$ 16,548
Economic development fund	75,042	655	3,497
Work orders - state facilities	8,358	-	-
	<u>1,051,473</u>	<u>126,693</u>	<u>20,045</u>
BLUE WATER BRIDGE FUND			
	<u>6,708</u>	<u>155</u>	<u>6,298</u>
Subtotal	<u>6,708</u>	<u>155</u>	<u>6,298</u>
STATE AERONAUTICS AND GENERAL FUNDS			
Airport development	<u>126,525</u>	<u>7,386</u>	<u>7,947</u>
Subtotal	<u>126,525</u>	<u>7,386</u>	<u>7,947</u>
COMPREHENSIVE TRANSPORTATION FUND			
Rail freight	2,189	-	-
Bus transit	12,652	-	-
Intercity bus, rail, water	6,838	-	-
	<u>21,679</u>	<u>-</u>	<u>-</u>
BOND FUNDS			
1989 State Trunkline	14	-	14
1992 State Trunkline	6,078	227	13
1992 Comprehensive Transportation	-	-	-
1994 State Trunkline	(520)	12	-
1996 State Trunkline	-	-	-
2001 State Trunkline BM3	230,075	2,564	588
2001 & 2002 State Trunkline BM2	94,935	-	-
2002 & 2003 Comprehensive Transportation	19,900	1,272	2,062
	<u>350,482</u>	<u>4,075</u>	<u>2,677</u>
Subtotal	<u>350,482</u>	<u>4,075</u>	<u>2,677</u>
Total Capital Acquisitions	<u>\$ 1,556,867</u>	<u>\$ 138,309</u>	<u>\$ 36,967</u>

<u>Utility Relocation</u>	<u>Physical Construction</u>	<u>Construction Supervision</u>	<u>Special Projects</u>	<u>Other Activities</u>
\$ 1,394	\$ 750,096	\$ 65,655	\$ -	\$ 8,343
-	78,825	1,795	-	(9,730)
-	-	-	-	8,358
<u>1,394</u>	<u>828,921</u>	<u>67,450</u>	<u>-</u>	<u>6,971</u>
-	225	10	-	20
-	225	10	-	20
-	106,565	11,714	-	(7,087)
-	106,565	11,714	-	(7,087)
-	-	-	-	2,189
-	-	-	-	12,652
-	-	-	-	6,838
-	-	-	-	21,679
-	-	-	-	-
-	5,038	3	-	798
-	-	-	-	-
-	-	-	-	(532)
-	-	-	-	-
-	208,735	14,498	-	3,690
-	172	171	-	94,592
-	9,195	987	-	6,384
-	223,140	15,659	-	104,932
<u>\$ 1,394</u>	<u>\$ 1,158,851</u>	<u>\$ 94,833</u>	<u>\$ -</u>	<u>\$ 126,515</u>

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

FISCAL YEAR ENDED SEPTEMBER 30, 2005
(In Thousands)

	Totals	Preliminary Engineering	Right-of-Way
STATE TRUNKLINE FUND			
Roads and bridges	\$ 1,014,880	\$ 117,124	\$ 21,678
Economic development fund	97,515	932	6,803
Work orders - state facilities	7,391	-	-
Subtotal	1,119,786	118,056	28,481
BLUE WATER BRIDGE FUND			
	297	248	47
Subtotal	297	248	47
STATE AERONAUTICS AND GENERAL FUNDS			
Airport development	160,800	(7,442)	11,946
Subtotal	160,800	(7,442)	11,946
COMPREHENSIVE TRANSPORTATION FUND			
Rail freight	4,321	-	-
Bus transit	27,147	-	-
Intercity bus, rail, water	8,600	-	-
Subtotal	40,068	-	-
BOND FUNDS			
1989 State Trunkline	635	203	-
1992 State Trunkline	880	218	523
1992 Comprehensive Transportation	-	-	-
1994 State Trunkline	411	95	24
1996 State Trunkline	-	-	-
2001 State Trunkline BM3	171,673	3,045	2,109
2001 & 2002 State Trunkline BM2	66,207	-	-
2002 & 2003 Comprehensive Transportation	16,205	(326)	184
Subtotal	256,010	3,235	2,839
Total Capital Acquisitions	\$ 1,576,961	\$ 114,097	\$ 43,313

<u>Utility Relocation</u>	<u>Physical Construction</u>	<u>Construction Supervision</u>	<u>Special Projects</u>	<u>Other Activities</u>
\$ 927	\$ 803,699	\$ 69,886	\$ 1	\$ 1,564
-	85,170	2,813	-	1,797
-	-	-	-	7,391
<u>927</u>	<u>888,869</u>	<u>72,699</u>	<u>1</u>	<u>10,752</u>
-	48	1	-	(47)
-	48	1	-	(47)
-	136,427	18,489	-	1,381
-	136,427	18,489	-	1,381
-	-	-	-	4,321
-	-	-	-	27,147
-	-	-	-	8,600
-	-	-	-	40,068
-	0	-	-	432
-	103	-	-	36
-	-	-	-	-
-	277	3	-	12
-	-	-	-	-
14	128,696	10,547	-	27,262
-	3,061	703	-	62,443
-	11,389	1,144	-	3,814
<u>14</u>	<u>143,526</u>	<u>12,397</u>	<u>-</u>	<u>93,997</u>
<u>\$ 941</u>	<u>\$ 1,168,870</u>	<u>\$ 103,587</u>	<u>\$ 1</u>	<u>\$ 146,152</u>

Michigan Department of Transportation
Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2005
(In Thousands)

Grantor Agency/ Federal Assistance Program Title	CFDA Program Number	Pass Through Entity	Pass- Through Entity Identification Number	Directly Expended by Department 2005	Distributed To Sub- Recipients 2005	Total Expended and Distributed 2005
Federal Highway Administration:						
Highway Planning and Construction	20.205			\$ 925,741	\$ 36,801	\$ 962,542
Total Federal Highway Administration				\$ 925,741	\$ 36,801	\$ 962,542
Federal Motor Carrier Safety Administration:						
National Motor Carrier Safety	20.218	State Police	97-0066	\$ 62	\$ -	\$ 62
Total Federal Motor Carrier Safety Administration				\$ 62	\$ -	\$ 62
Federal Aviation Administration:						
Airport Improvement Program	20.106			\$ 86,084	\$ 40,220	\$ 126,304
Total Federal Aviation Administration				\$ 86,084	\$ 40,220	\$ 126,304
Federal Railroad Administration:						
Next Generation High Speed Rail Program	20.312			\$ 1,513	\$ -	\$ 1,513
Total Federal Railroad Administration				\$ 1,513	\$ -	\$ 1,513
Federal Transit Administration:						
Section 5309 - Capital Investment Grants	20.500			\$ 64	\$ 5,394	\$ 5,458
Section 5311 - Public Transportation for Non-Urbanized Areas/Operating	20.509			-	6,062	6,062
Section 5311 - Public Transportation for Non-Urbanized Areas/Capital	20.509			957	1,521	2,478
Section 5303 - Metropolitan Planning Grants	20.505			-	1,201	1,201
Section 5307 - Urbanized Area Formula Program	20.507			-	731	731
Section 5310 - Elderly and Persons with Disabilities Program	20.513			60	3,750	3,810
Section 5313(b) - State Planning and Research Program	20.515			6	226	232
Section 5314 - Transit Planning and Research Program	20.514			3	2	4
Section 3037 - Job Access and Reverse Commute Program	20.516			-	112	112
Total Federal Transit Administration				\$ 1,090	\$ 18,998	\$ 20,088
DEPARTMENT TOTAL				\$ 1,014,490	\$ 96,019	\$ 1,110,509

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
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEARS ENDED SEPTEMBER 30, 2005 AND 2004

- (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 in fiscal year 2004.

