



# MICHIGAN

OFFICE OF THE AUDITOR GENERAL

## AUDIT REPORT



THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

– Article IV, Section 53 of the Michigan Constitution

Audit report information can be accessed at:

*<http://audgen.michigan.gov>*



Michigan  
Office of the Auditor General  
**REPORT SUMMARY**

*Financial Audit*  
*Including the Provisions of the Single Audit Act*

Report Number:  
591-0100-09

*Michigan Department of Transportation*

*October 1, 2006 through September 30, 2008*

Released:  
June 2009

*A Single Audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial schedules and/or financial statements are fairly presented; considers internal control over financial reporting and internal control over federal program compliance; determines compliance with requirements material to the financial schedules and/or financial statements; and assesses compliance with direct and material requirements of the major federal programs.*

**Financial Statements:**

**Auditor's Report Issued**

We issued an unqualified opinion on the Michigan Department of Transportation's (MDOT's) financial statements.

~ ~ ~ ~ ~

**Internal Control Over Financial Reporting**

We identified significant deficiencies in internal control over financial reporting (Findings 1 through 3). We do not consider these significant deficiencies to be material weaknesses.

~ ~ ~ ~ ~

**Noncompliance and Other Matters  
Material to the Financial Statements**

We did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under *Government Auditing Standards*.

~ ~ ~ ~ ~

**Federal Awards:**

**Auditor's Reports Issued on Compliance**

We audited 4 programs as major programs and issued 4 unqualified opinions. MDOT expended a total of \$2.3 billion in federal awards during the two-year period ended September 30, 2008. The federal programs audited as major programs are identified on the back of this summary.

~ ~ ~ ~ ~

**Internal Control Over Major Programs**

We identified a significant deficiency in internal control over federal program compliance (Finding 4). We do not consider this significant deficiency to be a material weakness.

~ ~ ~ ~ ~

**Required Reporting of Noncompliance**

We identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 (Finding 4).

~ ~ ~ ~ ~

***Systems of Accounting and Internal Control:***

We determined that MDOT was in substantial compliance with Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws*.

~ ~ ~ ~ ~

We audited the following programs as major programs:

<u><i>CFDA Number</i></u>	<u><i>Program or Cluster Title</i></u>	<u><i>Compliance Opinion</i></u>
20.106	Airport Improvement Program	Unqualified
20.205	Highway Planning and Construction	Unqualified
20.500 and 20.507	Federal Transit Cluster	Unqualified
20.509	Formula Grants for Other Than Urbanized Areas	Unqualified

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



Michigan Office of the Auditor General  
201 N. Washington Square  
Lansing, Michigan 48913

**Thomas H. McTavish, C.P.A.**  
Auditor General

**Scott M. Strong, C.P.A., C.I.A.**  
Deputy Auditor General



STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL  
201 N. WASHINGTON SQUARE  
LANSING, MICHIGAN 48913  
(517) 334-8050  
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

June 30, 2009

Mr. Ted B. Wahby, Chair  
State Transportation Commission  
and  
Kirk T. Steudle, P.E., Director  
Michigan Department of Transportation  
Murray Van Wagoner Transportation Building  
Lansing, Michigan

Dear Mr. Wahby and Mr. Steudle:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Michigan Department of Transportation (MDOT) for the period October 1, 2006 through September 30, 2008.

This report contains our report summary, our independent auditor's report on the financial statements, the MDOT financial statements, and the supplemental financial statements and schedules. This report also contains our independent auditor's report on internal control over financial reporting and on compliance and other matters, our independent auditor's report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133, and our schedule of findings and questioned costs. In addition, this report contains MDOT's summary schedule of prior audit findings, its corrective action plan, and a glossary of acronyms and terms.

Our findings and recommendations are contained in Section II and Section III of the schedule of findings and questioned costs. The agency preliminary responses are contained in the corrective action plan. 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



## TABLE OF CONTENTS

### MICHIGAN DEPARTMENT OF TRANSPORTATION

	<u>Page</u>
INTRODUCTION	
Report Summary	1
Report Letter	3
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS	
Independent Auditor's Report on the Financial Statements	10
Michigan Department of Transportation Financial Statements	
Combined Balance Sheet	12
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	13
Notes to the Financial Statements	14
SUPPLEMENTAL FINANCIAL STATEMENTS AND SCHEDULES	
Special Revenue Funds:	
Descriptions of Special Revenue Funds	38
Combining Balance Sheet	42
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	44
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Fiscal Year Ended September 30, 2008	46
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Fiscal Year Ended September 30, 2007	48

Debt Service Funds:	
Descriptions of Debt Service Funds	51
Combining Balance Sheet	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	53
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Economic Development Fund	54
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Blue Water Bridge Fund	55
Schedule of Expenditures of Federal Awards	56
Notes to the Schedule of Expenditures of Federal Awards	58

INDEPENDENT AUDITOR'S REPORTS ON  
INTERNAL CONTROL AND COMPLIANCE

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	62
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	64

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results	67
Section II: Findings Related to the Financial Statements	68
1. Controls Over Cash Receipts	68
2. Distributions From the Michigan Transportation Fund	70
3. Cash Managment	73
Section III: Findings and Questioned Costs Related to Federal Awards	75
4. Airport Improvement Program (AIP), <i>CFDA</i> 20.106	75

## OTHER SCHEDULES

Summary Schedule of Prior Audit Findings	78
Corrective Action Plan	79

## GLOSSARY

Glossary of Acronyms and Terms	85
--------------------------------	----



# INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS



STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL  
201 N. WASHINGTON SQUARE  
LANSING, MICHIGAN 48913  
(517) 334-8050  
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

## Independent Auditor's Report on the Financial Statements

Mr. Ted B. Wahby, Chair  
State Transportation Commission  
and  
Kirk T. Steudle, P.E., Director  
Michigan Department of Transportation  
Murray Van Wagoner Transportation Building  
Lansing, Michigan

Dear Mr. Wahby and Mr. Steudle:

We have audited the accompanying financial statements of the Michigan Department of Transportation as of and for the fiscal years ended September 30, 2008 and September 30, 2007, as identified in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the 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 described in Note 1, the financial statements present only the Michigan Department of Transportation and do not purport to, and do not, present fairly the financial position of the State of Michigan or its special revenue and debt service funds as of September 30, 2008 and September 30, 2007 and the changes in financial position thereof for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

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 as of September 30, 2008 and September 30, 2007 and the changes in financial position for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2009 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The schedule of expenditures of federal awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other supplemental financial statements and schedules, as identified in the 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

