

FINANCIAL AUDIT
INCLUDING THE PROVISIONS OF THE SINGLE AUDIT ACT
OF THE
MICHIGAN DEPARTMENT OF TRANSPORTATION

October 1, 1994 through September 30, 1996

EXECUTIVE DIGEST

MICHIGAN DEPARTMENT OF TRANSPORTATION

INTRODUCTION	This report contains the results of our financial audit* , including the provisions of the Single Audit Act, of the Michigan Department of Transportation for the period October 1, 1994 through September 30, 1996.
AUDIT PURPOSE	This financial audit of the Department was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act of 1984 and the federal Office of Management and Budget Circular A-128, <i>Audits of State and Local Governments</i> .
BACKGROUND	The Department's mission* is to provide the people of Michigan with a safe, efficient, and environmentally sound total transportation system in the most cost-effective manner possible. The Bureau of Finance and Administration is responsible for the Department's financial accounting and financial reporting. The responsibilities for federal grant management are shared by the bureaus that carry out the grant activities. As of September 30, 1996, the Department had 3,867 employees.

* See glossary on page 87 for definition.

The Department's major sources of financing are tax revenue dedicated for transportation purposes and federal funds. During fiscal 1995-96, the Department's revenue totaled approximately \$2.25 billion and expenditures totaled \$2.17 billion.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To assess the adequacy of the Department's internal control structure*, including applicable administrative controls related to the management of federal financial assistance programs.

Conclusion: Our assessment of the internal control structure did not disclose any material weaknesses*. However, we did note reportable conditions* pertaining to the monitoring of subrecipients* for compliance with federal regulations, budget and actual statements, classification of expenditures, and controls over payroll/personnel functions (Findings 1 through 4).

Also, our assessment indicated that the Department was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.

Audit Objective: To assess the Department's compliance with both State and federal laws and regulations that could have a material effect on either the Department's financial statements or any of its major federal financial assistance programs.

Conclusion: Our assessment of compliance with laws and regulations did not disclose any instances of noncompliance that could have a material effect on the

* See glossary on page 87 for definition.

Department's financial statements or any of its major federal financial assistance programs.

Audit Objective: To audit the Department's financial statements for the fiscal years ended September 30, 1996 and September 30, 1995.

Conclusion: We expressed an unqualified opinion on the Department's financial statements.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Michigan Department of Transportation for the period October 1, 1994 through September 30, 1996. Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit objective for the assessment of the internal control structure included an evaluation of the Department's implementation of the requirements for establishing and maintaining systems of internal accounting and administrative control, as set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws*.

AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP

Our report includes 4 findings and 5 recommendations. The Department's preliminary response indicated that it concurred and will comply with all of the recommendations.

The Department had complied with all 5 of the prior audit recommendations included within the scope of our current audit.

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Mr. Barton W. LaBelle, Chairman
State Transportation Commission
Transportation Building
Lansing, Michigan

Dear Mr. LaBelle:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Michigan Department of Transportation for the period October 1, 1994 through September 30, 1996.

This report contains our executive digest; description of agency; audit objectives, audit scope, and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; and independent auditor's reports on the internal control structure, on compliance with laws and regulations, and on the financial statements. This report also contains the Michigan Department of Transportation's financial statements and notes to financial statements; supplemental financial statements and schedules; schedule of questioned costs and schedule of immaterial noncompliance, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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Description of Agency

The Michigan Department of Transportation was organized under Sections 16.450 - 16.458 of the *Michigan Compiled Laws* (Sections 350 - 358, Act 380, P.A. 1965). The Department is governed by the State Transportation Commission, made up of six members who are appointed by the Governor with the advice and consent of the Senate. The Commission is responsible for establishing policies. The Department is managed by a director, appointed by the Governor, who is responsible for administering the Department and implementing the policies established by the Commission. The Department's mission is to provide the people of Michigan with a safe, efficient, and environmentally sound total transportation system in the most cost-effective manner possible.

This audit covers primarily the financial and administrative operations of the Department that are concentrated in the Bureau of Finance and Administration. The Bureau is organized into three divisions and one office: the Financial Operations, Financial Services, and Technical Services Divisions and the Office of Communications and Travel Information. The Bureau assists management by providing financial data obtained through controlling, recording, and reporting all financial transactions. Also, the Bureau prequalifies construction contractors and processes payments for all commodities, services, and contracts in accordance with laws and regulations and Department policies. It also provides management with continuous short-range and long-range revenue estimates and cash flow forecasts for budgeting funds for operations and capital outlay. The responsibilities for federal grant management are shared by the bureaus that carry out the grant activities.

Funding is provided from vehicle gas, weight, and value taxes plus sales taxes on vehicles, parts, and accessories. This funding is distributed to transportation programs in accordance with Sections 247.651 - 247.674 of the *Michigan Compiled Laws* (Act 51, P.A. 1951). Funding is also provided by the U.S. Department of Transportation from federal fuel and excise taxes on certain commodities.

As of September 30, 1996, the Department had 3,867 employees. During fiscal year 1995-96, the Department's revenue totaled approximately \$2.25 billion and expenditures totaled \$2.17 billion.

Audit Objectives, Audit Scope, and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our financial audit, including the provisions of the Single Audit Act, of the Michigan Department of Transportation had the following objectives:

1. To assess the adequacy of the Department's internal control structure, including applicable administrative controls related to the management of federal financial assistance programs.
2. To assess the Department's compliance with both State and federal laws and regulations that could have a material effect on either the Department's financial statements or any of its major federal financial assistance programs.
3. To audit the Department's financial statements for the fiscal years ended September 30, 1996 and September 30, 1995.

Our audit objective for the assessment of the internal control structure included an evaluation of the Department's implementation of the requirements for establishing and maintaining systems of internal accounting and administrative control, as set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws*.

Audit Scope

Our audit scope was to examine the financial and other records of the Michigan Department of Transportation for the period October 1, 1994 through September 30, 1996. Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

We considered the Department's internal control structure policies and procedures for its federal financial assistance programs and assessed the Department's compliance with federal laws and regulations in accordance with the Single Audit Act of 1984 and federal Office of Management and Budget Circular A-128, *Audits of State and Local Governments*, in addition to generally accepted auditing standards and *Government*

Auditing Standards issued by the Comptroller General of the United States. In addition, we followed up on the prior audit findings and questioned costs. The Department's major programs are identified on the schedule of federal financial assistance. We did not report on compliance for nonmajor federal financial assistance programs because no transactions for nonmajor federal financial assistance programs were selected in connection with our audit of the financial statements and our assessment of the internal control structure.

Agency Responses and Prior Audit Follow-Up

Our report includes 4 findings and 5 recommendations. The Department's preliminary response indicated that it concurred and will comply with all of the recommendations.

The agency preliminary response which follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require the Michigan Department of Transportation to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

The Department had complied with all 5 of the prior audit recommendations included within the scope of our current audit.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

INTERNAL CONTROL STRUCTURE

COMMENT

Audit Objective: To assess the adequacy of the Michigan Department of Transportation's internal control structure, including applicable administrative controls related to the management of federal financial assistance programs.

Conclusion: Our assessment of the internal control structure did not disclose any material weaknesses. However, we did note reportable conditions pertaining to the monitoring of subrecipients for compliance with federal regulations, budget and actual statements, classification of expenditures, and controls over payroll/personnel functions.

Also, our assessment indicated that the Department was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.

The Michigan Administrative Information Network (MAIN) is the Statewide financial management system implemented in fiscal year 1994-95. Individual State agencies are not responsible for the design of the Statewide policies and controls of MAIN. However, because MAIN is a Statewide system, which all State agencies are required to use, the internal control structure of each agency, including the Michigan Department of Transportation, is affected to varying degrees by MAIN.

Because the Michigan Department of Transportation's internal control structure is affected by this Statewide system, professional auditing standards required our assessment of internal controls in the Michigan Department of Transportation to include elements reviewed in our financial related audit of MAIN for the period October 1, 1994 through April 30, 1996. That audit reported 29 reportable conditions, including 3 material weaknesses, which are more fully explained in our separately issued report dated August 31, 1996.

FINDING

1. Monitoring of Subrecipients for Compliance With Federal Regulations

The Department's accounting system did not have an automated computer program to provide detail by subrecipient of the federal assistance passed through and expended by subrecipients to carry out programs for transit operations, road construction, or airport development projects. Accordingly, the Department uses an inefficient manual process to determine which subrecipients are subject to the Single Audit Act and to ensure that the subrecipients expend federal assistance in accordance with federal regulations.

The Single Audit Act of 1984 and applicable sections of the federal Office of Management and Budget (OMB) Circular A-128 require the primary recipient to determine if subrecipients of federal assistance of \$25,000 or more in a fiscal year are expending their federal assistance in compliance with federal regulations.

Our review of the Department's compliance monitoring procedures disclosed that the Department's Financial Operations Division (FOD) did not have a method to identify and refer subrecipients who received federal assistance and met OMB Circular A-128 or A-133 requirements for review to the Office of Commission Audits (OCA) on a timely basis. FOD notified OCA only when a subrecipient's project was scheduled to be closed out. Subrecipients generally receive federal assistance for more than one Department project during a fiscal year. Projects can also span more than one fiscal year.

The Department reported that it distributed approximately \$190 million and \$180 million of federal assistance during fiscal years 1995-96 and 1994-95, respectively, to subrecipients for at least 1,500 projects annually. The amounts reported include amounts expended directly by the Department for subrecipients. The Department, as part of its contractual agreement with subrecipients, processed payments to contractors on behalf of subrecipients. These expenditures were subject to audit during our Single Audit*. However, the Department did not have a report available to identify, by subrecipient, the amounts passed through for expenditure by subrecipients to carry out a program. During fiscal years 1995-96 and 1994-95, we estimated that approximately \$49 million and \$33 million, respectively, of the

* See glossary on page 87 for definition.

preceding federal assistance amounts were directly spent by either subrecipients or their subcontractors.

Without the availability of an automated report to identify the amount expended each year by each subrecipient, FOD cannot efficiently identify the local units that should be monitored and OCA cannot efficiently monitor the local units to ensure compliance with the Single Audit Act.

RECOMMENDATION

We recommend that the Department modify its accounting system to report the detail of federal assistance by subrecipient.

AGENCY PRELIMINARY RESPONSE

The Department concurred with the basic premise of the recommendation. We were informed that detail is currently available by project, but it is not accumulated by subrecipient. Based on recent amendments to the Single Audit Act, the Department will meet with OCA by April 1, 1998 to determine what the new reporting requirements are relative to subrecipients and what actions the Department may take with regard to subrecipients. If necessary subrecipient information is not available through the upcoming MAIN Project Accounting/Billing module, the Department will investigate the possibility of making changes to its existing systems. However, the cost effectiveness of this approach will be included in the Department's consideration because the Department's systems will not be used after implementation of the MAIN Project Accounting/Billing module, which is scheduled for pilot implementation at the Department in the second quarter of 1998.

FINDING

2. Budget and Actual Statements

The Department of Management and Budget (DMB), in conjunction with the Department, did not ensure that all budget amounts were reported on the budget and actual statement and that adjustments to the budget amounts were appropriate and documented. As a result, the total capital outlay budget for the State Trunkline Fund was overstated by \$54.4 million in fiscal year 1995-96. We also noted three adjustments totaling \$8.2 million in fiscal year 1994-95 and \$11.8

million in fiscal year 1995-96 for which DMB and/or the Department could not provide supporting documentation. The financial statements presented elsewhere in this report were not adjusted to reflect these misstatements.

Sections 2400.103 and 2400.116 of the *Codification of Governmental Accounting and Financial Reporting Standards (Codification)*, published by the Governmental Accounting Standards Board (GASB), require that the final budget be reflected in the budget column. Timing differences are defined in the fiscal year 1995-96 *State of Michigan Comprehensive Annual Financial Report's (SOMCAFR's)* Note 3:

. . . timing differences result from authorizations for multi-year projects, such as capital outlay and work projects, and restricted revenue carry-forwards which are provided for a period of more than one year.

Our review of the Department's budgets for fiscal years 1994-95 and 1995-96 as reported on the budget and actual statement disclosed:

- a. DMB and the Department did not classify restricted revenue carry-forwards resulting from capital outlay appropriations as a timing difference. As a result, the State Trunkline Fund budget for total capital outlay was overstated by \$54.4 million for fiscal year 1995-96.
- b. DMB and the Department could not provide supporting documentation for an adjustment of \$21.8 million and a negative adjustment of \$30.0 million to the budget for fiscal year 1994-95. As a result, the State Trunkline Fund's budget may be misstated.
- c. DMB and the Department could not provide supporting documentation for a \$11.8 million prior year carry-forward for fiscal year 1995-96. As a result, the total capital outlay line-item budget in the State Trunkline Fund may be overstated.

RECOMMENDATIONS

We recommend that DMB, in conjunction with the Department, establish an effective process to ensure that all budget amounts reported on the budget and actual statements are appropriate.

We also recommend that adequate support be maintained for adjustments to the budget.

AGENCY PRELIMINARY RESPONSE

The Department concurred with the recommendations. We were informed that the Department will work closely with the DMB Office of Financial Management to ensure that budget amounts reported on the budget and actual statements are appropriate and that support for adjustments is maintained for the fiscal year 1997-98 financial statements.

FINDING

3. Classification of Expenditures

The Department did not establish comptroller general ledger accounts and procedures to ensure that current and capital outlay expenditures were properly classified.

GASB Codification Section 1800.120 states that expenditures which benefit the current fiscal period should be classified as current expenditures and that expenditures which are presumed to benefit both the present and future fiscal periods should be classified as capital outlay.

The Department accumulated expenditures by appropriation numbers rather than by comptroller general ledger accounts. Appropriation numbers were established to account for an expenditure as either a current expenditure or a capital outlay expenditure. We noted that the Department established an appropriation number for transportation projects that included both current and capital outlay expenditures. As a result, approximately \$24.5 million for fiscal year 1995-96 and \$29.2 million for fiscal year 1994-95 of current expenditures were misclassified as capital outlay expenditures in the State Trunkline Fund.

RECOMMENDATION

We recommend that the Department establish comptroller general ledger accounts and procedures to ensure that current and capital outlay expenditures are properly classified.

AGENCY PRELIMINARY RESPONSE

The Department concurred with the recommendation. We were informed that the Department has begun working with the DMB Office of the Budget and Office of Financial Management to establish separate appropriation numbers segregating capital outlay expenditures from current expenditures. The Department expects full separation of expenditures for the fiscal year 1997-98 financial statements.

FINDING

4. Controls Over Payroll/Personnel Functions

The Department needs to improve its internal controls over employee time reporting, document approval, data entry, and the reconciliation process related to payroll.

Section 14.5 of the MAIN Human Resources System Procedures Manual requires that certification of an employee certification time report (ECTR) must be performed by an employee other than the timekeeper who prepared it and whose time is not recorded on it.

Our review of 31 employee time reports and ECTR's disclosed:

- a. Nineteen timekeepers entered their own time into the Personnel-Payroll Information System for Michigan (PPRISM) and certified that the ECTR's were correct. The Department could not identify who the timekeepers were for 10 other ECTR's. Also, 25 certifiers of ECTR's certified their own time as being correct.

Timekeepers with data entry capabilities should not have the ability to enter or make changes to their own reported time and also certify that the time

reported is correct. Certifiers should not have the authority to certify their own time.

- b. Five employees with PPRISM data entry capabilities had entered transactions for either themselves or relatives. One of these employees also approved payroll transactions and reconciled the biweekly transaction report (PE-110) with approved transactions. Employees with data entry capabilities should not have the capability to approve transactions and reconcile the biweekly transaction report.

Subsequent to our audit period, the Department implemented the new Data Collection and Payroll Cost Distribution System. Consequently, any corrective action taken should be in terms of its new payroll system.