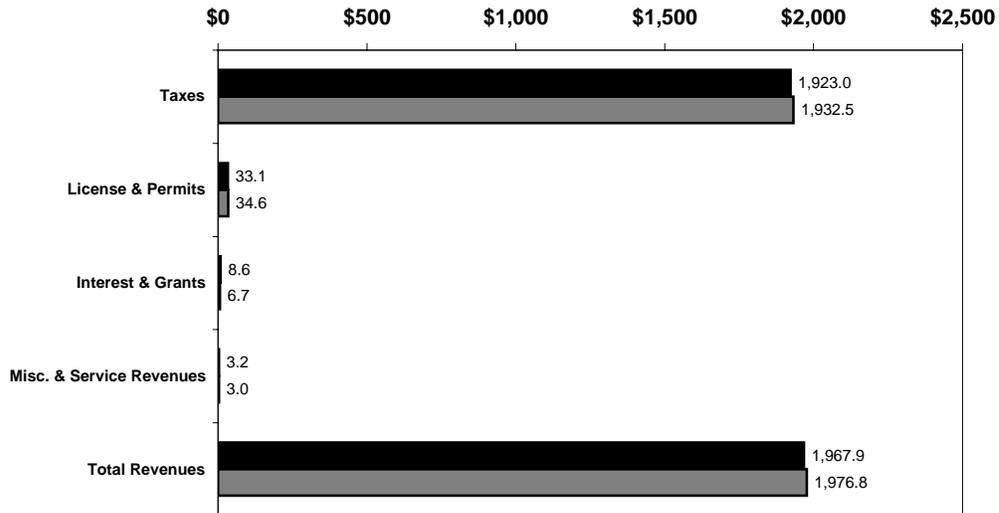
- (B) The Department's method of reporting accrued expenditures was revised in fiscal year 2004. Previously, all accrued expenditures were reported as directly expended by the Department. The Department will now determine if accrued expenditures should be reported as directly expended or as distributions to sub-recipients on an individual basis.