AUDITOR GENERAL

June 25, 2009

**MICHIGAN DEPARTMENT OF TRANSPORTATION**  
 Combined Balance Sheet  
 As of September 30  
 (In Thousands)

	Special Revenue		Debt Service		Totals (Memorandum Only)	
	2008	2007	2008	2007	2008	2007
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 803	\$ 521	\$	\$	\$ 803	\$ 521
Equity in common cash (Note 2)	516,702	491,281		124	516,702	491,405
Receivables (Note 3):						
Taxes, interest, and penalties (at net)	96,184	92,927			96,184	92,927
Federal aid	185,028	163,402			185,028	163,402
Local units	169,409	111,305			169,409	111,305
Other funds and component units (Note 11)	508,403	1,020,121			508,403	1,020,121
Inventories	5,487	6,683			5,487	6,683
Miscellaneous	4,150	4,277			4,150	4,277
Total current assets	<u>\$ 1,486,167</u>	<u>\$ 1,890,518</u>	<u>\$ 0</u>	<u>\$ 124</u>	<u>\$ 1,486,167</u>	<u>\$ 1,890,642</u>
Noncurrent assets:						
Receivables:						
Taxes	\$ 5,819	\$ 4,122	\$	\$	\$ 5,819	\$ 4,122
Local units	37,627	37,876			37,627	37,876
Land contracts	2,136	2,286			2,136	2,286
Other noncurrent assets	846	1,039			846	1,039
Total noncurrent assets	<u>\$ 46,427</u>	<u>\$ 45,324</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,427</u>	<u>\$ 45,324</u>
Total assets	<u>\$ 1,532,594</u>	<u>\$ 1,935,842</u>	<u>\$ 0</u>	<u>\$ 124</u>	<u>\$ 1,532,594</u>	<u>\$ 1,935,966</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Current liabilities:						
Warrants outstanding	\$ 3,308	\$ 10,369	\$	\$ 10	\$ 3,308	\$ 10,379
Accounts payable	512,187	535,315		114	512,187	535,429
Contract reserve payable	2,869	3,701			2,869	3,701
Amounts due to other funds	45,390	56,555			45,390	56,555
Deposits, permits, and other liabilities	61,553	27,702			61,553	27,702
Deferred revenue	11,814	12,275			11,814	12,275
Total current liabilities	<u>\$ 637,121</u>	<u>\$ 645,917</u>	<u>\$ 0</u>	<u>\$ 124</u>	<u>\$ 637,121</u>	<u>\$ 646,041</u>
Long-term liabilities (Note 5):						
Deferred revenue	8,800	7,447			8,800	7,447
Total liabilities	<u>\$ 645,921</u>	<u>\$ 653,365</u>	<u>\$ 0</u>	<u>\$ 124</u>	<u>\$ 645,921</u>	<u>\$ 653,488</u>
Fund balances (Note 10):						
Reserves for:						
Encumbrances	\$ 124,690	\$ 143,241	\$	\$	\$ 124,690	\$ 143,241
Unencumbered restricted revenue balances	226,529	358,591			226,529	358,591
Unencumbered capital outlay and work projects	248,730	282,818			248,730	282,818
Revolving loans	37,455	36,000			37,455	36,000
Construction and debt service	116,470	115,854			116,470	115,854
Noncurrent assets	24,163	25,646			24,163	25,646
Total reserved	<u>\$ 778,038</u>	<u>\$ 962,150</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 778,038</u>	<u>\$ 962,150</u>
Unreserved	108,635	320,328			108,635	320,328
Total fund balances	<u>\$ 886,673</u>	<u>\$ 1,282,478</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 886,673</u>	<u>\$ 1,282,478</u>
Total liabilities and fund balances	<u>\$ 1,532,594</u>	<u>\$ 1,935,842</u>	<u>\$ 0</u>	<u>\$ 124</u>	<u>\$ 1,532,594</u>	<u>\$ 1,935,966</u>

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

**MICHIGAN DEPARTMENT OF TRANSPORTATION**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Fiscal Years Ended September 30**  
(In Thousands)

	Special Revenue		Debt Service		Totals (Memorandum Only)	
	2008	2007	2008	2007	2008	2007
<b>REVENUES</b>						
Taxes	\$ 1,931,831	\$ 1,973,563	\$	\$	\$ 1,931,831	\$ 1,973,563
Licenses and permits	39,687	50,025			39,687	50,025
Federal aid	1,180,781	1,229,657			1,180,781	1,229,657
Local participation	12,978	23,030			12,978	23,030
Interest earnings	36,610	41,516	2	1	36,612	41,517
Nonoperating revenue - bridges	2,966	2,790			2,966	2,790
Other miscellaneous and services	132,156	51,312			132,156	51,312
Total revenues	<u>\$ 3,337,008</u>	<u>\$ 3,371,893</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 3,337,010</u>	<u>\$ 3,371,893</u>
<b>EXPENDITURES</b>						
Administration and operations:						
Administration and maintenance	\$ 591,255	\$ 474,015	\$ 2	\$ 1	\$ 591,257	\$ 474,016
Bus operating assistance grants	184,024	184,089			184,024	184,089
Other grants	1,148,527	1,168,079			1,148,527	1,168,079
Airport development	120,088	144,416			120,088	144,416
Nonoperating expenditures - bridges	2,891	2,716			2,891	2,716
Trust fund construction activity	292,120	205,607			292,120	205,607
Capital lease payments	90	78			90	78
Bond principal retirement			96,798	92,224	96,798	92,224
Bond interest and fiscal charges			124,651	99,402	124,651	99,402
Total administration and operations	<u>\$ 2,338,995</u>	<u>\$ 2,179,000</u>	<u>\$ 221,450</u>	<u>\$ 191,627</u>	<u>\$ 2,560,445</u>	<u>\$ 2,370,626</u>
Capital outlay:						
Roads and bridges	\$ 1,130,594	\$ 1,238,296	\$	\$	\$ 1,130,594	\$ 1,238,296
Other capital outlay	15,004	15,589			15,004	15,589
Total capital outlay	<u>\$ 1,145,598</u>	<u>\$ 1,253,885</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,145,598</u>	<u>\$ 1,253,885</u>
Total expenditures	<u>\$ 3,484,593</u>	<u>\$ 3,432,885</u>	<u>\$ 221,450</u>	<u>\$ 191,627</u>	<u>\$ 3,706,043</u>	<u>\$ 3,624,511</u>
Excess of revenues over (under) expenditures	<u>\$ (147,584)</u>	<u>\$ (60,992)</u>	<u>\$ (221,449)</u>	<u>\$ (191,626)</u>	<u>\$ (369,033)</u>	<u>\$ (252,618)</u>
<b>OTHER FINANCING SOURCES</b>						
Michigan Transportation Fund distribution (Note 9)	\$ 764,926	\$ 789,736	\$	\$	\$ 764,926	\$ 789,736
Grants and transfers from other funds	228,980	231,844	221,449	191,626	450,428	423,470
Capital lease acquisitions	464				464	0
Proceeds from sale of capital assets	3,006	2,840			3,006	2,840
Proceeds from bonds and notes issued		485,115			0	485,115
Premium on bonds issued		18,662			0	18,662
Total other financing sources	<u>\$ 997,376</u>	<u>\$ 1,528,197</u>	<u>\$ 221,449</u>	<u>\$ 191,626</u>	<u>\$ 1,218,824</u>	<u>\$ 1,719,823</u>
<b>OTHER FINANCING USES</b>						
Michigan Transportation Fund distribution (Note 9)	\$ 764,926	\$ 789,736	\$	\$	\$ 764,926	\$ 789,736
Grants and transfers to other funds (Note 11)	259,221	260,435			259,221	260,435
Debt service	221,449	191,626			221,449	191,626
Total other financing uses	<u>\$ 1,245,596</u>	<u>\$ 1,241,797</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,245,596</u>	<u>\$ 1,241,797</u>
Excess of other financing sources over (under) other financing uses	<u>\$ (248,220)</u>	<u>\$ 286,400</u>	<u>\$ 221,449</u>	<u>\$ 191,626</u>	<u>\$ (26,771)</u>	<u>\$ 478,026</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (395,804)</u>	<u>\$ 225,408</u>	<u>\$</u>	<u>\$</u>	<u>\$ (395,804)</u>	<u>\$ 225,408</u>
Fund balances - Beginning of fiscal year	1,282,478	1,057,069			1,282,478	1,057,069
Fund balances - End of fiscal year	<u>\$ 886,673</u>	<u>\$ 1,282,478</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 886,673</u>	<u>\$ 1,282,478</u>