RECOMMENDATION

We recommend that the Department improve internal controls over employee time reporting, document approval, data entry, and the reconciliation process related to payroll.

AGENCY PRELIMINARY RESPONSE

The Department concurred with the recommendation. We were informed that the Department's implementation of the Data Collection and Payroll Cost Distribution System has eliminated the weaknesses noted in part a. With regard to part b., additional procedures will be put into place to ensure that compensating controls are implemented when staff shortages preclude the separation of duties for those employees with PPRISM data entry capabilities. Bureau of Finance and Administration staff will meet with the Office of Human Resources to develop these additional procedures by March 1, 1998.

COMPLIANCE WITH LAWS AND REGULATIONS

COMMENT

Audit Objective: To assess the Department's compliance with both State and federal laws and regulations that could have a material effect on the Department's financial statements or any of its major federal financial assistance programs.

Conclusion: Our assessment of compliance with laws and regulations did not disclose any instances of noncompliance that could have a material effect on the Department's financial statements or any of its major federal financial assistance programs.

FINANCIAL ACCOUNTING AND REPORTING

COMMENT

Audit Objective: To audit the Department's financial statements for the fiscal years ended September 30, 1996 and September 30, 1995.

Conclusion: We expressed an unqualified opinion on the Department's financial statements.

Independent Auditor's Report on
the Internal Control Structure

August 1, 1997

Mr. Barton W. LaBelle, Chairman
State Transportation Commission
Transportation Building
Lansing, Michigan

Dear Mr. LaBelle:

We have audited the financial statements of the Michigan Department of Transportation as of and for the fiscal years ended September 30, 1996 and September 30, 1995 and have issued our report thereon dated August 1, 1997. We have also audited the Michigan Department of Transportation's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated August 1, 1997.

We conducted our audits in accordance with generally accepted auditing standards; *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Department complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the fiscal years ended September 30, 1996 and September 30, 1995, we considered the Department's internal control structure and internal control elements reviewed as part of our financial related audit of the Michigan Administrative Information Network in order to determine our auditing procedures for the purpose of expressing our opinions on the Department's financial statements and not to provide assurance on the internal control structure. The Michigan Administrative Information Network is the Statewide financial management system implemented in fiscal year 1994-95 and, as such, affects the Department's internal control structure. We also considered the Department's internal control structure in order to determine our

auditing procedures for the purpose of expressing our opinion on its compliance with requirements applicable to major federal financial assistance programs, and to report on the internal control structure in accordance with OMB Circular A-128.

The management of the Michigan Department of Transportation is responsible for establishing and maintaining an internal control structure, which operates in conjunction with the Statewide internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures, including those used in administering federal financial assistance programs, in the following categories:

Accounting Controls

- Federal and local billing system
- Payments to contractors
- Award of contracts
- Financial reporting
- Payroll-personnel system
- Administrative expenditures

Administrative Controls

- General requirements:
 - Political activity
 - Davis-Bacon Act
 - Civil rights
 - Relocation assistance and real property acquisition
 - Cash management
 - Federal financial reports
 - Allowable costs/cost principles
 - Drug-Free Workplace Act
 - Administrative requirements

Specific requirements:

- Types of services allowed or unallowed
- State and local matching, level of effort, or earmarking
- Acquisition, management, and disposal of land
- Material sampling and testing
- Construction
- Reporting requirements
- Subrecipient monitoring

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During each of the fiscal years ended September 30, 1996 and September 30, 1995, the Michigan Department of Transportation expended 99.7% of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the Department's major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements or to administer federal financial assistance programs in accordance with applicable laws and regulations. The reportable conditions are more fully described in Findings 1 through 4.

Also, our financial related audit of the Michigan Administrative Information Network for the period October 1, 1994 through April 30, 1996 noted 29 reportable conditions on the internal control structure which are more fully explained in our separately issued report on the Michigan Administrative Information Network dated August 31, 1996. Although the Michigan Department of Transportation is not responsible for the design of

the Statewide policies and controls of the Michigan Administrative Information Network, which all State agencies are required to use, these reportable conditions affected the Department's internal control structure.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures, including those used in administering federal financial assistance programs, would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the departmental reportable conditions described above is a material weakness.

Three of the 29 reportable conditions identified in our financial related audit of the Michigan Administrative Information Network were material weaknesses. These conditions were considered in determining the nature, timing, and extent of the procedures performed in our audit of the Michigan Department of Transportation's financial statements and of its compliance with requirements applicable to its major federal financial assistance programs for the fiscal years ended September 30, 1996 and September 30, 1995, and this report on the internal control structure does not affect our reports thereon dated August 1, 1997.

This report is intended for the information of management and the Legislature. However, this report is a matter of public record and its distribution is not limited.

AUDITOR GENERAL

Independent Auditor's Report on
Compliance With Laws and Regulations

August 1, 1997

Mr. Barton W. LaBelle, Chairman
State Transportation Commission
Transportation Building
Lansing, Michigan

Dear Mr. LaBelle:

We have audited the financial statements of the Michigan Department of Transportation as of and for the fiscal years ended September 30, 1996 and September 30, 1995 and have issued our report thereon dated August 1, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Michigan Department of Transportation is the responsibility of the Department's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the Michigan Department of Transportation complied, in all material respects, with the provisions referred to in the previous paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Department had not complied, in all material respects, with those provisions.

We have also audited the Department's compliance with the requirements governing types of services allowed or unallowed; State and local matching, level of effort, or earmarking; acquisition, management, and disposal of land; material sampling and testing; construction; reporting requirements; subrecipient monitoring; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the fiscal years ended September 30, 1996 and September 30, 1995. The management of the Department is responsible for the Department's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the previous paragraph occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the findings and recommendations, the accompanying schedule of questioned costs, and/or the accompanying schedule of immaterial noncompliance. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Michigan Department of Transportation complied, in all material respects, with the requirements governing types of services allowed or unallowed; State and local matching, level of effort, or earmarking; acquisition, management, and disposal of land; material sampling and testing; construction; reporting requirements; subrecipient monitoring; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the fiscal years ended September 30, 1996 and September 30, 1995.

We have applied procedures to test the Department's compliance with the following requirements applicable to its federal financial assistance programs, which are

identified in the schedule of federal financial assistance, for the fiscal years ended September 30, 1996 and September 30, 1995:

- Political activity
- Davis-Bacon Act
- Civil rights
- Relocation assistance and real property acquisition
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

Our procedures for testing compliance with the general requirements were limited to the applicable procedures described in OMB's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures for testing compliance with the general requirements, which are described in the previous paragraph, were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Department's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second previous paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Michigan Department of Transportation had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the findings and recommendations and/or the accompanying schedule of questioned costs.

This report is intended for the information of management and the Legislature. However, this report is a matter of public record and its distribution is not limited.

AUDITOR GENERAL

Independent Auditor's Report on
the Financial Statements

August 1, 1997

Mr. Barton W. LaBelle, Chairman
State Transportation Commission
Transportation Building
Lansing, Michigan

Dear Mr. LaBelle:

We have audited the accompanying combined financial statements of the Michigan Department of Transportation as of and for the fiscal years ended September 30, 1996 and September 30, 1995 listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Department. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1a, the accompanying financial statements present only the Michigan Department of Transportation funds and are not intended to present fairly the financial position and results of operations of the State of Michigan.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Michigan Department of Transportation funds as of September 30, 1996 and September 30, 1995 and the results of the Department's operations for the fiscal years then ended on the basis of accounting described in Note 1c.

Our audit was made for the purpose of forming an opinion on the Department's financial statements. The accompanying supplemental financial statements and schedules, listed in the forgoing table of contents, are presented for purposes of additional analysis and are not a required part of the Department's financial statements referred to in the first paragraph. The information in the supplemental financial statements and schedules has been subjected to the auditing procedures applied in the audit of the Department's financial statements and, in our opinion, is fairly stated in all material respects in relation to the Department's financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 1, 1997 on our consideration of the Michigan Department of Transportation's internal control structure and a report dated August 1, 1997 on its compliance with laws and regulations.

AUDITOR GENERAL

MICHIGAN DEPARTMENT OF TRANSPORTATION

Combined Balance Sheet
All Fund Types and Account Groups
As of September 30
(In Thousands)

	Governmental Fund Types				Fiduciary Fund Types			
	Special Revenue		Debt Service		Trust		Agency	
	1996	1995	1996	1995	1996	1995	1996	1995
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ 121	\$ 171	\$	\$	\$ 10	\$ 212	\$	\$
Equity in Common Cash	573,105	658,663		5		1,383	820	435
Receivables (Note 3):								
Taxes, interest, and penalties (at net)	69,083	71,514						
Federal aid	163,513	136,523			21,402	29,276	857	685
Local units	24,941	22,254			6,665	7,524	17	
Other funds and component units (Note 9)	53,814	55,807						
Miscellaneous	14,893	11,702			6	5		
Inventories	7,487	10,368						
Total Current Assets	\$ 906,961	\$ 967,007	\$ 0	\$ 5	\$ 28,085	\$ 38,402	\$ 1,695	\$ 1,120
Noncurrent Assets:								
Receivables:								
Taxes	121	258						
Local units	49,846	60,096						
Advances to other funds	45,141	45,141						
Land contracts	1,897	1,954						
Miscellaneous	2,253	2,179						
Property, plant, and equipment (Note 7)								
Amount available for retirement of bonds								
Amount to be provided for bond retirement								
Amount to be provided for other long-term obligations								
Total Assets	<u>\$ 1,006,222</u>	<u>\$ 1,076,637</u>	<u>\$ 0</u>	<u>\$ 5</u>	<u>\$ 28,085</u>	<u>\$ 38,402</u>	<u>\$ 1,695</u>	<u>\$ 1,120</u>
LIABILITIES AND FUND BALANCES								
Current Liabilities:								
Warrants outstanding	\$ 8,985	\$ 16,065	\$	\$	\$ 294	\$ 1,812	\$ 25	\$
Accounts payable	322,673	344,361			16,548	24,049	1,669	1,120
Contract reserve payable	7,407	6,023			1,861	1,685		
Due to other funds and component units (Note 9)	48,961	47,587			9,380	9,854		
Deposits, permits, and other liabilities	9,946	9,690						
Deferred revenue	5,587	6,584				1,000		
Total Current Liabilities	\$ 403,561	\$ 430,312	\$ 0	\$ 0	\$ 28,085	\$ 38,402	\$ 1,695	\$ 1,120
Long-Term Liabilities:								
Deferred revenue	4,345	4,528						
Advances from other funds	45,141	45,141						
Bonds and notes payable (Note 4)								
Other long-term liabilities								
Total Liabilities	<u>\$ 453,048</u>	<u>\$ 479,983</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,085</u>	<u>\$ 38,402</u>	<u>\$ 1,695</u>	<u>\$ 1,120</u>
Fund Balances:								
Investment in general fixed assets (Note 7)	\$	\$	\$	\$	\$	\$	\$	\$
Reserved for encumbrances	42,615	31,750						
Reserved for unencumbered restricted revenue balances	102,770	78,319						
Reserved for unencumbered capital outlay and work projects	193,974	207,868						
Reserved for noncurrent assets and airport loans	50,763	60,783						
Total Reserved	\$ 390,123	\$ 378,721	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Unreserved	163,050	217,932		5				
Total Fund Balances	<u>\$ 553,174</u>	<u>\$ 596,654</u>	<u>\$ 0</u>	<u>\$ 5</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Liabilities and Fund Balances	<u>\$ 1,006,222</u>	<u>\$ 1,076,637</u>	<u>\$ 0</u>	<u>\$ 5</u>	<u>\$ 28,085</u>	<u>\$ 38,402</u>	<u>\$ 1,695</u>	<u>\$ 1,120</u>

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

Account Groups					
General Fixed Assets		General Long-Term Obligations		Totals (Memorandum Only)	
1996	1995	1996	1995	1996	1995
\$	\$	\$	\$	\$ 132	\$ 384
				573,925	660,487
				69,083	71,514
				185,773	166,484
				31,624	29,779
				53,814	55,807
				14,900	11,708
				7,487	10,368
\$ 0	\$ 0	\$ 0	\$ 0	\$ 936,742	\$ 1,006,536
				121	258
				49,846	60,096
				45,141	45,141
				1,897	1,954
				2,253	2,179
217,563	206,326			217,563	206,326
			5	0	5
		887,294	916,098	887,294	916,098
		53,997	52,087	53,997	52,087
<u>\$ 217,563</u>	<u>\$ 206,326</u>	<u>\$ 941,291</u>	<u>\$ 968,192</u>	<u>\$ 2,194,858</u>	<u>\$ 2,290,685</u>
\$	\$	\$	\$	\$ 9,305	\$ 17,878
				340,891	369,531
				9,269	7,709
				58,341	57,442
				9,946	9,690
				5,587	7,584
\$ 0	\$ 0	\$ 0	\$ 0	\$ 433,342	\$ 469,835
				4,345	4,528
				45,141	45,141
		887,294	916,104	887,294	916,104
		53,997	52,087	53,997	52,087
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 941,291</u>	<u>\$ 968,192</u>	<u>\$ 1,424,121</u>	<u>\$ 1,487,698</u>
\$ 217,563	\$ 206,326	\$	\$	\$ 217,563	\$ 206,326
				42,615	31,750
				102,770	78,319
				193,974	207,868
				50,763	60,783
\$ 217,563	\$ 206,326	\$ 0	\$ 0	\$ 607,686	\$ 585,048
				163,050	217,938
<u>\$ 217,563</u>	<u>\$ 206,326</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 770,737</u>	<u>\$ 802,986</u>
<u>\$ 217,563</u>	<u>\$ 206,326</u>	<u>\$ 941,291</u>	<u>\$ 968,192</u>	<u>\$ 2,194,858</u>	<u>\$ 2,290,685</u>

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
(In Thousands)