MICHIGAN DEPARTMENT OF TRANSPORTATION MICHIGAN TRANSPORTATION FUND GRAPHICS

FISCAL YEARS ENDED SEPTEMBER 30, 2006 AND 2005

REVENUES AND OTHER SOURCES

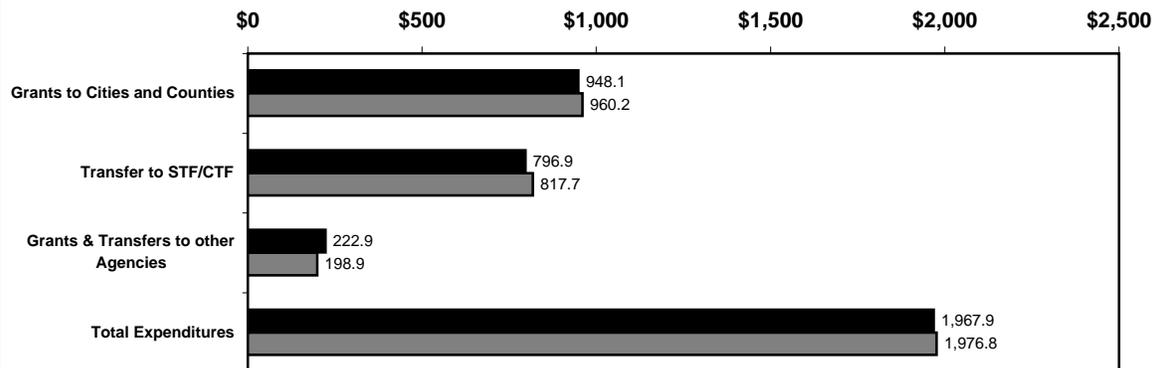
In Millions



■ 2006 ■ 2005

EXPENDITURES AND OTHER USES

In Millions



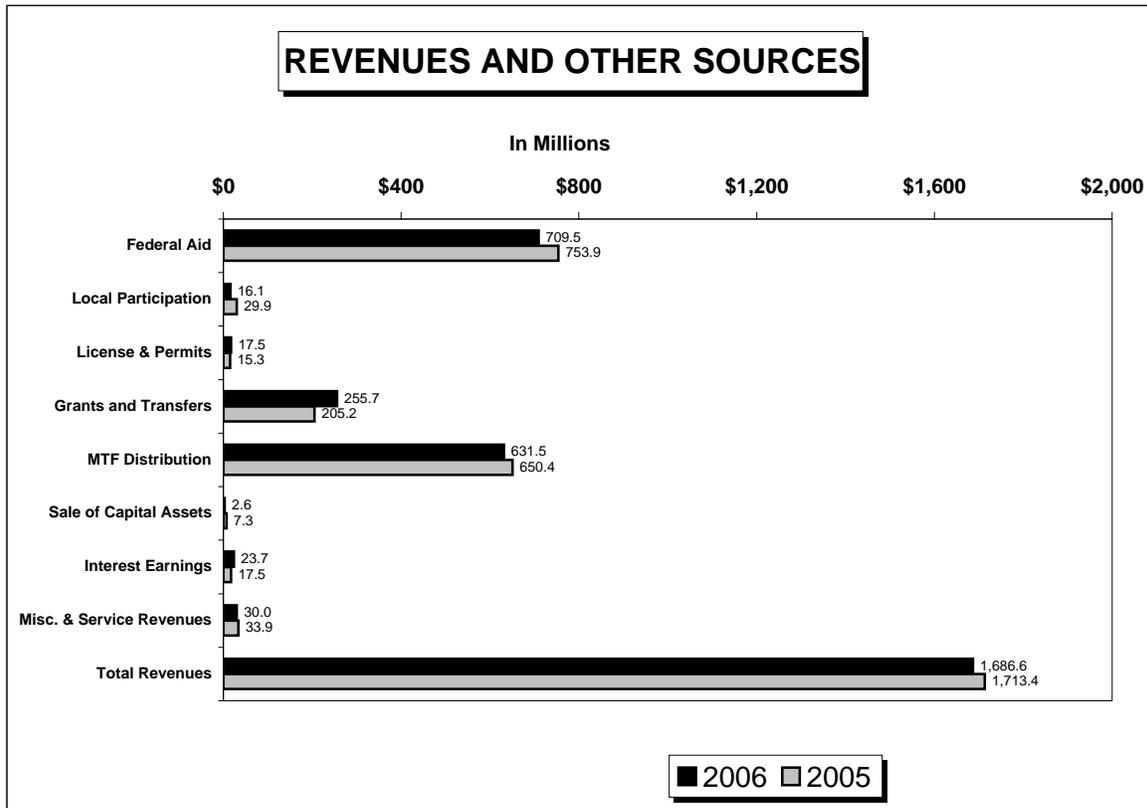