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

## Notes to the Financial Statements

### Note 1 Significant Accounting Policies

#### a. Reporting Entity

The accompanying financial statements report the financial position and the changes in financial position of the following funds administered by the Michigan Department of Transportation (MDOT) as of and for the fiscal years ended September 30, 2008 and September 30, 2007:

#### Special Revenue Funds

Michigan Transportation Fund

State Trunkline Fund

Comprehensive Transportation Fund

State Aeronautics Fund

Combined State Trunkline Bond Proceeds Fund

Combined Comprehensive Transportation Bond Proceeds Fund

Transportation Related Trust Fund

#### Debt Service Funds

Combined State Trunkline Bond and Interest Redemption Fund

Combined Comprehensive Transportation Bond and Interest Redemption Fund

These funds are a part of the State of Michigan's reporting entity and are reported in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*. The *SOMCAFR* also includes MDOT in the government-wide statement of net assets and statement of activities. These government-wide financial statements include accounts such as long-term liabilities and capital assets that are reported only on a government-wide basis and are not reported in MDOT's financial statements. The notes accompanying these financial statements relate directly to MDOT, including amounts reported in the government-wide financial statements. The *SOMCAFR* provides more extensive disclosures regarding the State's significant accounting policies; budgeting, budgetary control, and legal compliance; common cash;

pension benefits; other postemployment benefits; and bonds and notes payable.

There exists, in the financial statements and notes, variations from *SOMCAFR* in the presentation and descriptions of information. MDOT requested and received a waiver from the Office of Financial Management, Department of Management and Budget, to present these differences.

b. Joint Venture

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

A comparative analysis of the JIBA's audit periods ended December 31 follows (in thousands):

	2007	2006
Assets	\$8,502	\$6,221
Liabilities	\$2,455	\$1,290
Total equity	\$6,048	\$4,931
Total revenues and other sources	\$6,566	\$4,831
Total expenditures and other uses	\$5,449	\$5,015
Excess of revenues and other sources over (under) expenditures and other uses	\$1,117	\$ (184)

c. Component Unit

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 Mackinac Bridge Authority at (906) 643-7600.

Further information regarding the relationship between MDOT and the Mackinac Bridge Authority is provided in Note 11.

d. Basis of Presentation

The financial transactions of MDOT are recorded in individual funds in the State's central accounting system. The accompanying financial statements present only MDOT. Accordingly, they do not purport to, and do not, present fairly the financial position and the changes in financial position of the State of Michigan or its special revenue and debt service funds in conformity with accounting principles generally accepted in the United States of America (GAAP). The various transportation funds are combined in the *SOMCAFR* into the governmental fund types described as follows:

Governmental Fund Types

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

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

Totals (Memorandum Only)

Amounts in the "Totals (Memorandum Only)" columns represent summations of the fund types and are presented only for analytical purposes. The summations include interfund transactions that have not been eliminated. Consequently, amounts shown in the "Totals (Memorandum Only)" columns are not comparable to a consolidation.

e. Measurement Focus and Basis of Accounting

The financial statements contained in this report are presented using the current financial resources measurement focus and the modified accrual basis of accounting as provided by GAAP. Under the modified accrual basis of accounting, revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred; however, certain expenditures related to long-term liabilities are recorded only when payment is due and payable.

f. Special Items

In fiscal year 2007-08, MDOT granted \$80 million for road and bridge projects to local governments for local match of federal funds in accordance with Act 139, P.A. 2006, for the Local Jobs Today Grant. These projects were not part of the State-owned system of roads and bridges; therefore, the projects could not be funded with State Trunkline Fund restricted revenues. MDOT used funds from the Jobs Today Bond Proceeds Fund (a subfund of the Combined State Trunkline Bond Proceeds Fund) to provide this grant.

Eligible State Trunkline Fund project expenditures of \$72.4 million, which had been funded in a prior fiscal year with bond proceeds, were reimbursed and paid for with State Trunkline Fund funds. GAAP requires the recognition of revenue when an expenditure from a prior fiscal year is reimbursed. As a result, \$72.4 million was recorded as miscellaneous revenue in the Combined State Trunkline Bond Proceeds Fund during fiscal year 2007-08.

Note 2 Equity in Common Cash

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

MDOT's common cash balances were as follows as of September 30, 2008 and September 30, 2007 (in thousands):

	Special Revenue Funds		Debt Service Funds	
	2008	2007	2008	2007
Equity in common cash	\$516,702	\$491,281	\$0	\$124

The balances for the special revenue funds averaged \$1,148.7 million and \$1,096.7 million during fiscal year 2007-08 and fiscal year 2006-07, respectively. These balances are substantially higher than the September 30 balances because \$464.5 million and \$946.6 million were loaned to the School Aid Fund as of September 30, 2008 and September 30, 2007, respectively. See Note 18 and Note 17 of the fiscal year 2007-08 and 2006-07 *SOMCAFR*, respectively.

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

Note 3 Current Receivables and Other Current Assets

a. Contested and Delinquent Receivables

Contested and delinquent receivables recorded in the financial statements represent amounts due to MDOT as of September 30, 2008 and September 30, 2007 that are expected to be collected within 12 months. Receivables not due for collection within 12 months are classified as

noncurrent assets with an offsetting deferred revenue or fund balance reserve. Contested and delinquent receivables in litigation or pending litigation and delinquent receivables referred to a third party for collection are recorded in an allowance for doubtful accounts and are not included in the net receivable amount reported in the financial statements.

b. Taxes Receivable and Other Current Assets

Taxes receivable are recorded for taxes due to the State at September 30 that are considered "available," i.e., received by the State within approximately 60 days after that date. The Michigan Transportation Fund had current receivables and other current assets of \$188.1 million and \$200.4 million, net of allowances for uncollectible receivables of \$92.0 million and \$109.2 million for motor fuel taxes due to the Fund as of September 30, 2008 and September 30, 2007, respectively. The reporting of a receivable amount net of a related allowance for uncollectible accounts is consistent with the treatment of other taxes receivable reported in the *SOMCAFR*.

c. Federal Highway Administration (FHWA) Receivable

MDOT recorded federal aid receivables in the State Trunkline Fund, Combined State Trunkline Bond Proceeds Fund, and Transportation Related Trust Fund totaling \$154.9 million and \$115.9 million as of September 30, 2008 and September 30, 2007, respectively. No noncurrent federal aid receivables were recorded as of September 30, 2008 and September 30, 2007.

d. Interfund Receivable

The interfund receivable is recorded for borrowings to eliminate negative balances in the common cash pool at fiscal year-end. The *SOMCAFR* provides more disclosures regarding the common cash pool and interfund borrowings. As of September 30, 2008 and September 30, 2007, interfund borrowing from MDOT's special revenue funds amounted to \$474.9 million and \$980.7 million, respectively.