	Governmental Fund Types				Fiduciary Fund Types		Totals	
	Special Revenue		Debt Service		Trust Funds		(Memorandum Only)	
	1996	1995	1996	1995	1996	1995	1996	1995
REVENUES								
Taxes	\$ 1,392,536	\$ 1,340,845	\$	\$	\$	\$	\$ 1,392,536	\$ 1,340,845
Licenses and permits	73,699	86,619					73,699	86,619
Federal aid	509,941	518,005			106,372	111,728	616,314	629,733
Local agencies	61,878	48,816			28,369	31,265	90,248	80,082
Interest earnings	29,296	33,813					29,296	33,813
Nonoperating revenue - bridges	2,086	2,055					2,086	2,055
Miscellaneous revenue	42,141	37,931			48		42,189	37,931
Total Revenues	\$ 2,111,579	\$ 2,068,088	\$ 0	\$ 0	\$ 134,790	\$ 142,994	\$ 2,246,370	\$ 2,211,082
EXPENDITURES								
Administration and Operations:								
Administration	\$ 359,770	\$ 324,498	\$	\$	\$	\$	\$ 359,770	\$ 324,498
Bus operating assistance grants	111,556	105,725					111,556	105,725
Other grants	833,875	848,787					833,875	848,787
Airport development	85,488	71,646					85,488	71,646
Nonoperating expenditures - bridges	2,086	2,055					2,086	2,055
Trust fund construction activity					146,118	163,167	146,118	163,167
Capital lease payments	211	203					211	203
Bond principal retirement			33,860	16,149			33,860	16,149
Bond interest and fiscal charges			47,415	48,070			47,415	48,070
Total Administration and Operations	\$ 1,392,989	\$ 1,352,917	\$ 81,275	\$ 64,219	\$ 146,118	\$ 163,167	\$ 1,620,383	\$ 1,580,304
Capital Outlay:								
Roads and bridges	\$ 497,289	\$ 540,082	\$	\$	\$	\$	\$ 497,289	\$ 540,082
Other capital outlay	55,775	50,525					55,775	50,525
Total Capital Outlay	\$ 553,065	\$ 590,607	\$ 0	\$ 0	\$ 0	\$ 0	\$ 553,065	\$ 590,607
Total Expenditures	\$ 1,946,054	\$ 1,943,524	\$ 81,275	\$ 64,219	\$ 146,118	\$ 163,167	\$ 2,173,448	\$ 2,170,911
Excess of Revenues Over (Under) Expenditures	\$ 165,524	\$ 124,564	\$ (81,275)	\$ (64,219)	\$ (11,327)	\$ (20,173)	\$ 72,921	\$ 40,171
OTHER FINANCING SOURCES								
Capital lease acquisitions	\$ 63	\$	\$	\$	\$	\$	\$ 63	\$ 0
Michigan Transportation Fund distribution	588,464	574,405					588,464	574,405
Grants and transfers from other funds and component units (Note 9)	51,566	57,276	81,270	64,219	11,327	20,173	144,163	141,669
Total Other Financing Sources	\$ 640,094	\$ 631,681	\$ 81,270	\$ 64,219	\$ 11,327	\$ 20,173	\$ 732,691	\$ 716,074
OTHER FINANCING USES								
Michigan Transportation Fund distribution	\$ 551,689	\$ 537,630	\$	\$	\$	\$	\$ 551,689	\$ 537,630
Grants and transfers to other funds and component units - (Note 9)	216,139	223,664					216,139	223,664
Debt service	81,270	64,219					81,270	64,219
Total Other Financing Uses	\$ 849,099	\$ 825,514	\$ 0	\$ 0	\$ 0	\$ 0	\$ 849,100	\$ 825,514
Excess of Other Financing Sources Over (Under) Other Financing Uses	\$ (209,005)	\$ (193,832)	\$ 81,269	\$ 64,219	\$ 11,327	\$ 20,173	\$ (116,408)	\$ (109,440)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (43,480)	\$ (69,268)	\$ (5)	\$ 0	\$ 0	\$ 0	\$ (43,486)	\$ (69,268)
Fund Balances - October 1	596,654	665,923	5	5			596,660	665,929
Equity transfers from other funds							0	0
Equity transfers to other funds							0	0
Fund Balances - September 30	\$ 553,174	\$ 596,654	\$ 0	\$ 5	\$ 0	\$ 0	\$ 553,174	\$ 596,660

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 - Budget and Actual
Special Revenue Funds
Fiscal Years Ended September 30
(In Thousands)

(Statutory/Budgetary Basis)	1996			1995		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 1,392,507	\$ 1,392,536	\$ 29	\$ 1,340,823	\$ 1,340,845	\$ 22
Licenses and permits	66,445	73,699	7,254	85,906	86,619	713
Federal aid	305,260	305,260	0	283,173	283,888	715
Local agencies	59,852	57,247	(2,604)	45,708	45,785	77
Interest earnings	23,202	23,202	0	21,409	21,939	529
Nonoperating revenue - bridges		2,086	2,086	2,055	2,055	0
Miscellaneous revenue	48,311	39,535	(8,775)	42,977	37,924	(5,053)
Total Revenues	<u>\$ 1,895,579</u>	<u>\$ 1,893,568</u>	<u>\$ (2,011)</u>	<u>\$ 1,822,054</u>	<u>\$ 1,819,058</u>	<u>\$ (2,995)</u>
EXPENDITURES AND ENCUMBRANCES						
Administration and Operations:						
Administration	\$ 380,492	\$ 368,270	\$ 12,221	\$ 334,539	\$ 330,486	\$ 4,053
Bus operating assistance grants	111,557	111,556	0	105,725	105,725	0
Other grants	912,262	864,659	47,603	875,377	870,906	4,471
Airport development	85,499	85,488	10	71,646	71,646	0
Nonoperating expenditures - bridges	2,086	2,086	0	2,055	2,055	0
Total Administration and Operations	<u>\$ 1,491,897</u>	<u>\$ 1,432,062</u>	<u>\$ 59,835</u>	<u>\$ 1,389,344</u>	<u>\$ 1,380,820</u>	<u>\$ 8,524</u>
Capital Outlay:						
Roads and bridges	\$ 237,781	\$ 221,046	\$ 16,734	\$ 182,739	\$ 182,739	\$ 0
Other capital outlay	93,603	55,775	37,827	49,913	50,525	(611)
Total Capital Outlay	<u>\$ 331,384</u>	<u>\$ 276,822</u>	<u>\$ 54,562</u>	<u>\$ 232,653</u>	<u>\$ 233,264</u>	<u>\$ (611)</u>
Total Expenditures and Encumbrances	<u>\$ 1,823,282</u>	<u>\$ 1,708,884</u>	<u>\$ 114,397</u>	<u>\$ 1,621,997</u>	<u>\$ 1,614,084</u>	<u>\$ 7,913</u>
Excess of Revenues Over (Under)						
Expenditures and Encumbrances	<u>\$ 72,297</u>	<u>\$ 184,684</u>	<u>\$ 112,386</u>	<u>\$ 200,056</u>	<u>\$ 204,974</u>	<u>\$ 4,917</u>
OTHER FINANCING SOURCES						
Capital lease acquisitions	\$	\$	\$ 0	\$	\$	\$ 0
Michigan Transportation Fund distribution	588,464	588,464	0	537,767	574,405	36,637
Grants and transfers from other funds and component units	51,424	51,566	141	46,853	57,276	10,422
Total Other Financing Sources	<u>\$ 639,889</u>	<u>\$ 640,030</u>	<u>\$ 141</u>	<u>\$ 584,621</u>	<u>\$ 631,681</u>	<u>\$ 47,059</u>
OTHER FINANCING USES						
Michigan Transportation Fund distribution	\$ 551,766	\$ 551,689	\$ 76	\$ 537,630	\$ 537,630	\$ 0
Grants and transfers to other funds and component units	216,380	211,995	4,385	217,603	213,022	4,580
Debt service	81,377	81,270	107	61,817	61,791	25
Total Other Financing Uses	<u>\$ 849,524</u>	<u>\$ 844,955</u>	<u>\$ 4,569</u>	<u>\$ 817,050</u>	<u>\$ 812,444</u>	<u>\$ 4,606</u>
Excess of Other Financing Sources Over (Under) Other Financing Uses	<u>\$ (209,634)</u>	<u>\$ (204,924)</u>	<u>\$ 4,710</u>	<u>\$ (232,429)</u>	<u>\$ (180,763)</u>	<u>\$ 51,666</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures, Encumbrances, and Other Financing Uses	<u>\$ (137,337)</u>	<u>\$ (20,240)</u>	<u>\$ 117,097</u>	<u>\$ (32,372)</u>	<u>\$ 24,211</u>	<u>\$ 56,583</u>
Reconciling Items:						
Encumbrances at September 30		\$ 42,615			\$ 31,750	
Net effect of basis differences						
Funds not annually budgeted		(65,855)			(125,230)	
Net Reconciling Items		<u>\$ (23,240)</u>			<u>\$ (93,480)</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (GAAP Basis)		\$ (43,480)			\$ (69,268)	
FUND BALANCES (GAAP BASIS)						
Beginning Balances		596,654			665,923	
Equity transfers from other funds						
Equity transfers to other funds						
Ending Balances		<u>\$ 553,174</u>			<u>\$ 596,654</u>	

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

Notes to Financial Statements

Note 1 Significant Accounting Policies

a. Reporting Entity

These financial statements report the financial activity of transportation-related funds administered by the Michigan Department of Transportation. Accordingly, these financial schedules are not intended to present fairly the financial position and results of operations of the State of Michigan. Department-administered funds by classification are:

Special Revenue

State Aeronautics Fund

State Trunkline Fund

Michigan Transportation Fund

Comprehensive Transportation Fund

Combined State Trunkline Fund Bond Proceeds Fund

Combined Comprehensive Transportation Bond Proceeds Fund

Debt Service

Combined State Trunkline Bond and Interest Redemption
Fund

Combined Comprehensive Transportation Bond and Interest
Redemption Fund

Expendable Trust

Transportation Related Trust Fund

Agency

Metropolitan Planning Fund

These funds are a part of the State of Michigan reporting entity and are reported on 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 and Other Postemployment Benefits,

Compensated Absences (annual leave and sick leave accumulations), General Long-Term Obligations, Interfund Receivables and Payables, and Contingencies and Commitments.

The Department is also party to a joint venture entered into with the Canadian government for the operation of the International Bridge at Sault Ste. Marie, Michigan. The International Bridge Authority is governed by a commission of five members, three from the State and two from the Canadian government. Summary financial information for the Authority as of its fiscal year ended August 31, 1996, with comparative information for the fiscal year ended August 31, 1995, follows (in thousands):

	1996	1995
Current Assets	\$ 6,705	\$ 8,072
Current Liabilities	\$ 231	\$ 1,259
Total Equity	\$ 6,516	\$ 6,813
Total Revenues	\$ 6,223	\$ 5,482
Total Expenditures	\$ 7,126	\$ 5,040
Excess of Revenues and Other Sources Over (Under)		
Expenditures and Other Uses	\$ (901)	\$ 521
Fixed Assets (cost)	\$ 4,141	\$ 4,088
Long-Term Debt (Bonds Payable)	\$ 7,230	\$ 7,850

The Mackinac Bridge Authority, a component unit of the State of Michigan, is reported on in the *SOMCAFR* and is not reported on in these statements. The Mackinac Bridge Authority separately issues its own audited financial statements. These statements may be obtained by directly contacting the Authority at (906) 643-7600. Note 9 of this report, provides further information of the relationship between the Department and the Authority.

b. Basis of Presentation

The financial transactions of the Department are recorded in individual funds in the State's central accounting system. The various transportation

funds are combined in the *SOMCAFR* into fund types described as follows:

Governmental Fund Types

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

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

Fiduciary Fund Types

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

Account Groups

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

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

Totals (Memorandum Only)

Amounts in the "Totals (Memorandum Only)" columns represent summations of the fund types and account groups and are presented only for analytical purposes. The summations include interfund transactions that have not been eliminated and the caption "amount to be provided," which is not an asset in the usual sense. Consequently, amounts shown in the "Totals (Memorandum Only)" columns are not comparable to a consolidation.

c. Basis of Accounting

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

d. Truncation

The amounts recorded in the Department's financial statements for the fiscal years ended September 30, 1996 and September 30, 1995 may not foot because of the use of truncation. Also, because of the convention of rounding adopted for the *SOMCAFR* for the fiscal year ended September 30, 1994, small calculation differences may exist between the reports.

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 carries over as a reservation of fund balance and/or general purpose revenue exceeding estimates. "Unfavorable variances" reflect either general purpose revenue estimate shortfalls or budgetary overdrafts. If both favorable and unfavorable variances exist for a particular line, the amount shown is the net variance.

Note 3 Receivables

a. Contested and Delinquent Receivables

Current receivables recorded in the financial statements represent amounts due to the Department as of September 30, 1996 and 1995 that will be collected within 12 months. Receivables not due for collection within 12 months were classified as long-term assets with an offsetting deferred revenue or fund balance reserve. The recorded receivables are recorded net of an allowance for doubtful accounts. The allowance for doubtful accounts was established for contested receivables in litigation or pending litigation, or delinquent receivables referred to a third party for collection.

The following provides information regarding contested and delinquent receivables as of September 30, 1996 and 1995 (in thousands):

	<u>Contested</u>		<u>Delinquent</u>		<u>Fund Total</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
State Aeronautics Fund	\$ 240	\$ 698	\$	\$	\$ 240	\$ 699
State Trunkline Fund	532	227	1,074	667	1,607	945
Comprehensive						
Transportation Fund	3,000	3,000	720	536	3,720	3,536
Transportation Related						
Trust Fund			10	10	10	10
Total Doubtful						
Accounts Receivable	<u>\$ 3,772</u>	<u>\$ 3,976</u>	<u>\$ 1,806</u>	<u>\$ 1,214</u>	<u>\$ 5,579</u>	<u>\$ 5,192</u>

b. Taxes Receivable

In the Michigan Transportation Fund, gross motor fuel taxes receivables of \$124.6 million and \$131.7 million were recorded net of allowances for uncollectible receivables of \$56.4 million and \$61.1 million due to the Fund as of September 30, 1996 and 1995, respectively.

c. Federal Highway Administration (FHWA) Receivable

The Department recorded federal aid receivables in the State Trunkline Fund, State Trunkline Fund Bond Proceeds Fund, Transportation Related Trust Fund, and Metropolitan Planning Fund totaling \$166.6 million and \$154.7 million for the fiscal years ended September 30, 1996 and 1995, respectively. Of those amounts, \$87.2 million and \$71.2 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. These To-be-Billed costs are federal funds that have been earned by the Department, but the Department has not requested reimbursement. Consistent with past practice, project costs that exceeded contract amounts will be reimbursed as federal aid becomes available.

Note 4 Long-Term Obligations

a. Bonded Debt

Revenue Dedicated Debt: The Department has periodically issued long-term bonds for specific purposes, with the stipulation that financing of debt requirements is to come strictly from designated revenue sources. The State'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 Michigan Comprehensive Transportation Series 1985, Michigan Comprehensive Transportation Series 1988-II, State Trunkline Series 1989-A, and State Trunkline Series 1992 A and B bond issues included capital appreciation bonds (zero coupon bonds) with an ultimate maturity value of \$8.9 million, \$47.8 million, \$35.7 million, and \$97.7 million, respectively. These bonds are recorded in the amounts of \$7.4 million, \$24.3 million, \$17.8 million, and \$44.8 million, respectively, which is the accreted value at September 30, 1996. These bonds mature in the years 1995 to 2000, 1998 to 2010,

2004 to 2009, and 2005 to 2012, respectively. The funding for the debt service on these bonds is provided as they mature.

Revenue Dedicated Debt (In Thousands)						
		Outstanding		Maturities		Average
	Amounts Issued	9/30/96	9/30/95	First Year	Last Year	Interest Rate
<u>Comprehensive Transportation</u>						
<u>Fund Bonds:</u>						
1985 (Series B Refunding)	\$ 57,831	\$ 7,440	\$ 8,793	1985	2000	8.53%
1986 (Refunding)	103,585	16,420	21,470	1986	2014	7.65%
1988 (Refunding)	105,147	50,855	51,292	1991	2011	7.30%
1992 (Series A and B)	164,965	163,780	164,965	1996	2022	5.96%
<u>State Trunkline Fund Bonds:</u>						
1986 (Refunding)	105,650		17,965	1987	1999	7.34%
Series 1989 (Series A)	135,779	49,137	50,999	1994	2019	6.97%
1992 (Series A and B)	353,209	363,396	360,709	1999	2021	6.16%
1994 (Series A and B)	204,990	236,265	239,910	1995	2025	5.53%
Total Revenue Dedicated Debt	\$ 1,267,156	\$ 887,294	\$ 916,104			

	Accreted Book Value	Ultimate Maturity Value	Maturity Dates
<u>Revenue Dedicated - Transportation Related:</u>			
Michigan Comprehensive Transportation			
- Series 1985	7.4	8.9	1995-2000
Michigan Comprehensive Transportation			
- Series 1988 - II	24.3	47.8	1998-2010
State Trunkline - Series 1989 A	17.8	35.7	2004-2009
State Trunkline - Series 1992 A and B	44.8	97.7	2005-2012

Advance Refunding and Defeasance: The Department has issued refunding bond issues to refinance the advance refunding of selected bond issues. A portion of the proceeds of the refunding issues were placed in trust and used to purchase securities of the U.S. government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by a trustee and are restricted for the retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements as the State 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:

Summary of Refunding Transactions (In Millions)			
Bond Series	Amount Refunded	Balance With Trustee	
		1996	1995
<u>Comprehensive Transportation</u>			
<u>Fund Bonds:</u>			
Series 1979 A	\$ 97.8	\$	\$ 3.4
Series 1984	59.0	53.6	53.6
Series 1985 (Partial)	27.1	40.3	38.5
Series 1986 I and II (Partial)	48.1		45.7
Series 1988 - I (Partial)	60.8	60.8	60.8
<u>State Trunkline Fund Bonds:</u>			
Series 1986 (Partial)	68.4		61.8
Series 1989A (Partial)	90.1	83.1	83.6
Total	<u>\$ 451.3</u>	<u>\$ 238.0</u>	<u>\$ 347.7</u>

b. Other Long-Term Obligations

Capital Leases: Capitalized lease liabilities are described in Note 5.