■ 2006 ■ 2005

MICHIGAN DEPARTMENT OF TRANSPORTATION STATE TRUNKLINE FUND GRAPHICS

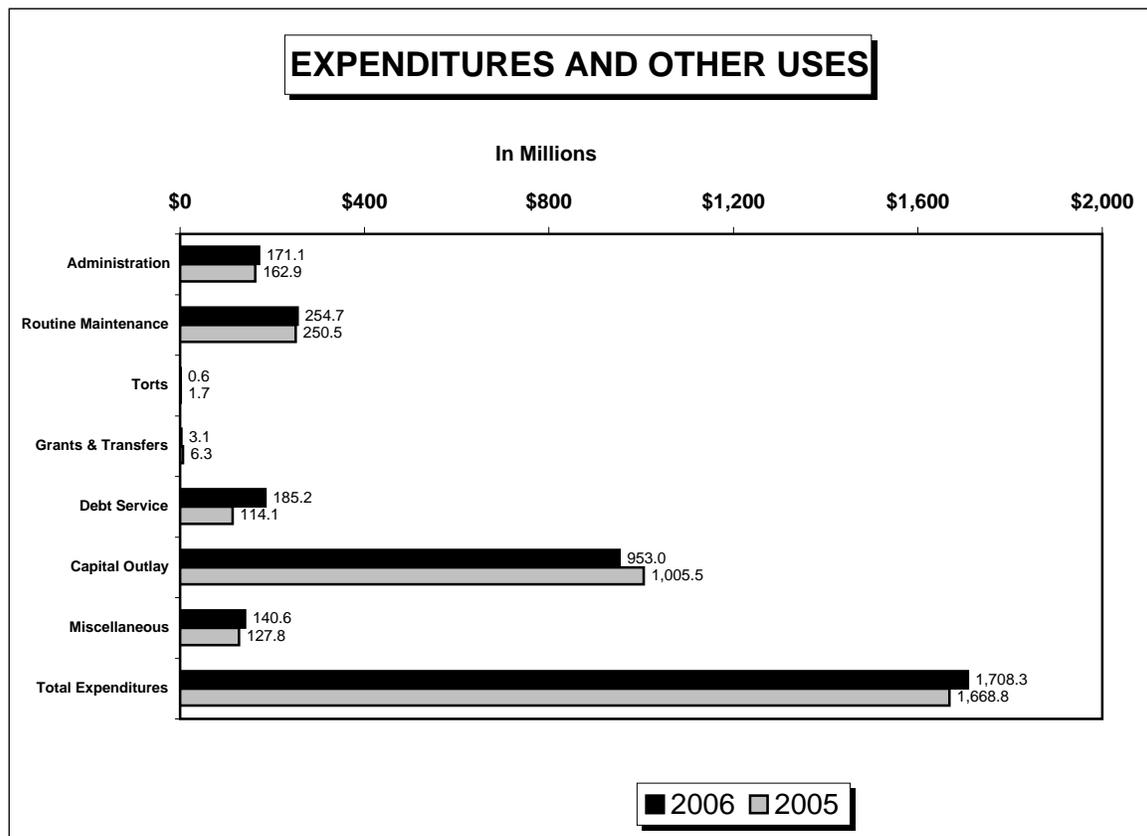
Includes Economic Development Fund

FISCAL YEARS ENDED SEPTEMBER 30, 2006 AND 2005

REVENUES AND OTHER SOURCES

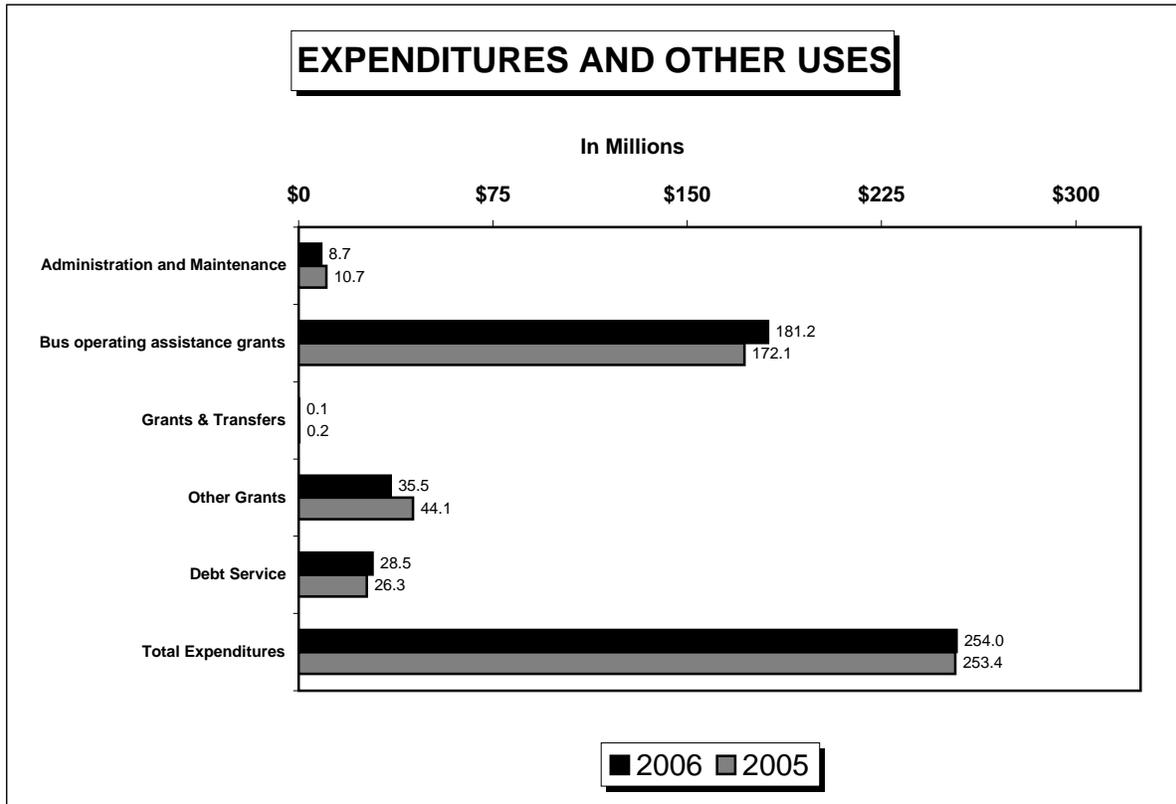
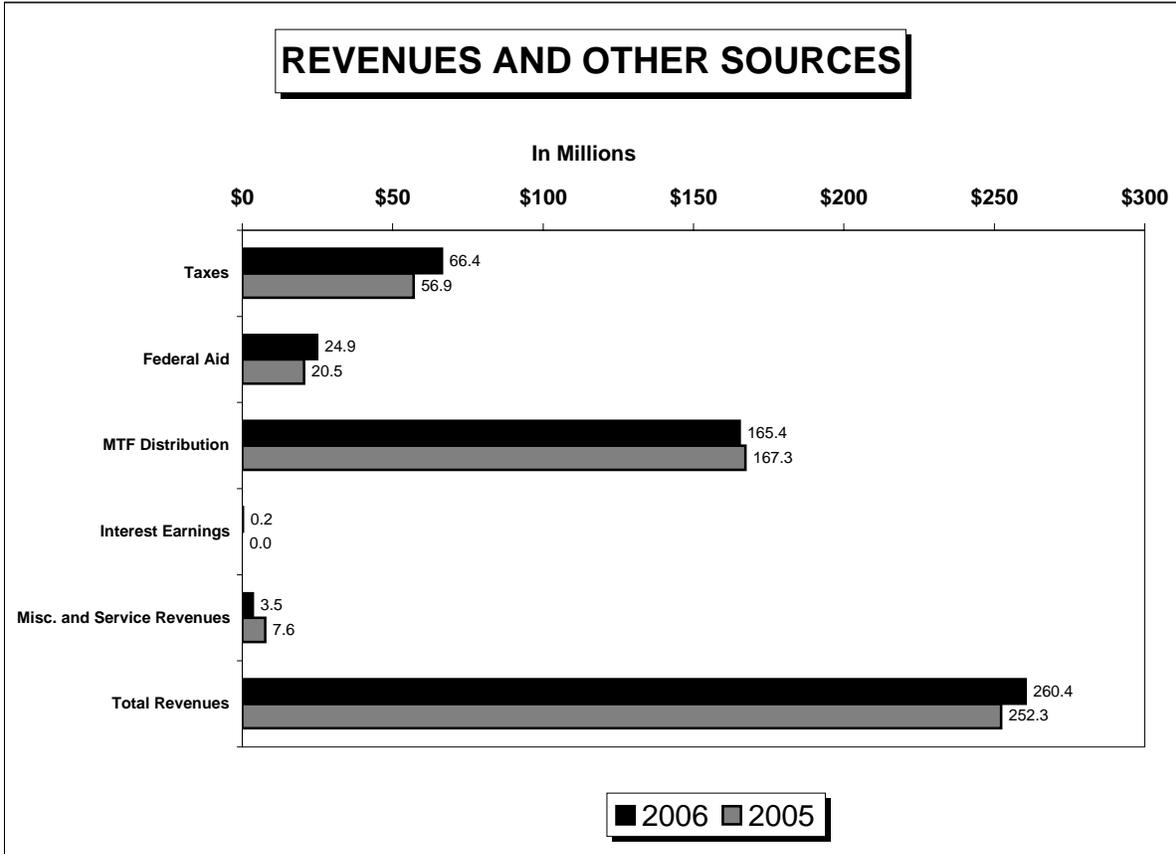