Note 4 Capital Assets

Capital assets owned by MDOT, including property, plant, equipment, and infrastructure items (roads, bridges, ramps, railroads, rest areas, and welcome centers) are reported in the government-wide financial statements of the

*SOMCAFR*. The capital assets reported by MDOT have been expanded as a result of the implementation of GASB Statement No. 34. As allowed by GASB Statement No. 34, MDOT uses the "modified approach" for certain infrastructure. In order to qualify for the modified approach, MDOT is required to maintain an asset management system with an up-to-date inventory of assets, perform condition assessments, estimate each year the annual amount to maintain and preserve the assets, and document that the assets are being preserved. Under the modified approach, MDOT expenses certain maintenance and preservation costs and does not record depreciation expense for roads or bridges. Other capital assets are depreciated over their useful lives except for land and construction in progress. For more information on the reporting of capital assets under this Statement, see Note 9 of the fiscal year 2007-08 *SOMCAFR*.

a. Classification

The following tables summarize, by major class of asset, changes in reported costs for MDOT's capital assets for the fiscal years ended September 30, 2008 and September 30, 2007:

Changes in Capital Assets  
Fiscal Year Ended September 30, 2008  
(In Millions)

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

Changes in Capital Assets  
Fiscal Year Ended September 30, 2007  
(In Millions)

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
<u>Capital assets, not being depreciated:</u>					
Roads	\$ 10,915.7	\$ 97.1	\$ (56.7)	\$	\$10,956.1
Land	2,919.1	14.9			2,933.9
Bridges	1,464.2	160.5	(44.1)		1,580.6
Construction in progress	917.5	344.6	(304.5)		957.6
<u>Capital assets, being depreciated:</u>					
Ramps	536.5	45.3	(0.3)		581.4
Equipment	129.2	11.5	(4.0)	(7.2)	129.6
Buildings	136.3	1.4	(0.6)	1.7	138.8
Railroads	35.0		(2.5)		32.5
Rest areas and welcome centers	65.1	10.4	(1.5)		74.0
Land improvements	2.8				2.8
Airports	1.9				1.9
<u>Less accumulated depreciation for:</u>					
Ramps	(349.1)	(22.4)	0.3		(371.1)
Equipment	(82.6)	(6.2)	3.9	8.8	(76.2)
Buildings	(49.4)	(3.5)	0.4	(0.2)	(52.8)
Railroads	(21.7)	(0.8)	1.5		(21.0)
Rest areas and welcome centers	(30.0)	(1.6)	1.0		(30.6)
Land improvements	(1.0)	(0.1)			(1.1)
Airports	(0.6)	(0.1)			(0.6)
Total capital assets	<u>\$ 16,588.9</u>	<u>\$ 651.0</u>	<u>\$(407.0)</u>	<u>\$3.0</u>	<u>\$16,835.8</u>

b. Funding Source

Following is a summary of funding sources for investments in capital assets (in millions):

	Investments	
	As of September 30	
	2008	2007
State Trunkline Fund	\$ 17,060.5	\$ 16,784.7
Comprehensive Transportation Fund	28.5	30.7
State Aeronautics Fund	20.6	20.4
Total investments in capital assets	<u>\$ 17,109.5</u>	<u>\$ 16,835.8</u>

Note 5 Long-Term Liabilities

As discussed in Note 1a., certain long-term liabilities are recorded in the government-wide statement of net assets in the *SOMCAFR* and are not reported in MDOT's financial statements. However, long-term liabilities considered "due and payable" in the current fiscal year are recorded as fund liabilities in these financial statements. These include long-term deferred revenues of \$8.8 million and \$7.4 million as of September 30, 2008 and September 30, 2007, respectively.

Long-term liabilities of MDOT that are not considered due and payable that are reported in the *SOMCAFR* include:

a. Bonded Debt

Revenue Dedicated Bonded Debt: MDOT 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, including federal grants and State revenues in the State Trunkline Fund and Comprehensive Transportation Fund as provided by Article IX, Section 9 of the Michigan Constitution. The State of Michigan's general credit does not support such issues. The principal and interest for the 2007 issue are secured by federal grants and are payable solely from and are secured by an irrevocable pledge of the State share of all federal grants received each year under the federal Highway Planning and Construction Program. Payment of principal and interest on the bonds shall be subject to an appropriation each year by the Legislature in an amount sufficient to make the payments. Act 51, P.A. 1951, as amended, provides that money deposited in the State Trunkline Fund and/or the Comprehensive Transportation Fund is appropriated for specific purposes, with debt service being the first in order of priority. A sufficient portion of the State Trunkline Fund and the Comprehensive Transportation Fund is appropriated to pay, when due, the principal of and interest outstanding on bonds and notes. The State Trunkline Series 1989 A bond issue and the State Trunkline Series 1992 A and B bond issues included capital appreciation bonds (zero coupon bonds) with an ultimate maturity value of \$6.0 million and \$65.5 million, respectively. These bonds are recorded in the *SOMCAFR* in the amounts of \$5.6 million and \$57.7 million,

respectively, which are the accreted values\* at September 30, 2008. These bonds mature in the years 2004 through 2009 and 2006 through 2013, respectively.

Revenue dedicated bonds issued and outstanding (excluding defeased bonds) at September 30, 2008 and September 30, 2007 are as follows:

Revenue Dedicated Bonded Debt  
(In Thousands)

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

\* See glossary at end of report for definition.

Advance Refunding and Defeasance: MDOT has issued refunding bond issues to finance the advance refunding of selected bond issues. A portion of the proceeds of the refunding issues was 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 because MDOT defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transaction.

The following table summarizes the defeased bonds outstanding (in millions):

	Amounts Refunded	Balance With Trustee At September 30	
		2008	2007
<u>State Trunkline Fund Bonds:</u>			
Series 2001A	\$ 245.8	\$ 245.8	\$ 245.8
Series 2004	85.2	85.2	85.2
Total State Trunkline Fund Bonds	<u>\$ 331.1</u>	<u>\$ 331.1</u>	<u>\$ 331.1</u>
<u>Comprehensive Transportation Fund Bonds:</u>			
Series 2002B	\$ 55.2	\$ 52.9	\$ 52.9
Series 2003	9.9	9.9	9.9
Total Comprehensive Transportation Fund Bonds	<u>\$ 65.1</u>	<u>\$ 62.8</u>	<u>\$ 62.8</u>
Total	<u><u>\$ 396.2</u></u>	<u><u>\$ 393.9</u></u>	<u><u>\$ 393.9</u></u>

b. Debt Service Requirements

The following table summarizes debt service requirements for outstanding bonds at September 30, 2008 (in thousands):

Fiscal Years Ending September 30	Principal	Interest	Total
2009	\$ 81,910	\$ 109,870	\$ 191,780
2010	118,790	106,523	225,313
2011	124,015	101,290	225,305
2012	115,845	96,016	211,861
2013	120,820	90,958	211,778
2014	126,545	85,219	211,764
2015	128,595	78,403	206,998
2016	135,175	71,820	206,995
2017	142,180	64,814	206,994
2018	149,145	57,850	206,995
2019	156,620	50,376	206,996
2020	161,795	42,196	203,991
2021	144,235	33,759	177,994
2022	151,815	26,184	177,999
2023	124,785	19,136	143,921
2024	62,615	14,381	76,996
2025	65,880	11,116	76,996
2026	69,045	7,948	76,993
2027	72,660	4,335	76,995
2028	3,370	629	3,999
2029	3,535	460	3,995
2030	3,715	284	3,999
2031	1,955	98	2,053
Total	<u>\$2,265,045</u>	<u>\$1,073,663</u>	<u>\$3,338,708</u>

c. Revenue Dedicated Notes Payable

MDOT issued grant anticipation notes in the fiscal year ended September 30, 2002. The notes have variable rates that may bear interest at a daily interest rate, a weekly rate, a note interest term rate, a long-term interest rate, or an auction rate securities interest rate. The notes were issued in accordance with the authorization provided in Act 51, P.A. 1951, as amended. The principal and interest on the notes are

payable solely from and are secured by an irrevocable pledge of the State share of all federal grants received each year under the federal Highway Planning and Construction Program.