Compensated Absences: Compensated absences liabilities are described 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. The Department continues to vigorously contest all of these claims, and 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).

Changes in Long-Term Obligations: Changes in long-term obligations for the fiscal years ended September 30, 1996 and 1995 are summarized as follows (in thousands):

	Revenue Dedicated Debt - Oversight Entity		Capital Lease Obligations	
	1996	1995	1996	1995
<u>Bonds and Capital Lease</u>				
<u>Obligations:</u>				
Balance - Beginning	\$ 916,104	\$ 926,140	\$ 1,082	\$ 1,141
Accretion on capital appreciation bonds	6,354	6,053		
Bond principal retirements/ capital lease payments and deletions	(35,165)	(16,090)		(59)
Balance - Ending	<u>\$ 887,294</u>	<u>\$ 916,014</u>	<u>\$ 1,082</u>	<u>\$ 1,082</u>

	Claims and Judgments		Compensated Absences Liabilities	
	1996	1995	1996	1995
<u>Other Obligations:</u>				
Balance - Beginning	\$ 14,171	\$ 22,531	\$ 36,833	\$ 37,466
Net increase (decrease) in estimated liabilities	2,741	(8,360)	(831)	(632)
Balance - Ending	<u>\$ 16,912</u>	<u>\$ 14,171</u>	<u>\$ 36,002</u>	<u>\$ 36,833</u>

Note 5 Leases

The Department leases land, office facilities, office and computer equipment, and other assets under noncancelable leasing arrangements. Most leases have cancellation clauses with 1- to 6-month notice requirements in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered in the determination of whether a lease is cancelable because the likelihood that such clauses will be exercised is considered remote. Leases which are in the nature of acquisitions are classified as "capital" leases so that assets and liabilities are recorded at lease inception. Other leases are classified as "operating" leases, and these are treated as rent commitments rather than as acquisitions.

Rental expenditures incurred under operating leases totaled \$676,386 and \$393,840 during fiscal years 1995-96 and 1994-95, respectively.

Summaries of the noncancelable operating and capital leasing commitments to maturity for fiscal years 1995-96 and 1994-95 follow:

Noncancelable Lease Commitments

Fiscal Year 1995-96

(In Thousands)

Fiscal Year Ended September 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
1997	\$ 759.4	\$ 47.2	\$ 168.2	\$ 215.4
1998	732.0	35.8	161.7	197.5
1999	570.6	40.5	153.3	193.9
2000	157.5	52.7	141.2	193.9
2001	24.3	58.2	123.8	182.1
2002		44.4	113.9	158.4
2003 - 2011		803.8	582.5	1,386.4
Total	<u>\$ 2,244.0</u>	<u>\$ 1,082.9</u>	<u>\$ 1,444.9</u>	<u>\$ 2,527.9</u>

Noncancelable Lease Commitments

Fiscal Year 1994-95

(In Thousands)

Fiscal Year Ended September 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
1996	\$ 676.3	\$ 59.0	\$ 140.4	\$ 199.4
1997	593.2	43.4	136.5	179.9
1998	565.8	29.3	132.7	162.0
1999	478.2	29.5	128.9	158.4
2000	300.2	33.8	124.6	158.4
2001		38.8	119.6	158.4
2002 - 2011		848.3	696.5	1,544.8
Total	<u>\$ 2,613.9</u>	<u>\$ 1,082.2</u>	<u>\$ 1,479.3</u>	<u>\$ 2,561.6</u>

All of the above capital leases are related to governmental fund operations, and the total of capital lease principal is recorded as part of the general long-term obligations account group.

The historical cost of assets acquired under capital leases included in the general fixed assets account group at September 30, 1996 and 1995 follows (in thousands):

	1996	1995
Buildings	\$ 1,358	\$ 1,295

Note 6 Employee Benefits - Retirement and Compensated Absences

a. Retirement Contributions

Michigan 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):

	1996	1995
State Trunkline Fund	\$ 22,926	\$ 23,207
Comprehensive Transportation Fund	879	814
State Aeronautics Fund	482	470
Total Michigan Department of Transportation Contributions	\$ 24,289	\$ 24,491

b. Compensated Absences and Longevity

Employees accumulate annual leave (vacation) balances to a maximum ranging from 240 to 300 hours. They receive a 100% termination payment upon separation based upon their final rate of pay. Employee sick leave balances accumulate without limit. Termination payments are made only upon separation from State service and only to employees

hired prior to October 1, 1980. Payments at retirement or death are based on 50% of the employee's sick leave accumulation times their last rate of pay. When separating for any other reason, employees are paid a percentage of their unused sick leave which increases from 0 to 50% depending upon the balance of their sick leave hours.

The Department has accrued liabilities for compensated absences as required by the Governmental Accounting Standards Board. Annual leave is valued at 100% of the balance plus the State's share of social security and retirement contributions. Sick leave is valued, as explained above, at 0 to 50% plus the State's share of social security contributions. The pay rates in effect as of September 30, 1996 are used. Liabilities related to proprietary fund types are recorded in the funds. Liabilities related to governmental fund types are recorded in the general long-term obligations account group, unless the liability is "due and payable" (i.e., liabilities are recognized in the year the employee leaves State service) at year-end. The amount "due and payable" is reflected in the "Accounts payable" line.

The following table summarizes Michigan Department of Transportation-related compensated absences liabilities as of September 30, 1996 and 1995 (in thousands):

	Sick Leave		Annual Leave		Total	
	1996	1995	1996	1995	1996	1995
State Trunkline Fund	\$ 20,103	\$ 21,001	\$ 13,753	\$ 13,803	\$ 33,857	\$ 34,805
Comprehensive						
Transportation Fund	800	768	554	534	1,354	1,302
State Aeronautics Fund	487	429	303	295	790	725
Total	<u>\$ 21,391</u>	<u>\$ 22,199</u>	<u>\$ 14,611</u>	<u>\$ 14,634</u>	<u>\$ 36,002</u>	<u>\$ 36,833</u>

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

Note 7 General Fixed Assets

Classification: The following tables summarize, by major class of asset, the fiscal year 1995-96 and 1994-95 changes in recorded costs for the general fixed assets account group:

Changes in General Fixed Assets
Fiscal Year 1995-96
(In Millions)

	Balance September 30, 1995	Additions	Deletions	Adjustments	Balance September 30, 1996
Land	\$ 8.3	\$.3	\$	\$.2	\$ 9.0
Buildings	81.6	3.9	(.1)	.8	86.3
Equipment	108.4	14.9	(12.4)	3.6	114.5
Construction in Progress	.2				.2
Equity Interests in Joint Ventures	7.6			(.3)	7.3
Total General Fixed Assets	<u>\$ 206.3</u>	<u>\$ 19.1</u>	<u>\$ (12.5)</u>	<u>\$ 4.3</u>	<u>\$ 217.5</u>

Changes in General Fixed Assets
Fiscal Year 1994-95
(In Millions)

	Balance September 30, 1994	Additions	Deletions	Adjustments	Balance September 30, 1995
Land	\$ 7.6	\$.6	\$	\$	\$ 8.3
Buildings	77.3	2.7		1.5	81.6
Equipment	104.0	8.6	(3.2)	(.9)	108.4
Construction in Progress	4.3	1.5		(5.7)	.2
Equity Interests in Joint Ventures		7.6			7.6
Total General Fixed Assets	<u>\$ 193.4</u>	<u>\$ 21.0</u>	<u>\$ (3.2)</u>	<u>\$ (5.1)</u>	<u>\$ 206.3</u>

Funding Source: Following is a summary of funding sources for investments in general fixed assets as of September 30, 1996 and 1995 (in millions):

	Investment	
	1996	1995
State Trunkline Fund	\$ 192.6	\$ 184.6
Comprehensive Transportation Fund	14.6	10.5
State Aeronautics Fund	10.2	11.0
Total Investment in General Fixed Assets	<u>\$ 217.5</u>	<u>\$ 206.3</u>

Construction in Progress: Following is summary information regarding projects included in construction in progress as of September 30, 1996 and 1995 (in millions):

	Estimated Cost	Fiscal Year 1995-96	
		Authorized	Expended
Various Projects	\$ 5.3	\$.2	\$ 0
Totals	<u>\$ 5.3</u>	<u>\$.2</u>	<u>\$ 0</u>

	Estimated Cost	Fiscal Year 1994-95	
		Authorized	Expended
Various Projects	\$ 5.3	\$.2	\$ 1.5
Totals	<u>\$ 5.3</u>	<u>\$.2</u>	<u>\$ 1.5</u>

In addition to the projects noted above, the Department has planned other construction projects which were unfunded as of September 30, 1996 and

1995. The costs of these projects, as well as the unfunded portion of projects currently in progress, will be funded from future years' resources.

Note 8 Excess of Expenditures Over Appropriation

Budgetary control for State Trunkline Fund, State Aeronautics Fund, Michigan Transportation Fund, and Comprehensive Transportation Fund expenditures is established by line-item appropriation within each fund's total appropriation with the exception of the Comprehensive Transportation Fund which did not have a line-item appropriation to cover interest expenditures. The State Trunkline Fund, Michigan Transportation Fund, and Comprehensive Transportation Fund incurred the following total line-item overexpenditures (in thousands):

	State Trunkline Fund		Michigan Transportation Fund		Comprehensive Transportation Fund	
	1996	1995	1996	1995	1996	1995
Overestimated Receivables	\$ 1,307	\$	\$ 18	\$	\$ 1,315	\$
Facilities Capital Outlay		673				
Total Overexpenditures	<u>\$ 1,987</u>	<u>\$ 673</u>	<u>\$ 18</u>	<u>\$ 0</u>	<u>\$ 1,315</u>	<u>\$ 0</u>

Note 9 Interfund Commitments

The Mackinac Bridge Authority, which is reported as a component unit special revenue fund 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 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 funds 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.

During fiscal year 1992-93, the Authority repaid \$7.5 million of the advance from the Michigan Transportation Fund, leaving a balance of \$55.5 million. During fiscal year 1994-95, the Authority repaid \$1.0 million of the advance from the State Trunkline Fund, leaving a balance of \$11.3 million.

For the fiscal year ended September 30, 1996, the *SOMCAFR* reported transactions with component units, including the Mackinac Bridge Authority, separately from transactions with other funds. A receivable for \$369,000 and \$395,000 for fiscal years 1995-96 and 1994-95, respectively, related to Mackinac Bridge Authority's payroll transactions is recorded in the Department's balance sheet as amounts due from other funds and component units. The receivables from the Mackinac Bridge Authority and other

transactions between the Department and component units of the State of Michigan are shown in the following table (in thousands):

	State Trunkline Fund		Michigan Transportation Fund	
	1996	1995	1996	1995
<u>Balance Sheet</u>				
Receivables:				
Other funds	\$ 37,726	\$ 38,947	\$ 3,000	\$ 3,000
Component units	369	395		
Total receivables from other funds and component units	<u>\$ 38,095</u>	<u>\$ 39,343</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>
Payables:				
Due to other funds	\$ 2,372	\$ 1,974	\$ 46,471	\$ 45,557
Due to component units				
Total due to other funds and component units	<u>\$ 2,372</u>	<u>\$ 1,974</u>	<u>\$ 46,471</u>	<u>\$ 45,557</u>
<u>Statement of Revenues, Expenditures, and Changes in Fund Balances</u>				
Other Financing Sources:				
Transfers from other funds	\$ 507,506	\$ 503,266	\$ 139	\$
Transfers from component units		1,000		
Total transfers from other funds and component units	<u>\$ 507,506</u>	<u>\$ 504,266</u>	<u>\$ 139</u>	<u>\$ 0</u>
Other Financing Uses:				
Transfers to other funds	\$ 18,998	\$ 28,019	\$ 741,476	\$ 717,380
Transfers to component units				
Total transfers to other funds and component units	<u>\$ 18,998</u>	<u>\$ 28,019</u>	<u>\$ 741,476</u>	<u>\$ 717,380</u>

Note 10 Contingencies and Commitments

a. Litigation

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

The Department accrues liabilities related to significant legal proceedings if a loss is probable and reasonably estimable. In the event that a significant, probable, and reasonably estimable loss is not settled prior to preparation of these statements, the obligation is recorded as a general long-term liability (see Note 4).

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, 1996 and 1995, the Department estimates that disallowances of recognized revenues will not be material to the statements.

c. Construction Projects

The Department has entered into construction contracts for transportation related special revenue funds and trust funds. As of September 30, 1996 and 1995, the unearned balances remaining on these contracts equaled \$601.3 million and \$371.0 million, respectively. The State Trunkline Fund's portion of these contracts equaled \$525.9 million and \$283.4 million for fiscal years 1995-96 and 1994-95, respectively.

Note 11 Subsequent Events

a. Revenue Dedicated Bonded Debt

Subsequent to September 30, 1996, the State issued two new revenue dedicated bond issues. Comprehensive Transportation Refunding Bonds (\$26.6 million) were issued to refund previous issues. The State also issued \$54.5 million of State Trunkline Fund Bonds for the purpose of financing trunkline projects.

b. Gas Tax Increase

Public Act 79 of 1997 increased the gas tax by four cents per gallon. Public Act 79 of 1997 allocated the increase in gas tax as follows: one cent would be used for debt service costs on Build Michigan projects, one cent would be dedicated for repair of State bridges, and the remaining two cents would be distributed as provided in the current distribution formula (39.1 percent to the State Trunkline Fund, 39.1 percent to county road commissions, and 21.8 percent to cities and villages).

SUPPLEMENTAL FINANCIAL STATEMENTS AND SCHEDULES

Descriptions of Special Revenue Funds

MICHIGAN TRANSPORTATION FUND

This Fund, established by Section 10 of Public Act 51 of 1951, 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, Economic Development Fund (a subfund of the State Trunkline Fund) and Recreation Improvement Fund (a subfund within the General Fund at the Department of Natural Resources) in accordance with the statutory formulae. Expenditures consist of grants to counties, cities, and villages for highway purposes in accordance with statutory formulae and pursuant to Section 91 of Public Act 5 of 1967 (Extra Session).

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 State Transportation Commission has significant discretion in determining the funding of individual projects. Major financing sources are transfers from the Michigan Transportation Fund, federal aid, and local participation. Expenditures and transfers are for administration, highway maintenance and construction, debt service, and various contractual obligations. In accordance with statutory provisions, any unencumbered balance, at fiscal year-end, is transferred to the road and bridge construction account.

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

In fiscal year 1987-88, the Economic Development Fund (EDF), a subfund, was created within the State Trunkline Fund. Revenues are derived from the Michigan Transportation Fund, increased motor vehicle fee income, federal funds for

expenditures eligible for matching, local matching funds which are not less than 25% for each project, and interest earnings. EDF funds are expended for the purpose of enhancing this State's ability to compete in an international economy, serving as a catalyst for the economic growth of this State, and improving the quality of life in the rural and urban areas of this State. The statements for the State Trunkline Fund include the financial activity for EDF. A separate schedule summarizing EDF activity is also included as a supplemental schedule in this report.