EXPENDITURES AND OTHER USES

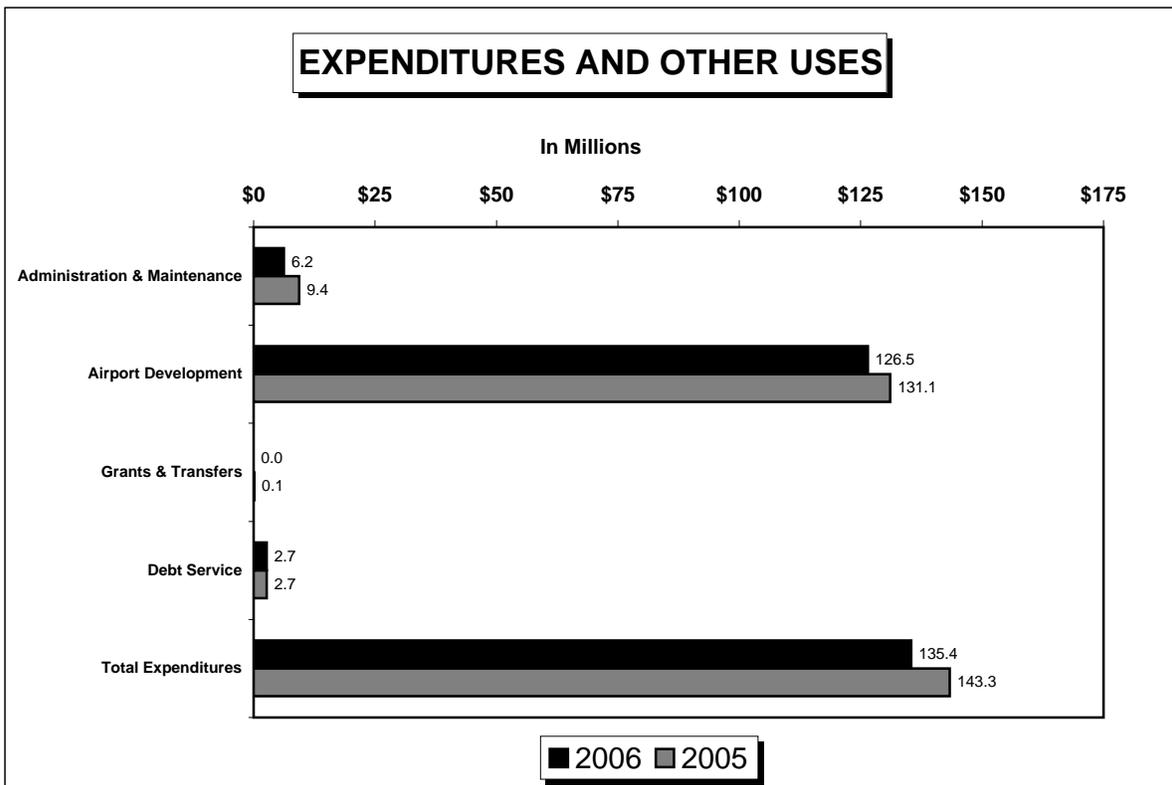
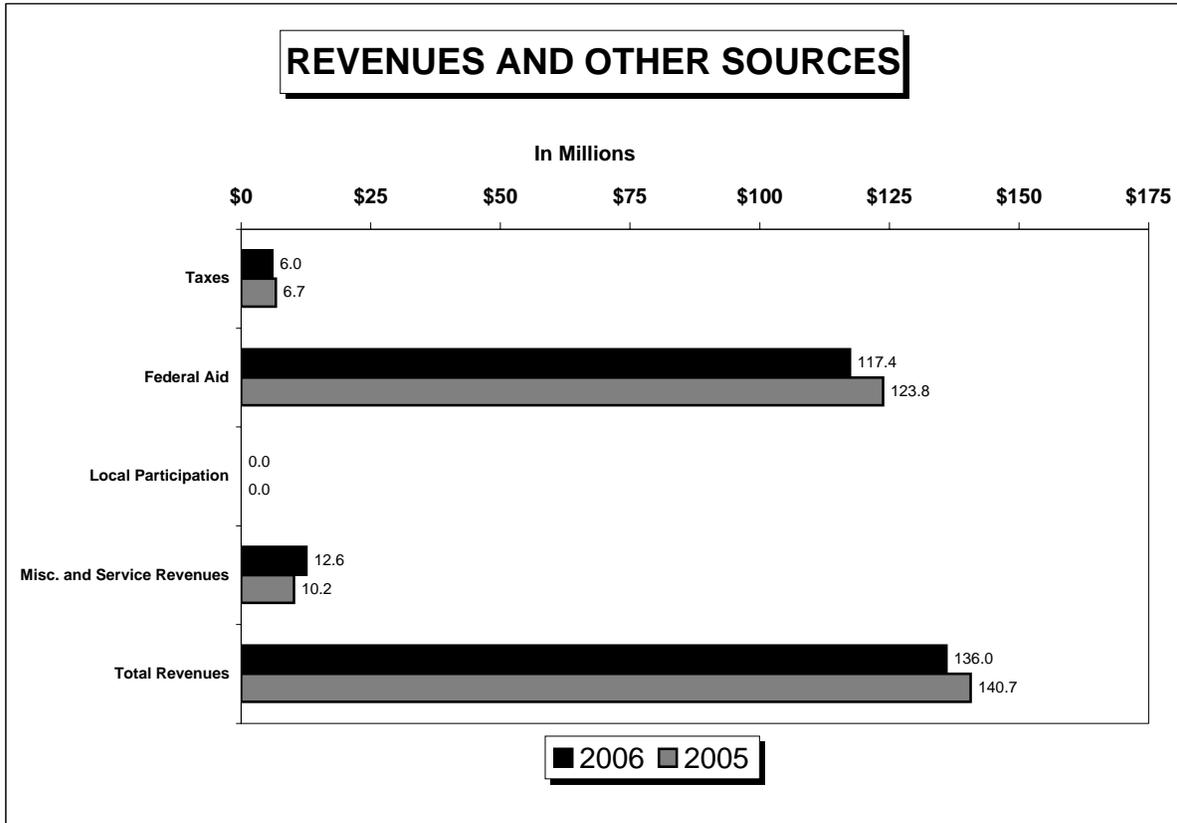