MDOT issued \$200.0 million of Series A, B, C, and D revenue dedicated notes payable in 2002 maturing in 2009. Amounts outstanding totaled zero and \$32.0 million as of September 30, 2008 and September 30, 2007, respectively.

d. Other Long-Term Obligations

Capital Leases: Capitalized lease liabilities are described in more detail in Note 6.

Compensated Absences: Compensated absences liabilities are described in more detail in Note 7b.

Claims and Judgments: The liability recorded for claims and judgments consists of projected amounts for highway-related negligence cases based upon historical loss ratios. MDOT continues to contest all of these claims and 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 audit period are summarized as follows (in thousands):

	Revenue Dedicated Debt - Oversight Entity		Capital Lease Obligations	
	Fiscal Year		Fiscal Year	
	2007-08	2006-07	2007-08	2006-07
<u>Bonds and Capital Lease Obligations:</u>				
Balance - October 1	\$2,328,298	\$1,888,819	\$ 374	\$ 530
New bond issues/capital lease additions and adjustments		485,115	464	
Accretion on capital appreciation bonds	4,202	4,979		
Bond principal retirements/capital lease payments and adjustments	(75,605)	(50,615)	(54)	(156)
Balance - September 30	<u>\$2,256,895</u>	<u>\$2,328,298</u>	<u>\$ 784</u>	<u>\$ 374</u>
	Claims and Judgments		Compensated Absences Liabilities	
	Fiscal Year		Fiscal Year	
	2007-08	2006-07	2007-08	2006-07
<u>Other Long-Term Obligations:</u>				
Balance - October 1	\$ 751	\$ 1,543	\$ 33,339	\$ 34,909
Net increase (decrease) in estimated liabilities	(391)	(792)	682	(1,570)
Balance - September 30	<u>\$ 360</u>	<u>\$ 751</u>	<u>\$ 34,022</u>	<u>\$ 33,339</u>

The September 30, 2008 balance for claims and judgments includes four more pending cases than were used to determine the liability reported in the *SOMCAFR*. MDOT requested and received a waiver from the Office of Financial Management, Department of Management and Budget, to increase the obligation by \$72,000.

Note 6 Leases

MDOT leases office facilities under noncancelable leasing arrangements. However, 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 that are in the nature of acquisitions are classified as "capital" leases; therefore, assets and liabilities are recorded at lease inception in the *SOMCAFR* but not in these financial statements. Other leases are classified as "operating" leases, and these are treated as rent commitments rather than acquisitions.

Rental expenditures incurred under operating leases totaled \$1,666,022 and \$1,164,625 during fiscal years 2007-08 and 2006-07, respectively.

A summary of the operating and noncancelable capital leasing commitments to maturity as of September 30, 2008 (in thousands) follows:

Fiscal Year Ending September 30	Operating Leases	Capital Leases			
		Principal	Interest	Executory Costs	Total
2009	\$ 1,466	\$ 61	\$ 110	\$ 58	\$ 229
2010	1,070	67	104	58	229
2011	436	74	97	58	229
2012	196	83	88	58	229
2013	98	93	79	58	229
2014 - 2018		406	194	241	842
Total	\$ 3,266	\$ 784	\$ 672	\$ 530	\$ 1,986

The preceding table does not include leases for State-owned buildings, leases for an amount less than \$10,000, lease extensions less than 12 months, and lease payment changes less than \$200.

All of the preceding capital leases are related to governmental fund operations and the total of capital lease principal is recorded in the government-wide statement of net assets in the *SOMCAFR*.

The historical cost of assets acquired under capital leases, which are recorded in the government-wide statements of the *SOMCAFR*, included buildings reported at \$1.1 million and \$0.6 million as of September 30, 2008 and September 30, 2007, respectively.

Note 7 Employee Benefits - Retirement and Compensated Absences

a. Retirement Contributions

MDOT employees are members of the State Employees' Retirement System. Retirement contributions are transferred from MDOT's special revenue funds to the State Employees' Pension Benefits Fund, the State Employees' Other Postemployment Benefits Fund, and the State of Michigan Defined Contribution Retirement Fund.

MDOT's retirement contributions were as follows (in thousands):

	Fiscal Year	
	2007-08	2006-07
State Trunkline Fund	\$ 38,711	\$ 31,157
Comprehensive Transportation Fund	1,091	779
State Aeronautics Fund	860	637
Total MDOT retirement contributions	<u>\$ 40,662</u>	<u>\$ 32,573</u>

b. Compensated Absences

MDOT has accrued liabilities for compensated absences as required by GASB. Long-term liabilities are recorded in the government-wide statement of net assets reported in the *SOMCAFR*. Liabilities are recorded as fund liabilities if the liability is "due and payable." Compensated absences are recorded in the fund only for separations or transfers that occur before year-end. The amount "due and payable" is reflected in the "Accounts payable" line of the balance sheet.

The following table summarizes MDOT related compensated absences liabilities as of September 30, 2008 and September 30, 2007 (in thousands):

	Sick Leave		Annual Leave		Banked Leave		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
State Trunkline Fund	\$9,208	\$9,118	\$17,072	\$16,197	\$5,710	\$5,886	\$31,990	\$31,201
Comprehensive Transportation Fund	389	448	515	579	212	225	1,117	1,252
State Aeronautics Fund	370	351	369	358	176	177	915	886
Total	<u>\$9,966</u>	<u>\$9,917</u>	<u>\$17,957</u>	<u>\$17,134</u>	<u>\$6,098</u>	<u>\$6,288</u>	<u>\$34,022</u>	<u>\$33,339</u>

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

For a more detailed explanation of pension benefits, other postemployment benefits, and compensated absences accruals, refer to Notes 10, 11, and 1, respectively, of the fiscal year 2007-08 *SOMCAFR*.

Note 8 Excess of Expenditures Over Appropriation

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

MDOT incurred no overexpenditures in fiscal year 2007-08 or in fiscal year 2006-07.

Note 9 Interfund Transactions by the Michigan Transportation Fund

Interfund transactions primarily include interfund transfers that are reported as other financing sources and uses on the combined statement of revenues, expenditures, and changes in fund balances.