The Blue Water Bridge Fund (BWBF) was created as a subfund of the State Trunkline Fund during fiscal year 1993-94. Through provisions of Section 1012 in the federal Intermodal Surface Transportation Efficiency Act of 1991, the State Trunkline Fund received federal funds to be loaned to the BWBF for construction of the Blue Water Bridge project. Repayment of the \$45 million loan will begin no later than five years after the facility is opened to traffic. The term of the loan will not exceed 30 years from the time the loan was obligated. The financial activity of the BWBF has been reported as part of the State Trunkline Fund in previous statements of this report. A supplemental schedule was prepared to provide additional information pertaining specifically to the BWBF.

COMPREHENSIVE TRANSPORTATION FUND

This Fund was created for the purpose of planning and developing public transportation systems within the State. It was created by Public Acts 326, 327, and 328 of 1972 and Public Act 197 of 1973. Further additions and amendments to the laws governing this Fund were enacted in 1975, being Public Acts 195, 196, and 239. In accordance with statutory provisions, any unencumbered balance at fiscal year-end lapses and reverts to the Fund for appropriation in the following fiscal year.

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

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

STATE AERONAUTICS FUND

This Fund, established by Public Act 327 of 1945, is administered by the Department for development and capital improvement projects for local airports. Its budget is subject to annual legislative review and appropriation. Financing consists mostly of federal and local contributions and aviation fuel taxes. Expenditures and transfers are for administration and local airport improvement project costs. 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.

COMBINED 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 State trunkline revenue dedicated bonds. These bonds are being used in part to finance the costs of reconstructing and resurfacing portions of the State trunkline system. The bonds were also used to finance loans to local units of government for reconstructing and resurfacing roadways. These loans are recorded as assets in the State Trunkline Fund, which receives the loan repayments. Residual balances from specific bond issues are transferred to the State Trunkline Fund by equity transfer.

COMBINED COMPREHENSIVE TRANSPORTATION 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 comprehensive transportation revenue dedicated bonds. These bonds are being used to finance part of the construction and acquisition of comprehensive transportation projects.

Michigan Department of Transportation
Combining Balance Sheet - Special Revenue Funds
As of September 30
(In Thousands)

	Michigan Transportation Fund		State Trunkline Fund		Comprehensive Transportation Fund	
	1996	1995	1996	1995	1996	1995
ASSETS						
Current Assets:						
Cash and cash equivalents	\$	\$	\$ 116	\$ 148	\$	\$ 23
Equity in Common Cash	155,628	171,310	237,059	249,168	97,418	78,991
Receivables:						
Taxes, interest, and penalties (at net)	68,230	70,697				
Federal aid			89,221	79,800	7,294	5,247
Local units			20,420	17,897	108	500
Other funds and component units	3,000	3,000	38,095	39,343	12,719	10,347
Miscellaneous	2,037	398	9,545	8,799	3,249	2,443
Inventories			7,487	10,368		
Total Current Assets	\$ 228,896	\$ 245,406	\$ 401,946	\$ 405,526	\$ 120,790	\$ 97,553
Noncurrent Assets:						
Receivables:						
Taxes	121	258				
Local units			48,780	58,808	76	138
Advances to other funds			45,141	45,141		
Land contracts			1,897	1,954		
Miscellaneous					2,250	2,176
Total Assets	<u>\$ 229,018</u>	<u>\$ 245,665</u>	<u>\$ 497,764</u>	<u>\$ 511,431</u>	<u>\$ 123,117</u>	<u>\$ 99,869</u>
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Warrants outstanding	\$ 494	\$ 317	\$ 4,841	\$ 11,521	\$ 480	\$ 859
Accounts payable	181,930	199,531	95,152	99,811	8,674	8,875
Contract reserve payable			4,336	3,418	149	99
Due to other funds and component units	46,471	45,557	2,372	1,974	75	
Deposits, permits, and other liabilities			4,579	8,121	5,366	1,568
Deferred revenue			1,077	1,955		31
Total Current Liabilities	\$ 228,896	\$ 245,406	\$ 112,358	\$ 126,802	\$ 14,747	\$ 11,434
Long-Term Liabilities:						
Deferred revenue	121	258	1,897	1,954	2,326	2,315
Advances from other funds			45,141	45,141		
Total Liabilities	<u>\$ 229,018</u>	<u>\$ 245,665</u>	<u>\$ 159,397</u>	<u>\$ 173,898</u>	<u>\$ 17,074</u>	<u>\$ 13,750</u>
Fund Balances:						
Reserved for encumbrances	\$	\$	\$ 6,005	\$ 4,214	\$ 34,290	\$ 26,228
Reserved for unencumbered restricted revenue balances			99,065	75,427	3,704	2,892
Reserved for unencumbered capital outlay and work projects			184,516	199,082		
Reserved for noncurrent assets and airport loans			48,780	58,808		
Total Reserved	\$ 0	\$ 0	\$ 338,367	\$ 337,532	\$ 37,994	\$ 29,121
Unreserved					68,048	56,997
Total Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 338,367</u>	<u>\$ 337,532</u>	<u>\$ 106,043</u>	<u>\$ 86,118</u>
Total Liabilities and Fund Balances	<u>\$ 229,018</u>	<u>\$ 245,665</u>	<u>\$ 497,764</u>	<u>\$ 511,431</u>	<u>\$ 123,117</u>	<u>\$ 99,869</u>

State Aeronautics Fund		Combined State Trunkline Fund Bond Proceeds Fund		Combined Comprehensive Transportation Bond Proceeds Fund		Totals	
1996	1995	1996	1995	1996	1995	1996	1995
\$	\$	\$	\$	\$	\$	\$	\$
15,537	19,906	45,306	115,576	22,154	23,710	573,105	658,663
853	816					69,083	71,514
11,791	6,444	55,205	45,030			163,513	136,523
3,691	3,456	721	400			24,941	22,254
			3,116			53,814	55,807
49	58	10	2			14,893	11,702
						7,487	10,368
\$ 31,923	\$ 30,682	\$ 101,249	\$ 164,126	\$ 22,155	\$ 23,710	\$ 906,961	\$ 967,007
						121	258
990	1,148					49,846	60,096
						45,141	45,141
						1,897	1,954
2	2					2,253	2,179
<u>\$ 32,916</u>	<u>\$ 31,834</u>	<u>\$ 101,249</u>	<u>\$ 164,126</u>	<u>\$ 22,155</u>	<u>\$ 23,710</u>	<u>\$ 1,006,222</u>	<u>\$ 1,076,637</u>
\$	\$	\$	\$	\$	\$	\$	\$
44	709	3,124	2,609		48	8,985	16,065
8,995	9,285	26,307	25,904	1,614	952	322,673	344,361
1,359	1,077	1,558	1,425	3	3	7,407	6,023
41	55					48,961	47,587
						9,946	9,690
4,198	4,045	310	552			5,587	6,584
\$ 14,639	\$ 15,172	\$ 31,300	\$ 30,491	\$ 1,617	\$ 1,004	\$ 403,561	\$ 430,312
						4,345	4,528
						45,141	45,141
<u>\$ 14,639</u>	<u>\$ 15,172</u>	<u>\$ 31,300</u>	<u>\$ 30,491</u>	<u>\$ 1,617</u>	<u>\$ 1,004</u>	<u>\$ 453,048</u>	<u>\$ 479,983</u>
\$	\$	\$	\$	\$	\$	\$	\$
2,319	1,306					42,615	31,750
						102,770	78,319
9,458	8,786					193,974	207,868
1,983	1,974					50,763	60,783
\$ 13,761	\$ 12,068	\$ 0	\$ 0	\$ 0	\$ 0	\$ 390,123	\$ 378,721
4,515	4,593	69,948	133,635	20,538	22,706	163,050	217,932
<u>\$ 18,277</u>	<u>\$ 16,661</u>	<u>\$ 69,948</u>	<u>\$ 133,635</u>	<u>\$ 20,538</u>	<u>\$ 22,706</u>	<u>\$ 553,174</u>	<u>\$ 596,654</u>
<u>\$ 32,916</u>	<u>\$ 31,834</u>	<u>\$ 101,249</u>	<u>\$ 164,126</u>	<u>\$ 22,155</u>	<u>\$ 23,710</u>	<u>\$ 1,006,222</u>	<u>\$ 1,076,637</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
Fiscal Years Ended September 30
(In Thousands)

	Michigan Transportation Fund		State Trunkline Fund		Comprehensive Transportation Fund	
	1996	1995	1996	1995	1996	1995
REVENUES						
Taxes	\$ 1,326,152	\$ 1,277,409	\$	\$ 12	\$ 58,413	\$ 55,646
Licenses and permits	57,362	71,859	15,893	14,415	174	72
Federal aid			223,232	220,769	21,720	17,858
Local agencies			33,318	24,122		75
Interest earnings	9,822	12,107	9,736	8,265	2,588	601
Nonoperating revenue - bridges			2,086	2,055		
Miscellaneous revenue	<u>8,909</u>	<u>617</u>	<u>25,744</u>	<u>23,369</u>	<u>4,220</u>	<u>13,332</u>
Total Revenues	<u>\$ 1,402,246</u>	<u>\$ 1,361,993</u>	<u>\$ 310,012</u>	<u>\$ 293,009</u>	<u>\$ 87,118</u>	<u>\$ 87,587</u>
EXPENDITURES						
Administration and Operations:						
Administration	\$ 18	\$	\$ 339,938	\$ 309,755	\$ 12,996	\$ 8,236
Bus operating assistance grants					111,556	105,725
Other grants	660,891	644,612	120,515	160,025	48,990	40,425
Airport development						
Nonoperating expenditures - bridges			2,086	2,055		
Capital lease payments			<u>211</u>	<u>203</u>		
Total Administration and Operations	<u>\$ 660,909</u>	<u>\$ 644,612</u>	<u>\$ 462,751</u>	<u>\$ 472,040</u>	<u>\$ 173,543</u>	<u>\$ 154,387</u>
Capital Outlay:						
Roads and bridges			221,046	182,739		
Other capital outlay			<u>55,765</u>	<u>50,452</u>		
Total Capital Outlay	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 276,812</u>	<u>\$ 233,191</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures	<u>\$ 660,909</u>	<u>\$ 644,612</u>	<u>\$ 739,563</u>	<u>\$ 705,232</u>	<u>\$ 173,543</u>	<u>\$ 154,387</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 741,337</u>	<u>\$ 717,380</u>	<u>\$ (429,551)</u>	<u>\$ (412,222)</u>	<u>\$ (86,425)</u>	<u>\$ (66,800)</u>
OTHER FINANCING SOURCES						
Capital lease acquisitions	\$	\$	\$ 63	\$	\$	\$
Michigan Transportation Fund distribution			459,460	448,626	129,004	125,778
Grants and transfers from other funds and component units	<u>139</u>		<u>48,046</u>	<u>55,639</u>	<u>3,379</u>	<u>1,636</u>
Total Other Financing Sources	<u>\$ 139</u>	<u>\$ 0</u>	<u>\$ 507,570</u>	<u>\$ 504,266</u>	<u>\$ 132,384</u>	<u>\$ 127,414</u>
OTHER FINANCING USES						
Michigan Transportation Fund distribution	\$ 551,689	\$ 537,630	\$	\$	\$	\$
Grants and transfers to other funds and component units	189,787	179,750	18,998	28,019	2,950	4,099
Debt service			<u>58,185</u>	<u>41,208</u>	<u>23,084</u>	<u>20,583</u>
Total Other Financing Uses	<u>\$ 741,476</u>	<u>\$ 717,380</u>	<u>\$ 77,183</u>	<u>\$ 69,228</u>	<u>\$ 26,035</u>	<u>\$ 24,682</u>
Excess of Other Financing Sources Over (Under) Other Financing Uses	<u>\$ (741,337)</u>	<u>\$ (717,380)</u>	<u>\$ 430,386</u>	<u>\$ 435,037</u>	<u>\$ 106,349</u>	<u>\$ 102,731</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 0	\$ 0	\$ 834	\$ 22,815	\$ 19,924	\$ 35,931
Fund Balances - October 1			337,532	314,717	86,118	50,187
Equity transfers from other funds						
Equity transfers to other funds						
Fund Balances - September 30	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 338,367</u>	<u>\$ 337,532</u>	<u>\$ 106,043</u>	<u>\$ 86,118</u>

State Aeronautics Fund		Combined State Trunkline Fund Bond Proceeds Fund		Combined Comprehensive Transportation Bond Proceeds Fund		Totals	
1996	1995	1996	1995	1996	1995	1996	1995
\$ 7,969	\$ 7,777	\$	\$	\$	\$	\$ 1,392,536	\$ 1,340,845
268	272					73,699	86,619
60,307	45,260	204,680	234,116			509,941	518,005
23,929	21,587	4,631	3,031			61,878	48,816
1,055	965	4,844	10,427	1,249	1,446	29,296	33,813
						2,086	2,055
660	604	2,538	6	67		42,141	37,931
<u>\$ 94,190</u>	<u>\$ 76,468</u>	<u>\$ 216,694</u>	<u>\$ 247,582</u>	<u>\$ 1,316</u>	<u>\$ 1,446</u>	<u>\$ 2,111,579</u>	<u>\$ 2,068,088</u>
\$ 6,816	\$ 6,383	\$	\$ 123	\$	\$	\$ 359,770	\$ 324,529
						111,556	105,725
				3,478	3,723	833,875	848,787
85,488	71,646					85,488	71,646
						2,086	2,055
						211	203
<u>\$ 92,305</u>	<u>\$ 78,029</u>	<u>\$ 0</u>	<u>\$ 123</u>	<u>\$ 3,478</u>	<u>\$ 3,723</u>	<u>\$ 1,392,989</u>	<u>\$ 1,352,948</u>
\$	\$	\$ 276,242	\$ 357,342	\$	\$	\$ 497,289	\$ 540,082
10	72					55,775	50,494
<u>\$ 10</u>	<u>\$ 72</u>	<u>\$ 276,242</u>	<u>\$ 357,342</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 553,065</u>	<u>\$ 590,576</u>
<u>\$ 92,315</u>	<u>\$ 78,101</u>	<u>\$ 276,242</u>	<u>\$ 357,466</u>	<u>\$ 3,478</u>	<u>\$ 3,723</u>	<u>\$ 1,946,054</u>	<u>\$ 1,943,524</u>
<u>\$ 1,875</u>	<u>\$ (1,633)</u>	<u>\$ (59,548)</u>	<u>\$ (109,883)</u>	<u>\$ (2,162)</u>	<u>\$ (2,276)</u>	<u>\$ 165,524</u>	<u>\$ 124,564</u>
\$	\$	\$	\$	\$	\$	\$ 63	\$ 0
						588,464	574,405
						51,566	57,276
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 640,094</u>	<u>\$ 631,681</u>
\$	\$	\$	\$	\$	\$	\$ 551,689	\$ 537,630
259	1,152	4,138	10,621	6	20	216,139	223,664
			2,428			81,270	64,219
<u>\$ 259</u>	<u>\$ 1,152</u>	<u>\$ 4,138</u>	<u>\$ 13,049</u>	<u>\$ 6</u>	<u>\$ 20</u>	<u>\$ 849,099</u>	<u>\$ 825,514</u>
<u>\$ (259)</u>	<u>\$ (1,152)</u>	<u>\$ (4,138)</u>	<u>\$ (13,049)</u>	<u>\$ (6)</u>	<u>\$ (20)</u>	<u>\$ (209,005)</u>	<u>\$ (193,832)</u>
\$ 1,615	\$ (2,785)	\$ (63,687)	\$ (122,932)	\$ (2,168)	\$ (2,297)	\$ (43,480)	\$ (69,268)
16,661	19,446	133,635	256,568	22,706	25,003	596,654	665,923
						0	0
						0	0
<u>\$ 18,277</u>	<u>\$ 16,661</u>	<u>\$ 69,948</u>	<u>\$ 133,635</u>	<u>\$ 20,538</u>	<u>\$ 22,706</u>	<u>\$ 553,174</u>	<u>\$ 596,654</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, 1996
(In Thousands)