MICHIGAN DEPARTMENT OF TRANSPORTATION COMPREHENSIVE TRANSPORTATION FUND GRAPHICS

FISCAL YEARS ENDED SEPTEMBER 30, 2006 AND 2005

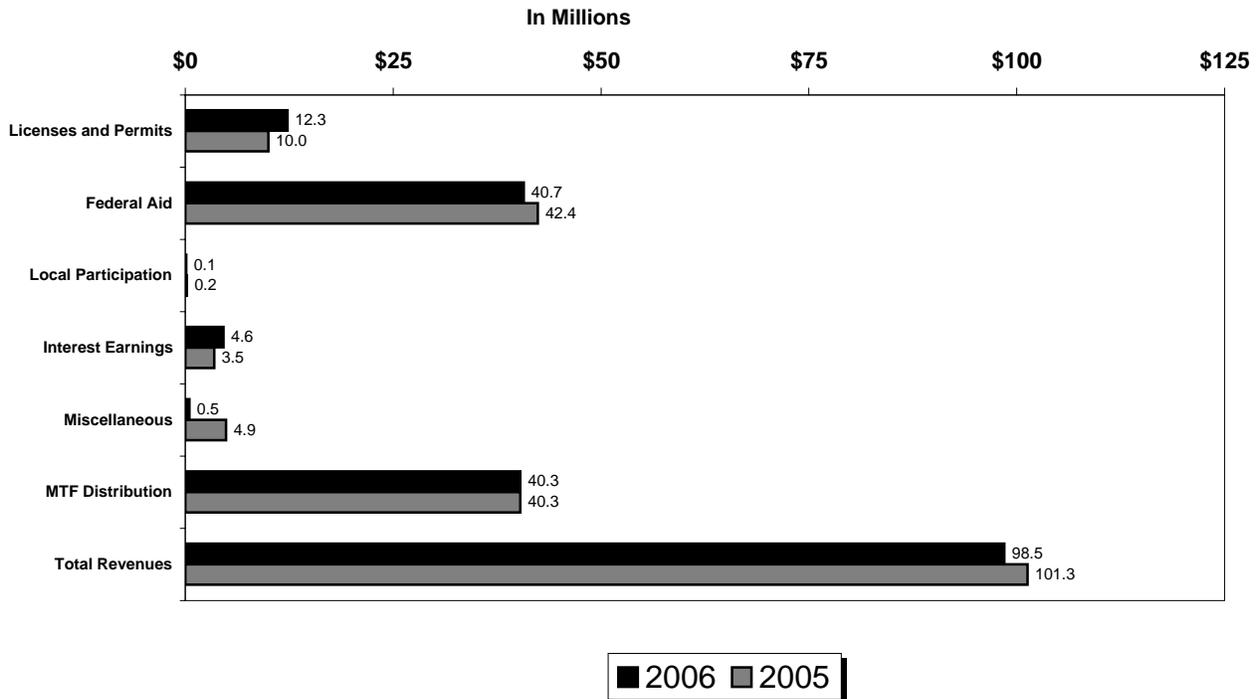


MICHIGAN DEPARTMENT OF TRANSPORTATION
STATE AERONAUTICS FUND GRAPHICS
 FISCAL YEARS ENDED SEPTEMBER 30, 2006 AND 2005

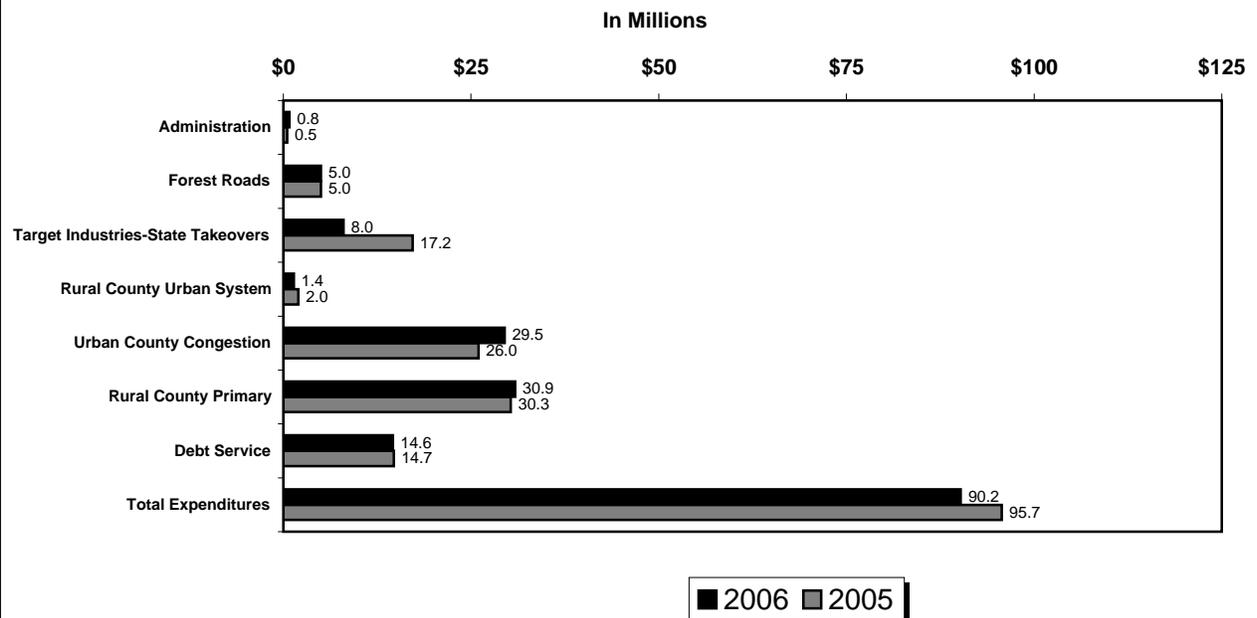


MICHIGAN DEPARTMENT OF TRANSPORTATION
ECONOMIC DEVELOPMENT FUND GRAPHICS
 FISCAL YEARS ENDED SEPTEMBER 30, 2006 AND 2005

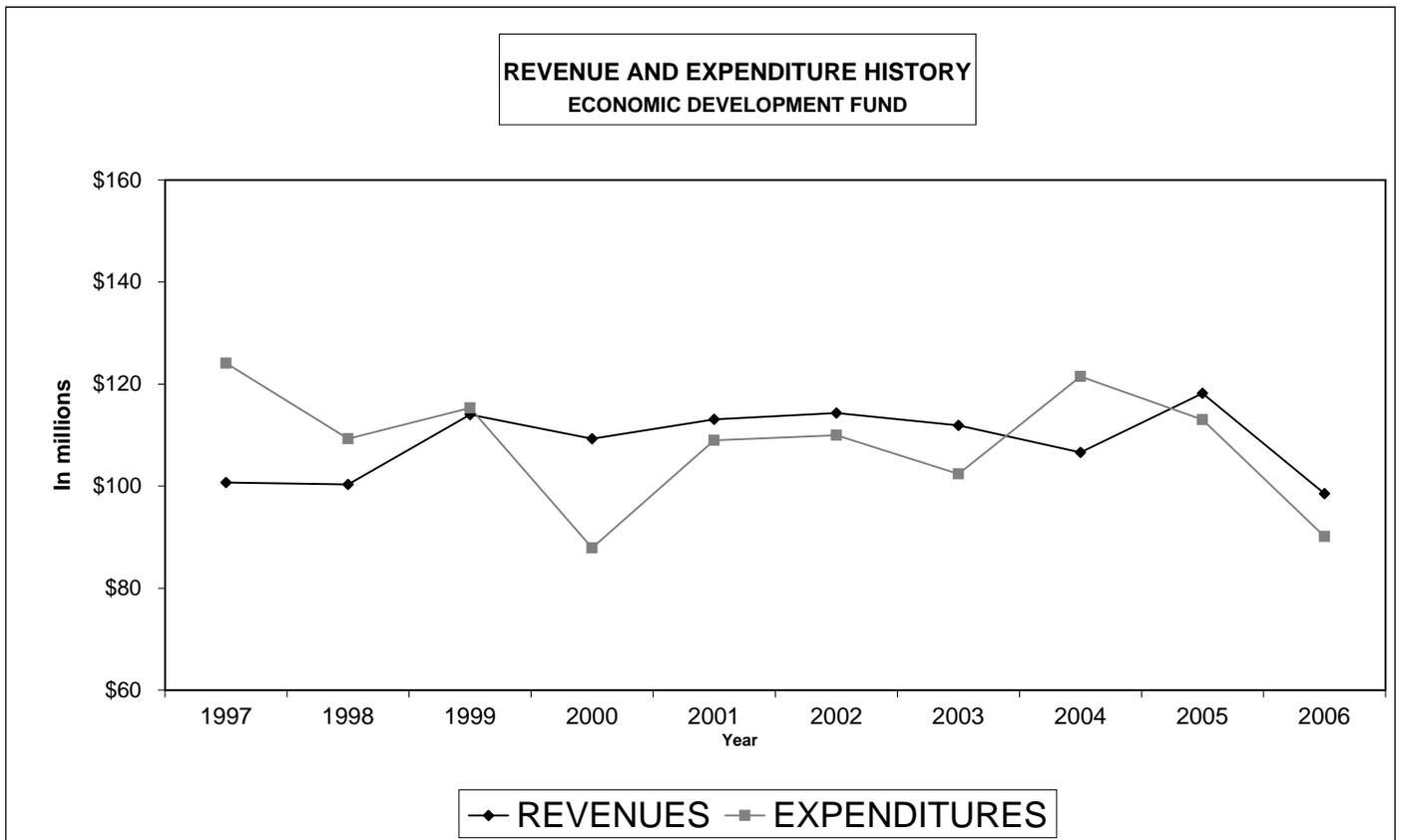
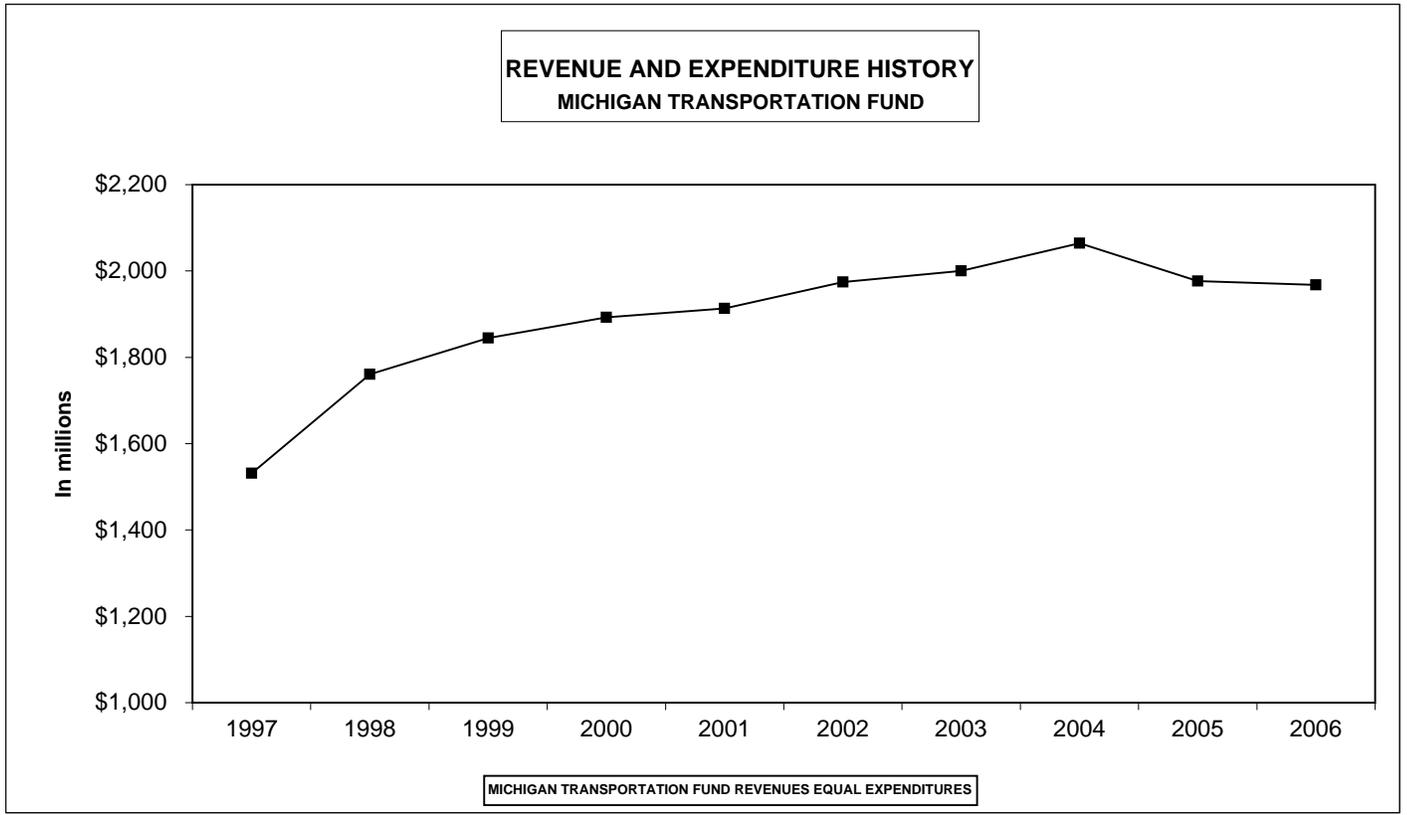
REVENUES AND OTHER SOURCES