MDOT's most significant interfund transfer is the distribution of Michigan Transportation Fund revenues to the State Trunkline Fund and the Comprehensive Transportation Fund. This distribution is in accordance with Section 247.660 of the *Michigan Compiled Laws* (Section 10, Act 51, P.A. 1951, as amended).

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

The Comprehensive Transportation Fund receives 10% of the remaining balance from the Michigan Transportation Fund. After the Comprehensive Transportation Fund's balance is distributed, additional deductions are taken for

the Local Bridge Program, the Economic Development Program, and the Local Road Program. Three of the four cents a gallon that MDOT receives for gasoline taxes is then added to the total. The State Trunkline Fund receives 39.1% of the remaining balance.

Other transfers by the Michigan Transportation Fund are also required by Act 51, P.A. 1951, as amended, or the current year's appropriations act. The table below shows the Michigan Transportation Fund's interfund transactions in fiscal years 2007-08 and 2006-07:

	Fiscal Year	
	2007-08	2006-07
State Trunkline Fund	\$ 605,004,737	\$ 624,986,264
Comprehensive Transportation Fund	159,921,258	164,749,547
Other State agencies	45,476,600	46,538,098
Debt service	43,000,000	43,000,000
Economic Development Program	40,275,000	40,275,000
Local Road Program	33,000,000	33,000,000
Local Bridge Fund	30,276,172	31,117,133
Bureau of Transportation Planning	7,782,157	7,494,586
Design and Engineering Services	4,856,943	3,566,696
Rail Grade Crossing Program	3,000,000	3,000,000
Freight and Safety Services	1,861,000	1,840,224
Finance, Contracts and Support Services	1,891,567	1,187,566
Enhancement Program	179,000	141,835
Total	<u>\$ 976,524,434</u>	<u>\$1,000,896,947</u>

**Note 10 Reserved Fund Balance**

Total reserved fund balances in MDOT's special revenue funds were \$778.0 million and \$962.1 million as of September 30, 2008 and September 30, 2007, respectively. The State Trunkline Fund's portion of these reserved fund balances, excluding reserves of the Blue Water Bridge Fund (a subfund of the State Trunkline Fund), was \$703.1 million and \$889.4 million as of September 30, 2008 and September 30, 2007, respectively. Reserved fund balances in the State Trunkline Fund help fund future construction of highways

and bridges, which are primary functions of MDOT. A comparative analysis of the State Trunkline Fund reserved fund balance follows (in thousands):

	As of September 30	
	2008	2007
Reserves:		
Capital outlay:		
Facilities	\$ 31,281	\$ 28,508
Institutional roads	1,123	1,356
Road and bridge	201,996	245,259
Total capital outlay reserves	<u>\$ 234,401</u>	<u>\$ 275,123</u>
Encumbrances	<u>\$ 80,888</u>	<u>\$ 95,647</u>
Restricted revenue	<u>\$ 225,365</u>	<u>\$ 355,990</u>
Revolving loan program	<u>\$ 21,773</u>	<u>\$ 21,133</u>
Construction and debt service	<u>\$ 116,470</u>	<u>\$ 115,854</u>
Noncurrent assets:		
Capital equipment loans	\$ 13,905	\$ 16,180
Maintenance advances	10,258	9,466
Total noncurrent assets	<u>\$ 24,163</u>	<u>\$ 25,646</u>
Total reserved fund balance	<u><u>\$ 703,060</u></u>	<u><u>\$ 889,393</u></u>

For a more detailed explanation of reserved fund balance, refer to Note 22 of the fiscal year 2007-08 *SOMCAFR*.

Note 11 Component Unit - Mackinac Bridge Authority

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

State statutes require that the Authority continue charging bridge tolls and begin repaying the State Trunkline Fund and the Michigan Transportation Fund for the subsidies provided. These repayments would continue until such time

as the subsidies have been completely returned. Executive Order No. 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 has not recorded a receivable for these subsidies, because the reimbursements are contingent upon future net revenues and because the repayment commitment is long-term and budgetary in nature. Repayments may be authorized by the Authority after consideration of the Authority's annual needs for its operations and planned repairs and improvements.

The Authority repaid \$11.0 million between fiscal years 1992-93 and 2006-07, with additional repayments of \$250,000 repaid in fiscal year 2007-08, to the Michigan Transportation Fund. These repayments come directly from the revenue generated by bridge tolls and not from the State Trunkline Fund. A balance of \$51.8 million is owed to the Michigan Transportation Fund and a balance of \$12.3 million is owed to the State Trunkline Fund.

Current receivables of \$1.5 million and \$1.3 million were recorded as of September 30, 2008 and September 30, 2007, respectively, in the State Trunkline Fund's balance sheet as amounts due from component units for the Authority's reimbursement of payroll and related expenses. An account payable due to MDOT is recorded in the Authority's balance sheet.

## Note 12 Contingencies and Commitments

### a. Litigation

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

MDOT accrues fund liabilities at year-end related to settled cases in which the amount is due and payable. For other cases, if a loss is probable and reasonably estimable, the liability is recorded in the government-wide

statement of net assets as a long-term liability (see Note 5 for more information).

In March 2002, the County Road Association of Michigan and the Chippewa County Road Commission filed a lawsuit against John M. Engler, et al., concerning the provisions of Executive Order No. 2001-9. The lawsuit challenges the constitutionality of the reduction of funds by the Executive Order that would have otherwise been spent under the Michigan Transportation Fund and the Comprehensive Transportation Fund but, under the Executive Order, would make additional funds available in the General Fund. In part, the lawsuit challenges the constitutionality of that use of the funds. In addition, funds were transferred from the Economic Development Fund to the General Fund. A trial was conducted and an appeal has been taken from a ruling against the Governor. An Order has been entered staying enforcement of the trial court's decision, pending the appeal. For more information, see Note 24 of the fiscal year 2007-08 *SOMCAFR*.

b. Federal Grants

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

c. Construction Projects

MDOT has entered into construction contracts for transportation related special revenue funds and trust funds. The following table summarized the balances remaining on MDOT related construction projects (in millions):

	As of September 30	
	2008	2007
State Trunkline Fund	\$ 563.3	\$ 482.9
Transportation Related Trust Fund	63.1	80.0
Other	208.6	338.5
Total	<u>\$ 835.0</u>	<u>\$ 901.3</u>

d. Advanced Construction (AC)

Under an agreement with FHWA, MDOT has, over a period of years, qualified a number of construction projects for federal reimbursement without placing them under a reimbursement agreement. These deferred federal aid projects may be converted to current reimbursement at the option of MDOT, provided that there are adequate federal aid allocations. The arrangement was worked out between the states and the federal government to allow states to obtain federal reimbursement not received during the construction period in case a relatively greater amount of federal aid became available at some later date or to assist in balancing the federal aid from year to year. Accounts receivable are not recorded until FHWA allocates federal aid to the deferred federal aid projects.