(Statutory/Budgetary Basis)	Michigan Transportation Fund			State Trunkline Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 1,326,118	\$ 1,326,152	\$ 33	\$	\$	\$
Licenses and permits	66,445	57,362	(9,082)		15,893	15,893
Federal aid				223,232	223,232	
Local agencies				35,922	33,318	(2,604)
Interest earnings	9,822	9,822		9,736	9,736	
Nonoperating revenue - bridges					2,086	2,086
Miscellaneous revenue		8,909	8,909	43,772	25,744	(18,027)
Total Revenues	<u>\$ 1,402,386</u>	<u>\$ 1,402,246</u>	<u>\$ (139)</u>	<u>\$ 312,664</u>	<u>\$ 310,012</u>	<u>\$ (2,652)</u>
EXPENDITURES AND ENCUMBRANCES						
Administration and Operations:						
Administration	\$	\$ 18	\$ (18)	\$ 358,220	\$ 346,092	\$ 12,128
Bus operating assistance grants						
Other grants	663,918	660,891	3,027	160,766	120,515	40,251
Airport development						
Nonoperating expenditures - bridges				2,086	2,086	
Total Administration and Operations	<u>\$ 663,918</u>	<u>\$ 660,909</u>	<u>\$ 3,008</u>	<u>\$ 521,072</u>	<u>\$ 468,693</u>	<u>\$ 52,379</u>
Capital Outlay:						
Roads and bridges	\$	\$	\$	\$ 237,781	\$ 221,046	\$ 16,734
Other capital outlay				93,603	55,765	37,838
Total Capital Outlay	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 331,384</u>	<u>\$ 276,812</u>	<u>\$ 54,572</u>
Total Expenditures and Encumbrances	<u>\$ 663,918</u>	<u>\$ 660,909</u>	<u>\$ 3,008</u>	<u>\$ 852,457</u>	<u>\$ 745,505</u>	<u>\$ 106,951</u>
Excess of Revenues Over (Under)						
Expenditures and Encumbrances	<u>\$ 738,468</u>	<u>\$ 741,337</u>	<u>\$ 2,868</u>	<u>\$ (539,792)</u>	<u>\$ (435,493)</u>	<u>\$ 104,299</u>
OTHER FINANCING SOURCES						
Michigan Transportation Fund distribution	\$	\$	\$	\$ 459,460	\$ 459,460	\$
Grants and transfers from other funds and component units		139	139	48,045	48,046	1
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 139</u>	<u>\$ 139</u>	<u>\$ 507,505</u>	<u>\$ 507,506</u>	<u>\$ 1</u>
OTHER FINANCING USES						
Michigan Transportation Fund distribution	\$ 551,766	\$ 551,689	\$ 76	\$	\$	\$
Grants and transfers to other funds and component units	193,738	189,787	3,951	19,337	18,998	339
Debt service				58,238	58,185	53
Total Other Financing Uses	<u>\$ 745,504</u>	<u>\$ 741,476</u>	<u>\$ 4,027</u>	<u>\$ 77,576</u>	<u>\$ 77,183</u>	<u>\$ 392</u>
Excess of Other Financing Sources Over (Under)						
Other Financing Uses	<u>\$ (745,504)</u>	<u>\$ (741,337)</u>	<u>\$ 4,167</u>	<u>\$ 429,929</u>	<u>\$ 430,323</u>	<u>\$ 393</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures, Encumbrances, and Other Financing Uses (Statutory/Budgetary Basis)	<u>\$ (7,035)</u>	<u>\$ 0</u>	<u>\$ 7,035</u>	<u>\$ (109,863)</u>	<u>\$ (5,170)</u>	<u>\$ 104,693</u>
Reconciling Items:						
Encumbrances at September 30		\$			\$ 6,005	
Net effect of basis differences						
Funds not annually budgeted						
Net Reconciling Items		<u>\$ 0</u>			<u>\$ 6,005</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (GAAP Basis)		\$ 0			\$ 834	
FUND BALANCES (GAAP BASIS)						
Beginning Balances					337,532	
Equity transfers from other funds						
Equity transfers to other funds						
Ending Balances		<u>\$ 0</u>			<u>\$ 338,367</u>	

This schedule continued on next page.

Comprehensive Transportation Fund			State Aeronautics Fund			Combined State Trunkline Fund Bond Proceeds Fund	Combined Comprehensive Transportation Bond Proceeds Fund
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Actual	Actual
\$ 58,413	\$ 58,413	\$	\$ 7,974	\$ 7,969	\$ (4)	\$	\$
	174	174		268	268		
21,720	21,720		60,307	60,307	0		
			23,929	23,929			
2,588	2,588		1,055	1,055			
<u>3,610</u>	<u>4,220</u>	<u>610</u>	<u>928</u>	<u>660</u>	<u>(267)</u>		
<u>\$ 86,333</u>	<u>\$ 87,118</u>	<u>\$ 785</u>	<u>\$ 94,195</u>	<u>\$ 94,190</u>	<u>\$ (4)</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 12,889	\$ 13,023	\$ (133)	\$ 9,382	\$ 9,136	\$ 245	\$	\$
111,557	111,556						
87,578	83,253	4,324					
			85,499	85,488	10		
<u>\$ 212,025</u>	<u>\$ 207,833</u>	<u>\$ 4,191</u>	<u>\$ 94,881</u>	<u>\$ 94,625</u>	<u>\$ 256</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$	\$	\$	\$
				10	(10)		
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10</u>	<u>\$ (10)</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ 212,025</u>	<u>\$ 207,833</u>	<u>\$ 4,191</u>	<u>\$ 94,881</u>	<u>\$ 94,635</u>	<u>\$ 245</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ (125,691)</u>	<u>\$ (120,715)</u>	<u>\$ 4,976</u>	<u>\$ (686)</u>	<u>\$ (444)</u>	<u>\$ 241</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 129,004	\$ 129,004	\$	\$	\$	\$	\$	\$
<u>3,379</u>	<u>3,379</u>						
<u>\$ 132,384</u>	<u>\$ 132,384</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,973	\$ 2,950	\$ 23	\$ 331	\$ 259	\$ 71	\$	\$
23,138	23,084	54					
<u>\$ 26,112</u>	<u>\$ 26,035</u>	<u>\$ 77</u>	<u>\$ 331</u>	<u>\$ 259</u>	<u>\$ 71</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ 106,271</u>	<u>\$ 106,349</u>	<u>\$ 77</u>	<u>\$ (331)</u>	<u>\$ (259)</u>	<u>\$ 71</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ (19,420)</u>	<u>\$ (14,366)</u>	<u>\$ 5,054</u>	<u>\$ (1,017)</u>	<u>\$ (703)</u>	<u>\$ 313</u>	<u>\$ 0</u>	<u>\$ 0</u>
	\$ 34,290			\$ 2,319		\$	\$
						(63,687)	(2,168)
	<u>\$ 34,290</u>			<u>\$ 2,319</u>		<u>\$ (63,687)</u>	<u>\$ (2,168)</u>
	\$ 19,924			\$ 1,615		\$ (63,687)	\$ (2,168)
	86,118			16,661		133,635	22,706
	<u>\$ 106,043</u>			<u>\$ 18,277</u>		<u>\$ 69,948</u>	<u>\$ 20,538</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, 1996
(In Thousands)
Continued

(Statutory/Budgetary Basis)	Totals		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Taxes	\$ 1,392,507	\$ 1,392,536	\$ 29
Licenses and permits	66,445	73,699	7,254
Federal aid	305,260	305,260	0
Local agencies	59,852	57,247	(2,604)
Interest earnings	23,202	23,202	0
Nonoperating revenue - bridges	0	2,086	2,086
Miscellaneous revenue	<u>48,311</u>	<u>39,535</u>	<u>(8,775)</u>
Total Revenues	<u>\$ 1,895,579</u>	<u>\$ 1,893,568</u>	<u>\$ (2,011)</u>
EXPENDITURES AND ENCUMBRANCES			
Administration and Operations:			
Administration	\$ 380,492	\$ 368,270	\$ 12,221
Bus operating assistance grants	111,557	111,556	0
Other grants	912,262	864,659	47,603
Airport development	85,499	85,488	10
Nonoperating expenditures - bridges	<u>2,086</u>	<u>2,086</u>	<u>0</u>
Total Administration and Operations	<u>\$ 1,491,897</u>	<u>\$ 1,432,062</u>	<u>\$ 59,835</u>
Capital Outlay:			
Roads and bridges	\$ 237,781	\$ 221,046	\$ 16,734
Other capital outlay	<u>93,603</u>	<u>55,775</u>	<u>37,827</u>
Total Capital Outlay	<u>\$ 331,384</u>	<u>\$ 276,822</u>	<u>\$ 54,562</u>
Total Expenditures and Encumbrances	<u>\$ 1,823,282</u>	<u>\$ 1,708,884</u>	<u>\$ 114,397</u>
Excess of Revenues Over (Under)			
Expenditures and Encumbrances	<u>\$ 72,297</u>	<u>\$ 184,684</u>	<u>\$ 112,386</u>
OTHER FINANCING SOURCES			
Michigan Transportation Fund distribution	\$ 588,464	\$ 588,464	\$ 0
Grants and transfers from other funds and component units	<u>51,424</u>	<u>51,566</u>	<u>141</u>
Total Other Financing Sources	<u>\$ 639,889</u>	<u>\$ 640,030</u>	<u>\$ 141</u>
OTHER FINANCING USES			
Michigan Transportation Fund distribution	\$ 551,766	\$ 551,689	\$ 76
Grants and transfers to other funds and component units	216,380	211,995	4,385
Debt service	<u>81,377</u>	<u>81,270</u>	<u>107</u>
Total Other Financing Uses	<u>\$ 849,524</u>	<u>\$ 844,955</u>	<u>\$ 4,569</u>
Excess of Other Financing Sources Over (Under)			
Other Financing Uses	<u>\$ (209,634)</u>	<u>\$ (204,924)</u>	<u>\$ 4,710</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures, Encumbrances, and Other Financing Uses (Statutory/Budgetary Basis)	<u>\$ (137,337)</u>	<u>\$ (20,240)</u>	<u>\$ 117,097</u>
Reconciling Items:			
Encumbrances at September 30		\$ 42,615	
Net effect of basis differences		0	
Funds not annually budgeted		<u>(65,855)</u>	
Net Reconciling Items		<u>\$ (23,240)</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (GAAP Basis)		\$ (43,480)	
FUND BALANCES (GAAP BASIS)			
Beginning Balances		596,654	
Equity transfers from other funds		0	
Equity transfers to other funds		<u>0</u>	
Ending Balances		<u>\$ 553,174</u>	

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MICHIGAN DEPARTMENT OF TRANSPORTATION

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Special Revenue Funds

Fiscal Year Ended September 30, 1995

(In Thousands)

	Michigan Transportation Fund			State Trunkline Fund		
			Variance Favorable (Unfavorable)			Variance Favorable (Unfavorable)
(Statutory/Budgetary Basis)	Budget	Actual		Budget	Actual	
REVENUES						
Taxes	\$ 1,277,400	\$ 1,277,409	\$ 8	\$ 4	\$ 12	\$ 8
Licenses and permits	71,145	71,859	713	14,415	14,415	
Federal aid				220,777	220,769	(7)
Local agencies				24,107	24,122	14
Interest earnings	12,107	12,107		7,735	8,265	529
Nonoperating revenue - bridges				2,055	2,055	
Miscellaneous revenue	591	617	25	27,460	23,369	(4,091)
Total Revenues	<u>\$ 1,361,245</u>	<u>\$ 1,361,993</u>	<u>\$ 748</u>	<u>\$ 296,556</u>	<u>\$ 293,009</u>	<u>\$ (3,546)</u>
EXPENDITURES AND ENCUMBRANCES						
Administration and Operations:						
Administration	\$	\$	\$	\$ 316,902	\$ 314,173	\$ 2,729
Bus operating assistance grants						
Other grants	644,612	644,612		160,025	160,025	
Airport development						
Nonoperating expenditures - bridges				2,055	2,055	
Total Administration and Operations	<u>\$ 644,612</u>	<u>\$ 644,612</u>	<u>\$</u>	<u>\$ 478,984</u>	<u>\$ 476,255</u>	<u>\$ 2,729</u>
Capital Outlay:						
Roads and bridges	\$	\$	\$	\$ 182,739	\$ 182,739	\$
Other capital outlay				49,841	50,452	(611)
Total Capital Outlay	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 232,580</u>	<u>\$ 233,191</u>	<u>\$ (611)</u>
Total Expenditures and Encumbrances	<u>\$ 644,612</u>	<u>\$ 644,612</u>	<u>\$ 0</u>	<u>\$ 711,565</u>	<u>\$ 709,447</u>	<u>\$ 2,117</u>
Excess of Revenues Over (Under) Expenditures and Encumbrances	<u>\$ 716,632</u>	<u>\$ 717,380</u>	<u>\$ 748</u>	<u>\$ (415,008)</u>	<u>\$ (416,437)</u>	<u>\$ (1,428)</u>
OTHER FINANCING SOURCES						
Michigan Transportation Fund distribution	\$	\$	\$	\$ 422,064	\$ 448,626	\$ 26,561
Grants and transfers from other funds and component units				45,489	55,639	10,150
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 467,554</u>	<u>\$ 504,266</u>	<u>\$ 36,712</u>
OTHER FINANCING USES						
Michigan Transportation Fund distribution	\$ 537,630	\$ 537,630	\$	\$	\$	\$
Grants and transfers to other funds and component units	184,222	179,750	4,471	28,019	28,019	
Debt service				41,208	41,208	
Total Other Financing Uses	<u>\$ 721,852</u>	<u>\$ 717,380</u>	<u>\$ 4,471</u>	<u>\$ 69,228</u>	<u>\$ 69,228</u>	<u>\$ 0</u>
Excess of Other Financing Sources Over (Under) Other Financing Uses	<u>\$ (721,852)</u>	<u>\$ (717,380)</u>	<u>\$ 4,471</u>	<u>\$ 398,325</u>	<u>\$ 435,037</u>	<u>\$ 36,712</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures, Encumbrances, and Other Financing Uses (Statutory/Budgetary Basis)	<u>\$ (5,220)</u>	<u>\$ 0</u>	<u>\$ 5,220</u>	<u>\$ (16,682)</u>	<u>\$ 18,600</u>	<u>\$ 35,283</u>
Reconciling Items:						
Encumbrances at September 30		\$			\$ 4,214	
Net effect of basis differences						
Funds not annually budgeted						
Net Reconciling Items		<u>\$ 0</u>			<u>\$ 4,214</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (GAAP Basis)		\$			\$ 22,815	
FUND BALANCES (GAAP BASIS)						
Beginning Balances					314,717	
Equity transfers from other funds						
Equity transfers to other funds						
Ending Balances		<u>\$ 0</u>			<u>\$ 337,532</u>	

This schedule continued on next page.