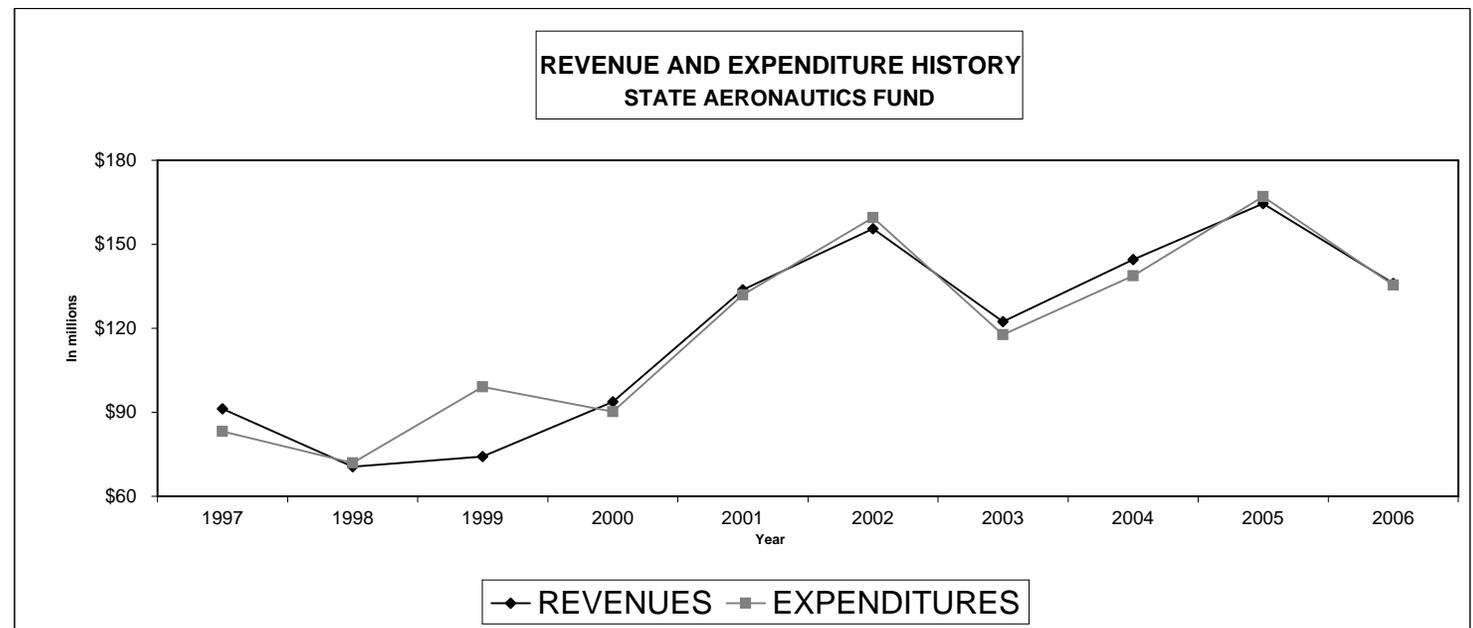
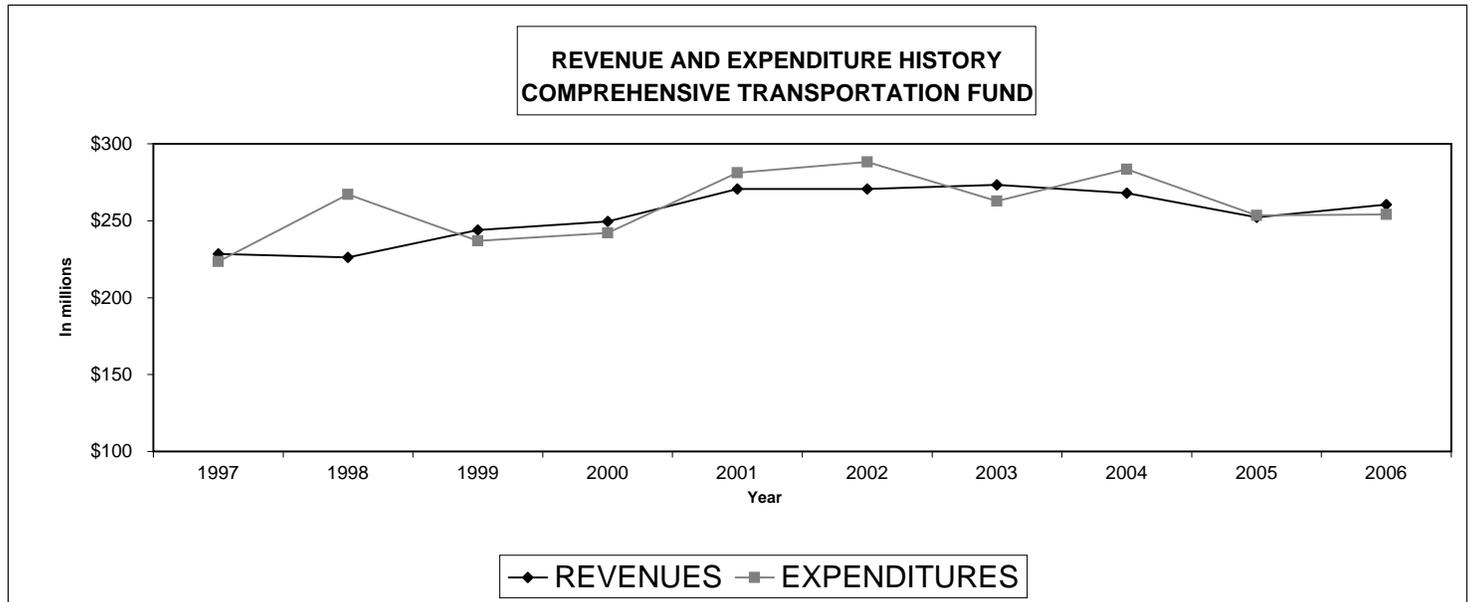
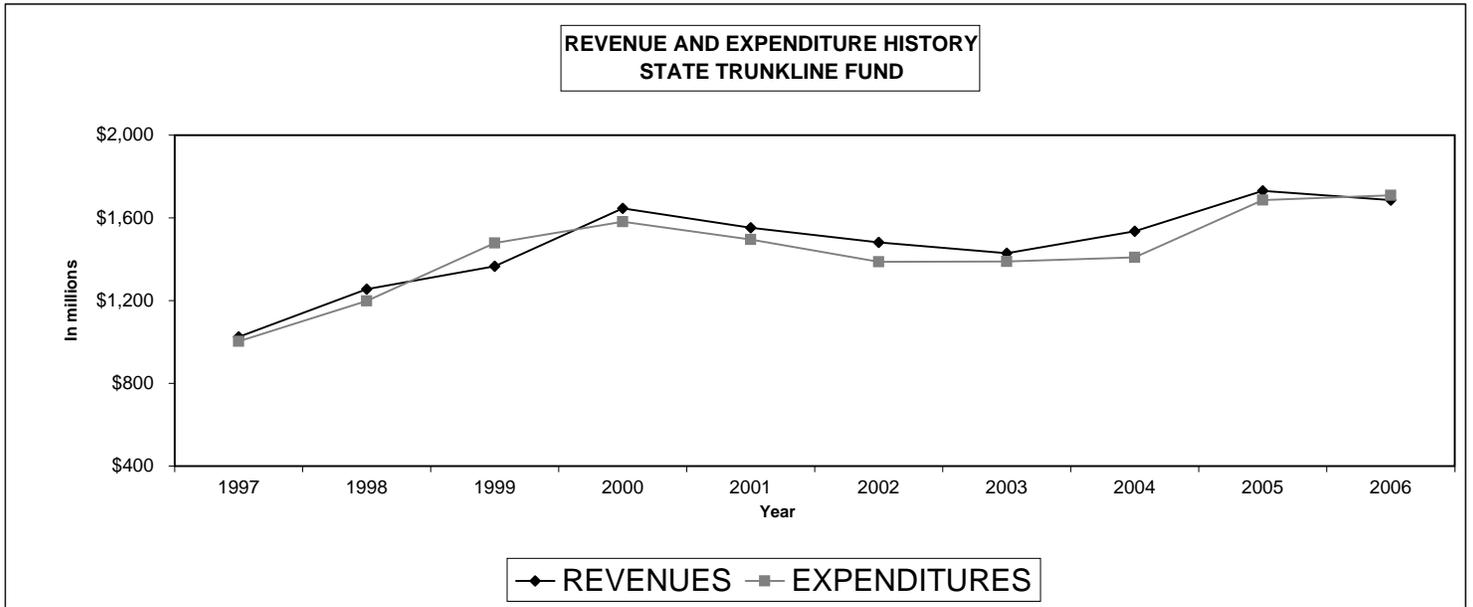
EXPENDITURES AND OTHER USES