AC expenditure activity during the audit period follows (in millions):

	Fiscal Year	
	2007-08	2006-07
Beginning balance of AC expenditures	\$ 358.2	\$ 395.2
Add: State Trunkline Fund AC expenditures incurred	231.8	225.0
Subtract: AC expenditures placed under reimbursement agreement	(39.0)	(262.0)
Ending balance of AC expenditures	<u>\$ 551.0</u>	<u>\$ 358.2</u>

Note 13 Subsequent Events

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

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

**SUPPLEMENTAL FINANCIAL  
STATEMENTS AND SCHEDULES**

## Descriptions of Special Revenue Funds

### **MICHIGAN TRANSPORTATION FUND**

This Fund, established by Section 10, Act 51, P.A. 1951, as amended, is administered jointly by the Michigan Department of Transportation and the Department of State. In addition, Fund revenue is also collected by the Department of Treasury. The Fund's budget is subject to annual legislative review and appropriation. The Fund is a receiving fund for the several tax revenues dedicated to transportation 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 the Recreation Improvement Fund (a subfund within the General Fund at the Department of Natural Resources) in accordance with the statutory formulas. Expenditures consist of grants to counties, cities, and villages for highway purposes in accordance with statutory formulas.

### **STATE TRUNKLINE FUND**

This Fund, established by Section 11, Act 51, P.A. 1951, as amended, provides for construction and maintenance of highways and bridges. 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. This Fund was also used to record loans made to local units of government for reconstructing and resurfacing roadways. In accordance with the annual statutory provisions, unreserved balances at fiscal year-end are transferred to the road and bridge construction account of the Fund.

In fiscal year 1987-88, the Economic Development Fund (EDF), a subfund, was created within the State Trunkline Fund. The statements for the State Trunkline Fund include the financial activity for EDF. A separate schedule summarizing EDF activity is included as a supplemental schedule in this report.

The Blue Water Bridge Fund (BWBF) was created as a separate fund, reported within the State Trunkline Fund, during fiscal year 1993-94 to account for the Blue Water Bridge Project. The Blue Water Bridge is located between Port Huron, Michigan, and

Sarnia, Ontario (Canada). 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 BWBF for construction of the Blue Water Bridge Project. Repayment of the \$45 million loan began in 1998. The loan was fully repaid during fiscal year 2006-07. A separate schedule summarizing BWBF activity is included as a supplemental schedule in this report.

### **COMPREHENSIVE TRANSPORTATION FUND**

This Fund, which operates under Section 10b, Act 51, P.A. 1951, as amended, was created for the purpose of planning, developing, and funding public transportation systems within the State. It was created by Acts 326, 327, and 328, P.A. 1972, and Act 197, P.A. 1973. In 1975, Acts 195, 196, and 239 were enacted, providing further additions and amendments to the laws governing this Fund. Its budget is subject to annual legislative review and appropriation. Fund revenues consist primarily of federal revenues, vehicle-related sales tax, and transfers from the Michigan Transportation Fund. In accordance with statutory provisions, any unreserved balance at fiscal year-end lapses and reverts to the Fund for appropriation in the following fiscal year.

### **STATE AERONAUTICS FUND**

This Fund, established by Act 327, P.A. 1945, administers development and capital improvement projects for airports. Its budget is subject to annual legislative review and appropriation. Fund revenues consist mostly of federal contributions and aviation fuel taxes. Expenditures and transfers are for administration and local airport improvement project costs. In accordance with statutory provisions, any unreserved balance at fiscal year-end lapses and reverts to the Fund for appropriation in the following fiscal year.

### **COMBINED STATE TRUNKLINE BOND PROCEEDS FUND**

This Fund was established pursuant to Section 18b, Act 51, P.A. 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.

### **COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND**

This Fund was established pursuant to Section 18b, Act 51, P.A. 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.

## **TRANSPORTATION RELATED TRUST FUND**

To achieve administrative efficiencies, effective October 1, 1990, the Special Federal Bridge Replacement Fund, Federal County Road Fund, Federal Urban Transportation System Fund, and Highway Topics and Safety Program Fund were combined in a single trust fund. The functions and purposes of these funds, although combined in a single fund, remain unchanged. At the end of fiscal year 1999-2000, the Metropolitan Planning Fund was closed to this trust fund. Changes in the financial activities of the Metropolitan Planning Fund changed the Michigan Department of Transportation's role from custodial agent to a trustee. At the end of fiscal year 2000-01, all of the transportation related trust funds were determined to be special revenue funds, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. The following funds are included in the special revenue fund:

### **SPECIAL FEDERAL BRIDGE REPLACEMENT FUND**

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

### **FEDERAL COUNTY ROAD FUND**

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

### **FEDERAL URBAN TRANSPORTATION SYSTEM FUND**

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

### **HIGHWAY TOPICS AND SAFETY PROGRAM FUND**

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

**METROPOLITAN PLANNING FUND**

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

MICHIGAN DEPARTMENT OF TRANSPORTATION  
Combining Balance Sheet  
Special Revenue Funds  
As of September 30  
(In Thousands)

	Michigan		State Trunkline Fund		Comprehensive	
	Transportation Fund		Transportation Fund		Transportation Fund	
	2008	2007	2008	2007	2008	2007
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$	\$	\$ 788	\$ 171	\$ 1	\$ 59
Equity in common cash	155,771	64,320	167,505		60,437	51,972
Receivables:						
Taxes, interest, and penalties (at net)	96,117	92,393				
Federal aid			121,569	82,328	9,606	9,335
Local units			81,982	49,583	1,194	1,141
Other funds and component units		104,390	501,331	907,295	7,071	8,435
Inventories			5,487	6,683		
Miscellaneous	4	(1,199)	4,015	5,218	101	213
Total current assets	<u>\$ 251,891</u>	<u>\$ 259,905</u>	<u>\$ 882,677</u>	<u>\$ 1,051,278</u>	<u>\$ 78,411</u>	<u>\$ 71,156</u>
Noncurrent assets:						
Receivables:						
Taxes	\$ 5,484	\$ 4,118	\$	\$	\$	\$
Local units			32,888	32,604	4,439	4,904
Land contracts			2,136	2,286		
Other noncurrent assets					846	1,039
Total noncurrent assets	<u>\$ 5,484</u>	<u>\$ 4,118</u>	<u>\$ 35,024</u>	<u>\$ 34,891</u>	<u>\$ 5,285</u>	<u>\$ 5,943</u>
Total assets	<u>\$ 257,375</u>	<u>\$ 264,023</u>	<u>\$ 917,701</u>	<u>\$ 1,086,169</u>	<u>\$ 83,696</u>	<u>\$ 77,099</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Current liabilities:						
Warrants outstanding	\$ 190	\$ 394	\$ 2,582	\$ 8,603	\$ 239	\$ 240
Accounts payable	213,846	216,991	195,277	172,029	15,986	15,165
Contract reserve payable			1,981	2,431	2	10
Amounts due to other funds	31,955	38,120	2,825	1,560	79	35
Deposits, permits, and other liabilities			459	962	2,091	3,007
Deferred revenue	5,900	4,400	3,499	5,440	2	
Total current liabilities	<u>\$ 251,891</u>	<u>\$ 259,905</u>	<u>\$ 206,622</u>	<u>\$ 191,024</u>	<u>\$ 18,399</u>	<u>\$ 18,457</u>
Long-term liabilities:						
Deferred revenue	5,484	4,118	2,136	2,286	846	1,039
Total liabilities	<u>\$ 257,375</u>	<u>\$ 264,023</u>	<u>\$ 208,757</u>	<u>\$ 193,311</u>	<u>\$ 19,245</u>	<u>\$ 19,496</u>
Fund balances:						
Reserves for:						
Encumbrances	\$	\$	\$ 81,714	\$ 96,267	\$ 38,019	\$ 41,036
Unencumbered restricted revenue balances			225,365	355,990	897	745
Unencumbered capital outlay and work projects			239,458	277,969		
Revolving loans			21,773	21,133	13,482	12,667
Construction and debt service			116,470	115,854		
Noncurrent assets			24,163	25,646		
Total reserved	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 708,943</u>	<u>\$ 892,858</u>	<u>\$ 52,397</u>	<u>\$ 54,448</u>
Unreserved					12,054	3,155
Total fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 708,943</u>	<u>\$ 892,858</u>	<u>\$ 64,451</u>	<u>\$ 57,603</u>
Total liabilities and fund balances	<u>\$ 257,375</u>	<u>\$ 264,023</u>	<u>\$ 917,701</u>	<u>\$ 1,086,169</u>	<u>\$ 83,696</u>	<u>\$ 77,099</u>