Comprehensive Transportation Fund			State Aeronautics Fund			Combined State Trunkline Fund Bond Proceeds Fund	Combined Comprehensive Transportation Bond Proceeds Fund
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Actual	Actual
\$ 55,646	\$ 55,646	\$	\$ 7,772	\$ 7,777	\$ 5	\$	\$
72	72		272	272			
17,135	17,858	723	45,260	45,260			
12	75	62	21,588	21,587			
601	601		965	965			
14,259	13,332	(926)	664	604	(60)		
<u>\$ 87,728</u>	<u>\$ 87,587</u>	<u>\$ (141)</u>	<u>\$ 76,524</u>	<u>\$ 76,468</u>	<u>\$ (55)</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 9,444	\$ 8,622	\$ 821	\$ 8,192	\$ 7,690	\$ 502	\$	\$
105,725	105,725						
70,739	66,268	4,471					
			71,646	71,646			
<u>\$ 185,909</u>	<u>\$ 180,616</u>	<u>\$ 5,292</u>	<u>\$ 79,838</u>	<u>\$ 79,336</u>	<u>\$ 502</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$	\$	\$	\$
			72	72			
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 72</u>	<u>\$ 72</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ 185,909</u>	<u>\$ 180,616</u>	<u>\$ 5,292</u>	<u>\$ 79,910</u>	<u>\$ 79,408</u>	<u>\$ 502</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ (98,180)</u>	<u>\$ (93,029)</u>	<u>\$ 5,151</u>	<u>\$ (3,386)</u>	<u>\$ (2,940)</u>	<u>\$ 446</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 115,703	\$ 125,778	\$ 10,075	\$	\$	\$	\$	\$
1,363	1,636	272					
<u>\$ 117,066</u>	<u>\$ 127,414</u>	<u>\$ 10,347</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$	\$	\$	\$
4,109	4,099	10	1,251	1,152	98		
20,608	20,583	25					
<u>\$ 24,718</u>	<u>\$ 24,682</u>	<u>\$ 35</u>	<u>\$ 1,251</u>	<u>\$ 1,152</u>	<u>\$ 98</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ 92,348</u>	<u>\$ 102,731</u>	<u>\$ 10,383</u>	<u>\$ (1,251)</u>	<u>\$ (1,152)</u>	<u>\$ 98</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ (5,832)</u>	<u>\$ 9,702</u>	<u>\$ 15,535</u>	<u>\$ (4,638)</u>	<u>\$ (4,092)</u>	<u>\$ 545</u>	<u>\$ 0</u>	<u>\$ 0</u>
	\$ 26,228			\$ 1,306		\$	\$
						(122,932)	(2,297)
	<u>\$ 26,228</u>			<u>\$ 1,306</u>		<u>\$ (122,932)</u>	<u>\$ (2,297)</u>
	\$ 35,931			\$ (2,785)		\$ (122,932)	\$ (2,297)
	50,187			19,446		256,568	25,003
<u>\$ 86,118</u>			<u>\$ 16,661</u>			<u>\$ 133,635</u>	<u>\$ 22,706</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, 1995

(In Thousands)

Continued

(Statutory/Budgetary Basis)	Totals		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Taxes	\$ 1,340,823	\$ 1,340,845	\$ 22
Licenses and permits	85,906	86,619	713
Federal aid	283,173	283,888	715
Local agencies	45,708	45,785	77
Interest earnings	21,409	21,939	529
Nonoperating revenue - bridges	2,055	2,055	0
Miscellaneous revenue	42,977	37,924	(5,053)
Total Revenues	<u>\$ 1,822,054</u>	<u>\$ 1,819,058</u>	<u>\$ (2,995)</u>
EXPENDITURES AND ENCUMBRANCES			
Administration and Operations:			
Administration	\$ 334,539	\$ 330,486	\$ 4,053
Bus operating assistance grants	105,725	105,725	0
Other grants	875,377	870,906	4,471
Airport development	71,646	71,646	0
Nonoperating expenditures - bridges	2,055	2,055	0
Total Administration and Operations	<u>\$ 1,389,344</u>	<u>\$ 1,380,820</u>	<u>\$ 8,524</u>
Capital Outlay:			
Roads and bridges	\$ 182,739	\$ 182,739	\$ 0
Other capital outlay	49,913	50,525	(611)
Total Capital Outlay	<u>\$ 232,653</u>	<u>\$ 233,264</u>	<u>\$ (611)</u>
Total Expenditures and Encumbrances	<u>\$ 1,621,997</u>	<u>\$ 1,614,084</u>	<u>\$ 7,913</u>
Excess of Revenues Over (Under)			
Expenditures and Encumbrances	<u>\$ 200,056</u>	<u>\$ 204,974</u>	<u>\$ 4,917</u>
OTHER FINANCING SOURCES			
Michigan Transportation Fund distribution	\$ 537,767	\$ 574,405	\$ 36,637
Grants and transfers from other funds and component units	46,853	57,276	10,422
Total Other Financing Sources	<u>\$ 584,621</u>	<u>\$ 631,681</u>	<u>\$ 47,059</u>
OTHER FINANCING USES			
Michigan Transportation Fund distribution	\$ 537,630	\$ 537,630	\$ 0
Grants and transfers to other funds and component units	217,603	213,022	4,580
Debt service	61,817	61,791	25
Total Other Financing Uses	<u>\$ 817,050</u>	<u>\$ 812,444</u>	<u>\$ 4,606</u>
Excess of Other Financing Sources Over (Under)			
Other Financing Uses	<u>\$ (232,429)</u>	<u>\$ (180,763)</u>	<u>\$ 51,666</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures, Encumbrances, and Other Financing Uses (Statutory/Budgetary Basis)	<u>\$ (32,372)</u>	<u>\$ 24,211</u>	<u>\$ 56,583</u>
Reconciling Items:			
Encumbrances at September 30		\$ 31,750	
Net effect of basis differences		0	
Funds not annually budgeted		(125,230)	
Net Reconciling Items		<u>\$ (93,480)</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (GAAP Basis)		(69,268)	
FUND BALANCES (GAAP BASIS)			
Beginning Balances		665,923	
Equity transfers from other funds		0	
Equity transfers to other funds		0	
Ending Balances		<u>\$ 596,654</u>	

Descriptions of Debt Service Funds

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. Any future State Trunkline Fund related bond issues will also be accounted for in this Fund. The funds merged include the 1983 State Trunkline Fund Bond and Interest Redemption Fund, the 1984 State Trunkline Fund Bond and Interest Redemption Fund, the 1986 State Trunkline Refunding Bond and Interest Redemption Fund, and the Michigan Trunkline Bond and Interest Redemption Fund - Series II through IX.

The bonds are not general obligations of the State 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 provided for 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. Any future Comprehensive Transportation Fund related bond issues will also be accounted for in this Fund. The funds merged include the Comprehensive Transportation Bond and Interest Redemption Fund and the 1986 Comprehensive Transportation Refunding Bond and Interest Redemption Fund. In fiscal year 1987-88, the Department issued another refunding issue which is also reported in this Fund.

The bonds are not general obligations of the State 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 provided for by annual appropriations in the Comprehensive Transportation Fund.

MICHIGAN DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet

Debt Service Funds

As of September 30

(In Thousands)

	Combined State Trunkline Bond and Interest Redemption Fund		Combined Comprehensive Transportation Bond and Interest Redemption Fund		Totals	
	1996	1995	1996	1995	1996	1995
ASSETS						
Current Assets:						
Equity in Common Cash	\$	\$ 5	\$	\$	\$ 0	\$ 5
Amounts due from other funds					0	0
Miscellaneous					0	0
Total Assets	<u>\$ 0</u>	<u>\$ 5</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5</u>
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Accounts payable and other liabilities	\$	\$	\$	\$	\$ 0	\$ 0
Amounts due to other funds					0	0
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:						
Unreserved	<u>\$ 0</u>	<u>\$ 5</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5</u>
Total Fund Balances	<u>\$ 0</u>	<u>\$ 5</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 5</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Funds
Fiscal Years Ended September 30
(In Thousands)

	Combined State Trunkline Bond and Interest Redemption Fund		Combined Comprehensive Transportation Bond and Interest Redemption Fund		Totals	
	1996	1995	1996	1995	1996	1995
REVENUES						
Local agencies	\$	\$	\$	\$	\$ 0	\$ 0
Miscellaneous					0	0
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
EXPENDITURES						
Bond principal retirement	\$ 24,640	\$ 8,555	\$ 9,220	\$ 7,594	\$ 33,860	\$ 16,149
Bond interest and fiscal charges	<u>33,551</u>	<u>35,081</u>	<u>13,864</u>	<u>12,988</u>	<u>47,415</u>	<u>48,070</u>
Total Expenditures	<u>\$ 58,191</u>	<u>\$ 43,636</u>	<u>\$ 23,084</u>	<u>\$ 20,582</u>	<u>\$ 81,275</u>	<u>\$ 64,219</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (58,190)</u>	<u>\$ (43,636)</u>	<u>\$ (23,084)</u>	<u>\$ (20,582)</u>	<u>\$ (81,275)</u>	<u>\$ (64,219)</u>
OTHER FINANCING SOURCES						
Transfer from State Trunkline Fund	\$ 58,185	\$ 43,636	\$	\$	\$ 58,185	\$ 43,636
Transfer from Comprehensive Transportation Fund			<u>23,084</u>	<u>20,583</u>	<u>23,084</u>	<u>20,583</u>
Total Other Financing Sources	<u>\$ 58,185</u>	<u>\$ 43,636</u>	<u>\$ 23,084</u>	<u>\$ 20,583</u>	<u>\$ 81,270</u>	<u>\$ 64,219</u>
OTHER FINANCING USES						
Payment to refunded bond escrow agent	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Other Financing Uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Excess of Other Financing Sources Over (Under) Other Financing Uses	<u>\$ 58,185</u>	<u>\$ 43,636</u>	<u>\$ 23,084</u>	<u>\$ 20,582</u>	<u>\$ 81,269</u>	<u>\$ 64,219</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (5)	\$ 0	\$ 0	\$ 0	\$ (5)	\$ 0
Fund Balances - October 1	5	5			5	5
Equity transfers from other funds					0	0
Equity transfers to other funds					0	0
Fund Balances - September 30	<u>\$ 0</u>	<u>\$ 5</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5</u>

Description of Expendable Trust Fund

TRANSPORTATION RELATED TRUST FUND

To achieve administrative efficiencies, effective October 1, 1990, the Special Federal Bridge Replacement Fund, the Federal County Road Fund, the Federal Urban Transportation System Fund, and the Highway Topics and Safety Program Fund were combined in a single trust fund. The functions and purpose of these funds, although combined in a single fund, remain unchanged. The following subfunds are included:

SPECIAL FEDERAL BRIDGE REPLACEMENT FUND

This Fund was authorized by enabling legislation associated with the Federal Highway Act of 1970, Section 144. The Fund accounts for the federal, State, and local funding used to upgrade State and locally owned bridges.

FEDERAL COUNTY ROAD FUND

This Fund was authorized by enabling legislation associated with the Federal Aid Highway Act of 1944, as amended. The Fund accounts for the federal, State, and local money expended to meet the road construction needs of rural areas and communities with populations of less than 5,000.

FEDERAL URBAN TRANSPORTATION SYSTEM FUND

This Fund was authorized by enabling legislation associated with the Federal Highway Act of 1970, as amended. The Fund accounts for the federal, State, and local money expended to meet the road construction needs of communities with populations of 5,000 or more.

HIGHWAY TOPICS AND SAFETY PROGRAM FUND

This Fund was authorized by enabling legislation associated with the Federal Aid Highway Acts of 1968 and 1973. The Fund accounts for federal, State, and local money used to fund urban and road safety projects.

MICHIGAN DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet

Expendable Trust Fund

Transportation Related Trust Fund

As of September 30

(In Thousands)

	<u>Totals</u>	
	<u>1996</u>	<u>1995</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 10	\$ 212
Equity in Common Cash	0	1,383
Receivables:		
Federal aid	21,402	29,276
Local units	6,665	7,524
Miscellaneous	<u>6</u>	<u>5</u>
Total Assets	<u>\$ 28,085</u>	<u>\$ 38,402</u>
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Warrants outstanding	\$ 294	\$ 1,812
Accounts payable	16,548	24,049
Contract reserve payable	1,861	1,685
Due to other funds	9,380	9,854
Deferred revenue	<u>0</u>	<u>1,000</u>
Total Liabilities	<u>\$ 28,085</u>	<u>\$ 38,402</u>
Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>
Total Liabilities and Fund Balances	<u>\$ 28,085</u>	<u>\$ 38,402</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Expendable Trust Fund
 Transportation Related Trust Fund
Fiscal Years Ended September 30
 (In Thousands)

	Totals	
	1996	1995
REVENUES		
Federal aid	\$ 106,372	\$ 111,728
Local agencies	28,369	31,265
Miscellaneous	48	0
Total Revenues	<u>\$ 134,790</u>	<u>\$ 142,994</u>
EXPENDITURES		
Payments to contractors and miscellaneous project costs	\$ 119,347	\$ 146,898
Federal pass-through funds to locals	23,969	15,239
State participation costs incurred by locals	182	595
Local participation costs to third party	98	102
Comprehensive Transportation Fund participation costs incurred by locals	2,520	331
Total Expenditures	<u>\$ 146,118</u>	<u>\$ 163,167</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (11,327)</u>	<u>\$ (20,173)</u>
OTHER FINANCING SOURCES		
Transfer from State Trunkline Fund	\$ 8,807	\$ 19,841
Transfer from Comprehensive Transportation Fund	2,520	331
Total Other Financing Sources	<u>\$ 11,327</u>	<u>\$ 20,173</u>
OTHER FINANCING USES		
Total Other Financing Uses	<u>\$ 0</u>	<u>\$ 0</u>
Excess of Other Financing Sources Over (Under) Other Financing Uses	<u>\$ 11,327</u>	<u>\$ 20,173</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0
Fund Balances - October 1	<u>0</u>	<u>0</u>
Fund Balances - September 30	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

Description of Agency Fund

METROPOLITAN PLANNING FUND

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

MICHIGAN DEPARTMENT OF TRANSPORTATION
Combining Statement of Changes in Assets and Liabilities - Agency Fund
Metropolitan Planning Fund
As of September 30
(In Thousands)

	Balance October 1, 1994			Balance September 30, 1995			Balance September 30, 1996		
		Additions	Deductions		Additions	Deductions			
ASSETS									
Current Assets:									
Equity in Common Cash	\$ 84	\$ 5,743	\$ 5,392	\$ 435	\$ 5,891	\$ 5,507	\$ 820		
Amounts due from federal agencies	699	685	699	685	857	685	857		
Amounts due from local units	<u>1</u>		<u>1</u>		<u>17</u>		<u>17</u>		
Total Assets	<u>\$ 785</u>	<u>\$ 6,428</u>	<u>\$ 6,093</u>	<u>\$ 1,120</u>	<u>\$ 6,767</u>	<u>\$ 6,192</u>	<u>\$ 1,695</u>		
LIABILITIES									
Current Liabilities:									
Warrants outstanding	\$ 52	\$	\$ 52	\$	\$ 25	\$	\$ 25		
Accounts payable and other liabilities	<u>733</u>	<u>6,631</u>	<u>6,244</u>	<u>1,120</u>	<u>6,786</u>	<u>6,237</u>	<u>1,669</u>		
Total Liabilities	<u>\$ 785</u>	<u>\$ 6,631</u>	<u>\$ 6,296</u>	<u>\$ 1,120</u>	<u>\$ 6,812</u>	<u>\$ 6,237</u>	<u>\$ 1,695</u>		

MICHIGAN DEPARTMENT OF TRANSPORTATION
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Economic Development Fund
Fiscal Years Ended September 30
(In Thousands)

	<u>1996</u>	<u>1995</u>
REVENUES AND OTHER SOURCES		
Licenses and permits	\$ 13,976	\$ 12,918
Federal aid	31,257	64,012
Local agencies	24,920	18,622
Interest earnings	4,508	
Michigan Transportation Fund distribution	<u>36,775</u>	<u>36,775</u>
Total Revenues and Other Sources	<u>\$ 111,438</u>	<u>\$ 132,328</u>
EXPENDITURES AND OTHER USES		
Administration	\$ 431	\$ 385
Forest roads	5,000	5,000
Target industries - State takeovers	49,476	39,117
Rural county urban system	5,220	4,037
Urban county congestion	39,452	32,430
Rural county primary	37,842	40,558
Debt service	<u>8,187</u>	<u>5,898</u>
Total Expenditures and Other Uses	<u>\$ 145,609</u>	<u>\$ 127,426</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(34,171)	4,902
Fund Balances - October 1	<u>130,302</u>	<u>125,400</u>
Fund Balances - September 30	<u><u>\$ 96,131</u></u>	<u><u>\$ 130,302</u></u>

The Economic Development Fund (EDF) 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 statements of this report. This supplemental schedule was prepared to provide additional information pertaining specifically to EDF.