MICHIGAN DEPARTMENT OF TRANSPORTATION TEN YEAR REVENUE AND EXPENDITURE HISTORY



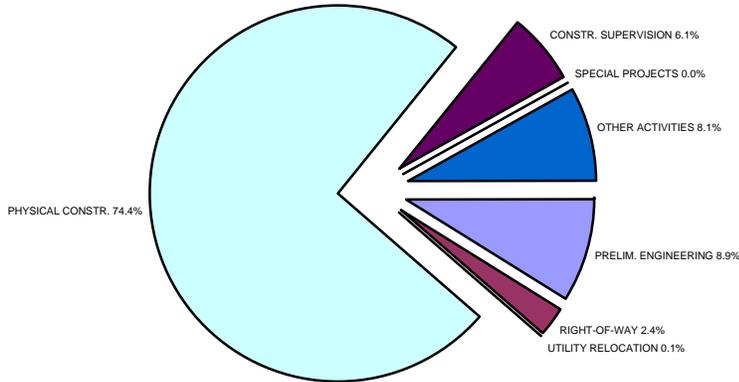
MICHIGAN DEPARTMENT OF TRANSPORTATION TEN YEAR REVENUE AND EXPENDITURE HISTORY



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

FISCAL YEARS ENDED SEPTEMBER 30, 2006 AND 2005

2006

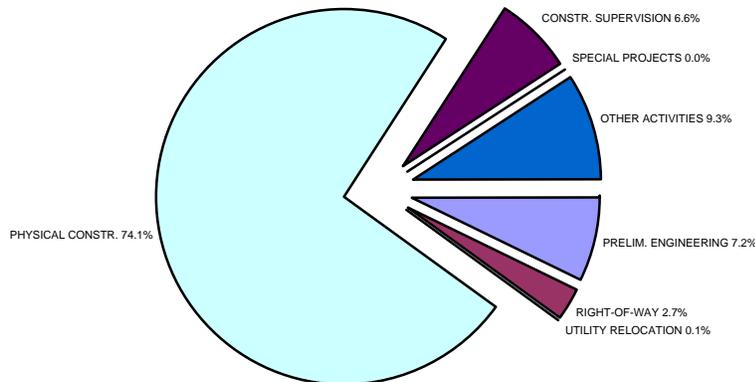


FISCAL YEAR 2006 **AMOUNT**

(In Thousands)

PRELIM. ENGINEERING	\$ 138,309
RIGHT-OF-WAY	\$ 36,967
UTILITY RELOCATION	\$ 1,394
PHYSICAL CONSTR.	\$ 1,158,851
CONSTR. SUPERVISION	\$ 94,833
SPECIAL PROJECTS	\$ -
OTHER ACTIVITIES	\$ 126,515
TOTAL	\$ 1,556,869

2005



FISCAL YEAR 2005 **AMOUNT**

(In Thousands)

PRELIM. ENGINEERING	\$ 114,097
RIGHT-OF-WAY	\$ 43,313
UTILITY RELOCATION	\$ 941
PHYSICAL CONSTR.	\$ 1,168,870
CONSTR. SUPERVISION	\$ 103,587
SPECIAL PROJECTS	\$ 1
OTHER ACTIVITIES	\$ 146,152
TOTAL	\$ 1,576,961