Revenues are derived from the Michigan Transportation Fund, increased motor vehicle fee income, federal funds for expenditures eligible for matching, local matching funds which are not less than 25% for each project, and interest earnings. EDF funds are expended for the purpose of enhancing this State's ability to compete in an international economy, serving as a catalyst for the economic growth of this State, and improving the quality of life in the rural and urban areas of this State.

MICHIGAN DEPARTMENT OF TRANSPORTATION
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Blue Water Bridge Fund
Fiscal Years Ended September 30
(In Thousands)

	<u>1996</u>	<u>1995</u>
REVENUES AND OTHER SOURCES		
Licenses and permits	\$	\$
Federal aid		
Local agencies		
Interest earnings	1,386	529
Michigan Transportation Fund distribution		
Total Revenues and Other Sources	<u>\$ 1,386</u>	<u>\$ 529</u>
EXPENDITURES AND OTHER USES		
Roads and bridges	<u>\$ 30,001</u>	<u>\$ 7,998</u>
Total Expenditures and Other Uses	<u>\$ 30,001</u>	<u>\$ 7,998</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(28,614)	(7,469)
Fund Balances-October 1	<u>(7,469)</u>	
Fund Balances-September 30	<u><u>\$ (36,083)</u></u>	<u><u>\$ (7,469)</u></u>

The Blue Water Bridge Fund (BWBF) was created as a subfund of the State Trunkline Fund during fiscal year 1993-94. The amounts shown above have been reported as part of the State Trunkline Fund in previous statements of this report. This supplemental schedule was prepared to provide additional information pertaining specifically to the BWBF.

Through provisions of Section 1012 in the federal Intermodal Surface Transportation Efficiency Act of 1991, the State Trunkline Fund received federal funds to be loaned to the BWBF for construction of the Blue Water Bridge project. Repayment of the \$45 million loan will begin no later than five years after the facility is opened to traffic. The term of the loan will not exceed 30 years from the time the loan was obligated.

MICHIGAN DEPARTMENT OF TRANSPORTATION
Schedule of Debt Service Requirements on Outstanding Bonds
State Trunkline Fund and Comprehensive Transportation Fund
Fiscal Years 1997 - 2025
(In Thousands)

Fiscal Years Ending September 30	State Trunkline Fund			Comprehensive Transportation Fund			Combined Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1997	\$ 26,630	\$ 31,561	\$ 58,191	\$ 11,025	\$ 12,045	\$ 23,070	\$ 37,655	\$ 43,606	\$ 81,261
1998	27,890	30,309	58,199	11,545	11,525	23,070	39,435	41,835	81,270
1999	29,375	28,820	58,195	12,025	11,047	23,072	41,400	39,868	81,268
2000	16,960	27,448	44,408	12,470	10,602	23,072	29,430	38,050	67,480
2001	17,840	26,565	44,405	12,885	10,187	23,072	30,725	36,752	67,477
2002	18,805	25,600	44,405	13,445	9,626	23,071	32,250	35,227	67,477
2003	19,840	24,567	44,407	14,055	9,018	23,073	33,895	33,586	67,481
2004	20,780	23,628	44,408	14,695	8,374	23,069	35,475	32,003	67,478
2005	21,635	22,775	44,410	15,400	7,671	23,071	37,035	30,446	67,481
2006	22,225	22,181	44,406	16,155	6,916	23,071	38,380	29,097	67,477
2007	22,545	21,866	44,411	16,830	6,241	23,071	39,375	28,108	67,483
2008	22,880	21,529	44,409	17,550	5,522	23,072	40,430	27,052	67,482
2009	23,235	21,173	44,408	18,272	4,798	23,071	41,507	25,971	67,479
2010	23,700	20,707	44,407	19,038	4,031	23,069	42,738	24,738	67,477
2011	24,285	20,124	44,409	19,565	3,508	23,073	43,850	23,633	67,483
2012	24,910	19,504	44,414	6,680	2,053	8,733	31,590	21,558	53,148
2013	25,560	18,848	44,408	7,060	1,645	8,705	32,620	20,493	53,113
2014	26,635	17,775	44,410	7,470	1,216	8,686	34,105	18,992	53,097
2015	28,150	16,261	44,411	1,780	950	2,730	29,930	17,212	47,142
2016	29,750	14,660	44,410	1,875	852	2,727	31,625	15,512	47,137
2017	31,445	12,964	44,409	1,980	749	2,729	33,425	13,714	47,139
2018	32,950	11,460	44,410	2,090	640	2,730	35,040	12,101	47,141
2019	34,865	9,543	44,408	2,200	525	2,725	37,065	10,069	47,134
2020	37,220	7,190	44,410	2,325	404	2,729	39,545	7,595	47,140
2021	39,345	5,065	44,410	2,450	276	2,726	41,795	5,342	47,137
2022	41,595	2,817	44,412	2,585	142	2,727	44,180	2,959	47,139
2023	8,995	1,399	10,394				8,995	1,399	10,394
2024	9,535	862	10,397				9,535	862	10,397
2025	10,100	292	10,392				10,100	292	10,392
Total	<u>\$ 719,680</u>	<u>\$ 507,509</u>	<u>\$ 1,227,189</u>	<u>\$ 263,451</u>	<u>\$ 130,576</u>	<u>\$ 394,028</u>	<u>\$ 983,131</u>	<u>\$ 638,085</u>	<u>\$ 1,621,217</u>

MICHIGAN DEPARTMENT OF TRANSPORTATION

Schedule of Federal Financial Assistance

Fiscal Years Ended September 30

(In Thousands)

Grantor Agency/ Federal Assistance Program Title	CFDA *	Amount of Award	
	Program Number	1996	1995
<u>Federal Highway Administration</u>			
Highway Planning and Construction - Research (C)	20.205 **	\$ N/S	\$ N/S
Motor Carrier Safety Assistance Program	20.218	95	90
Total Federal Highway Administration			
<u>Federal Aviation Administration</u>			
Airport Improvement Program (D)	20.106 **	N/S	N/S
Total Federal Aviation Administration			
<u>Federal Railroad Administration</u>			
Local Rail Freight Assistance (E)	20.308 **	3,000	6,317
Total Federal Railroad Administration			
<u>Department of Energy</u>			
Ridesharing (F)	N/A		
Total Department of Energy			
<u>Federal Transit Administration</u>			
Federal Transit Capital Improvement Program:			
Section 3/Transit Capital	20.500 **	9,925	10,000
Section 16(b)2 - Urban Mass Transportation			
Capital Improvement Grants	20.500 **	2,052	2,207
Section 26/FTA Planning/Engineering Design	20.500 **	285	293
Total Federal Transit Capital Improvement Program			
Section 8-9/Urban Mass Transportation			
Technical Studies Grants	20.502	1,470	1,513
Public Transportation for Non-Urbanized Areas:			
Operating	20.509 **	4,322	5,154
Capital	20.509 **	725	1,494
Total Public Transportation for Non-Urbanized Areas			
Total Federal Transit Administration			
Total Federal Assistance			

* CFDA is defined as *Catalog of Federal Domestic Assistance*.

** Major program, as defined by the Single Audit Act.

N/A - Not available.

N/S - Grant awards are not stated. See applicable footnote.

See the Notes to Schedule of Federal Financial Assistance for Notes (A) through (F).

Amounts Expended and Distributed (A)					
Directly Expended by Department		Distributed to Subrecipients (B)		Total	
1996	1995	1996	1995	1996	1995
\$ 427,913	\$ 454,886	\$ 111,430	\$ 116,601	\$ 539,344	\$ 571,487
163	146			163	146
\$ 428,077	\$ 455,032	\$ 111,430	\$ 116,601	\$ 539,507	\$ 571,634
\$ 53	\$ 43	\$ 60,253	\$ 45,216	\$ 60,307	\$ 45,260
\$ 53	\$ 43	\$ 60,253	\$ 45,216	\$ 60,307	\$ 45,260
\$ 3,248	\$ 327	\$	\$	\$ 3,248	\$ 327
\$ 3,248	\$ 327	\$ 0	\$ 0	\$ 3,248	\$ 327
\$ 61	\$ 2	\$	\$	\$ 61	\$ 2
\$ 61	\$ 2	\$ 0	\$ 0	\$ 61	\$ 2
\$	\$	\$ 9,810	\$ 10,388	\$ 9,810	\$ 10,388
		2,737	1,392	2,737	1,392
218	14			218	14
\$ 218	\$ 14	\$ 12,547	\$ 11,780	\$ 12,765	\$ 11,794
\$ 23	\$	\$ 1,709	\$ 1,503	\$ 1,732	\$ 1,503
\$ 606	\$ 148	\$ 4,556	\$ 6,011	\$ 5,162	\$ 6,159
				0	0
\$ 606	\$ 148	\$ 4,556	\$ 6,011	\$ 6,162	\$ 6,159
\$ 848	\$ 163	\$ 18,812	\$ 19,295	\$ 19,659	\$ 19,458
\$ 432,287	\$ 455,568	\$ 190,495	\$ 181,112	\$ 622,782	\$ 636,683

Notes to Schedule of Federal Financial Assistance

- (A) The amounts of federal financial assistance reported in the State's audited financial statements pertaining to the Michigan Department of Transportation for fiscal years 1995-96 and 1994-95 are less than the assistance reported on this schedule. Federal financial assistance accounted for in agency funds, and as other financing sources (grants and transfers from other funds), in the audited financial statements is reported as federal expenditures on this schedule (in thousands):

	1996	1995
Assistance Per Schedule of Federal		
Financial Assistance	\$622,782	\$636,683
Agency Funds and Transfers	(6,828)	(6,096)
Overstated (Understated) Revenue	360	(853)
	<u> </u>	<u> </u>
Federal Aid Revenue	<u>\$616,314</u>	<u>\$629,734</u>

- (B) The amounts reported included amounts expended directly by the Department for subrecipients. Accounting records do not clearly identify the amounts distributed to subrecipients.
- (C) The amount of award for Highway Planning and Construction - Research under the Federal Highway Administration is not stated because federal financial assistance is allocated to the Department in annual apportionments rather than grants. Any unused apportionment is carried forward into the next fiscal year. Projects programmed are not linked to a specific apportionment or obligational authority.
- (D) The amount of award for the Federal Aviation Administration's Airport Improvement Program is not stated because federal financial assistance is awarded to locally owned airports and the total amount of the grants awarded is not available.
- (E) The Local Rail Freight Assistance grant was a major program, defined by the Single Audit Act, only during fiscal year 1994-95.

- (F) The Department of Energy grant is deposited in an interest-bearing account in the Department of Treasury. The Michigan Department of Transportation initiates transfers as funds are expended.

SUPPLEMENTAL INFORMATION

MICHIGAN DEPARTMENT OF TRANSPORTATION
Schedule of Questioned Costs
Fiscal Years Ended September 30, 1996 and 1995

Program and Grant/Contract Number	Finding	Questioned Costs	
		FY 1995-96	FY 1994-95
<u>Federal Highway Administration</u>			
Highway Planning and Construction - Research CFDA #20.205	During fiscal years 1994-95 and 1995-96, expenditures were charged to various projects under educational expenditures for reimbursements for engineering licenses and subsistence payments. During fiscal year 1995-96, payroll costs charged to various projects were not adjusted based on actual time spent on a project.		
Federal Project Number:			
36261C	Unallowable subsistence payment	\$	\$ 6
37419C	Unallowable subsistence payment		107
39677C	Unallowable license reimbursement	10,354	
39677C	Unallowable subsistence payment	648	
Various	Payroll cost distribution system		7,978
Total Questioned Costs		\$ 11,002	\$ 8,091

CFDA is defined as *Catalog of Federal Domestic Assistance*.

MICHIGAN DEPARTMENT OF TRANSPORTATION
Schedule of Immaterial Noncompliance
Fiscal Years Ended September 30, 1996 and 1995

<u>Program and Grant/Contract Number</u>	<u>Finding/Noncompliance</u>
<u>Federal Transit Administration</u> Federal Transit Capital Improvement Program <i>CFDA #20.500</i> Public Transportation for Non-Urbanized Areas <i>CFDA #20.509</i>	<p>The Federal Transit Administration (FTA) completed a state management review of the Michigan Department of Transportation for fiscal year 1995-96. The review assessed State management practices and program implementation of the Section 16, Section 18, and related programs to ensure that the Department was administering its programs in accordance with FTA requirements and meeting program objectives. FTA concluded that the Department was fully compliant with 8 federal requirements, required follow-up for compliance with 4 federal requirements, and was noncompliant with 7 federal requirements.</p> <p>Subsequent to the review, FTA concluded that the Department performed the necessary procedures to become fully compliant with 15 federal requirements, required follow-up for compliance with 3 federal requirements, and was noncompliant with 1 federal requirement.</p> <p>A copy of this review may be obtained from:</p> <p style="text-align:right">U.S. Department of Transportation Federal Transit Administration 55 East Monroe Street Suite 1415 Chicago, IL 60603</p>

CFDA is defined as *Catalog of Federal Domestic Assistance*.

NOTE: This schedule reports instances of immaterial noncompliance with laws and regulations which have no associated questioned costs and are not included in the body of our report. All instances of noncompliance that have an associated questioned cost are presented on the schedule of questioned costs.

Glossary of Acronyms and Terms

BWBF	Blue Water Bridge Fund.
<i>Codification</i>	<i>Codification of Governmental Accounting and Financial Reporting Standards.</i>
DMB	Department of Management and Budget.
ECTR	employee certification time report.
EDF	Economic Development Fund.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial statements/schedules of an audited entity are fairly presented in conformity with generally accepted accounting principles.
FOD	Financial Operations Division.
FTA	Federal Transit Administration.
GAAP	generally accepted accounting principles.
GASB	Governmental Accounting Standards Board.
internal control structure	The management control environment, accounting system, and control policies and procedures established by management to provide reasonable assurance that resources are safeguarded; that resources are used in compliance with laws and regulations; and that financial transactions are properly accounted for and reported.
MAIN	Michigan Administrative Information Network.

material weakness	A serious reportable condition in which the design or operation of one or more of the internal control structure elements (including management controls) does not reduce to a relatively low level the risk that errors or irregularities, of a magnitude that would be material in relation to the financial statement/schedules, would not be prevented or detected.
mission	The agency's main purpose or the reason the agency was established.
OCA	Office of Commission Audits.
OMB	federal Office of Management and Budget.
PPRISM	Personnel-Payroll Information System for Michigan.
reportable condition	A matter coming to the auditor's attention that, in his/her judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in the design or operation of the internal control structure.
Single Audit	A financial audit performed in accordance with the Single Audit Act of 1984 that is designed to meet the needs of all federal grantor agencies and other financial report users. A Single Audit is a financial audit which requires additional study and evaluation of the internal control structure and testing of compliance with laws and regulations relevant to federal assistance programs.
SOMCAFR	<i>State of Michigan Comprehensive Annual Financial Report.</i>
subrecipients	local and county units of government.