State Aeronautics Fund		Combined State Trunkline Bond Proceeds Fund		Combined Comprehensive Transportation Bond Proceeds Fund		Transportation Related Trust Fund		Totals	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
\$ 2	\$ 2		\$ 9			\$ 13	\$ 281	\$ 803	\$ 521
20,534	15,460	53,348	287,788	59,108	71,740			516,702	491,281
67	534							96,184	92,927
20,543	38,134	225	949			33,085	32,656	185,028	163,402
27,582	22,473	2,617	2,254			56,035	35,855	169,409	111,305
								508,403	1,020,121
								5,487	6,683
30	45							4,150	4,277
<u>\$ 68,759</u>	<u>\$ 76,648</u>	<u>\$ 56,189</u>	<u>\$ 290,999</u>	<u>\$ 59,108</u>	<u>\$ 71,740</u>	<u>\$ 89,133</u>	<u>\$ 68,792</u>	<u>\$ 1,486,167</u>	<u>\$ 1,890,518</u>
\$ 335	\$ 4	\$	\$	\$	\$	\$	\$	\$ 5,819	\$ 4,122
299	368							37,627	37,876
								2,136	2,286
								846	1,039
<u>\$ 634</u>	<u>\$ 372</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,427</u>	<u>\$ 45,324</u>
<u>\$ 69,393</u>	<u>\$ 77,020</u>	<u>\$ 56,189</u>	<u>\$ 290,999</u>	<u>\$ 59,108</u>	<u>\$ 71,740</u>	<u>\$ 89,133</u>	<u>\$ 68,792</u>	<u>\$ 1,532,594</u>	<u>\$ 1,935,842</u>
\$ 24	\$ 255	\$	\$	\$ 8	\$ 1	\$ 266	\$ 876	\$ 3,308	\$ 10,369
22,672	44,010	18,202	46,471	4,232	3,650	41,972	36,999	512,187	535,315
116	158	162	121	20	21	587	960	2,869	3,701
61	23					10,471	16,817	45,390	56,555
23,167	10,593					35,836	13,140	61,553	27,702
7	8	2,407	2,428					11,814	12,275
<u>\$ 46,046</u>	<u>\$ 55,048</u>	<u>\$ 20,771</u>	<u>\$ 49,019</u>	<u>\$ 4,259</u>	<u>\$ 3,673</u>	<u>\$ 89,133</u>	<u>\$ 68,792</u>	<u>\$ 637,121</u>	<u>\$ 645,917</u>
335	4							8,800	7,447
<u>\$ 46,381</u>	<u>\$ 55,052</u>	<u>\$ 20,771</u>	<u>\$ 49,019</u>	<u>\$ 4,259</u>	<u>\$ 3,673</u>	<u>\$ 89,133</u>	<u>\$ 68,792</u>	<u>\$ 645,921</u>	<u>\$ 653,365</u>
\$ 4,958	\$ 5,938	\$	\$	\$	\$	\$	\$	\$ 124,690	\$ 143,241
268	1,856							226,529	358,591
9,272	4,849							248,730	282,818
2,200	2,200							37,455	36,000
								116,470	115,854
								24,163	25,646
<u>\$ 16,697</u>	<u>\$ 14,844</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 778,038</u>	<u>\$ 962,150</u>
6,315	7,124	35,418	241,981	54,849	68,068			108,635	320,328
<u>\$ 23,012</u>	<u>\$ 21,968</u>	<u>\$ 35,418</u>	<u>\$ 241,981</u>	<u>\$ 54,849</u>	<u>\$ 68,068</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 886,673</u>	<u>\$ 1,282,478</u>
<u>\$ 69,393</u>	<u>\$ 77,020</u>	<u>\$ 56,189</u>	<u>\$ 290,999</u>	<u>\$ 59,108</u>	<u>\$ 71,740</u>	<u>\$ 89,133</u>	<u>\$ 68,792</u>	<u>\$ 1,532,594</u>	<u>\$ 1,935,842</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		State		Comprehensive	
	Transportation Fund		Trunkline Fund		Transportation Fund	
	2008	2007	2008	2007	2008	2007
<b>REVENUES</b>						
Taxes	\$ 1,844,372	\$ 1,899,550	\$	\$	\$ 82,114	\$ 67,678
Licenses and permits	33,076	32,786	5,996	16,611	312	314
Federal aid			692,226	833,073	31,997	26,171
Local participation			10,241	18,317		
Interest earnings	5,220	6,933	22,186	25,080	582	233
Nonoperating revenue - bridges			2,966	2,790		
Other miscellaneous and services	3,394	3,187	47,363	36,640	818	1,143
Total revenues	<u>\$ 1,886,063</u>	<u>\$ 1,942,456</u>	<u>\$ 780,979</u>	<u>\$ 932,512</u>	<u>\$ 115,824</u>	<u>\$ 95,538</u>
<b>EXPENDITURES</b>						
Administration and operations:						
Administration and maintenance	\$ 8,303	\$ 8,741	\$ 491,057	\$ 448,519	\$ 8,670	\$ 8,410
Bus operating assistance grants					184,024	184,089
Other grants	913,044	942,536	136,378	163,964	48,155	39,737
Airport development						
Nonoperating expenditures - bridges			2,891	2,716		
Trust fund construction activity						
Capital lease payments			90	78		
Total administration and operations	<u>\$ 921,347</u>	<u>\$ 951,277</u>	<u>\$ 630,415</u>	<u>\$ 615,276</u>	<u>\$ 240,849</u>	<u>\$ 232,236</u>
Capital outlay:						
Roads and bridges	\$	\$	\$ 955,129	\$ 844,289	\$	\$
Other capital outlay			14,602	15,148		122
Total capital outlay	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 969,731</u>	<u>\$ 859,438</u>	<u>\$ 0</u>	<u>\$ 122</u>
Total expenditures	<u>\$ 921,347</u>	<u>\$ 951,277</u>	<u>\$ 1,600,146</u>	<u>\$ 1,474,714</u>	<u>\$ 240,849</u>	<u>\$ 232,358</u>
Excess of revenues over (under) expenditures	<u>\$ 964,716</u>	<u>\$ 991,179</u>	<u>\$ (819,168)</u>	<u>\$ (542,202)</u>	<u>\$ (125,025)</u>	<u>\$ (136,820)</u>
<b>OTHER FINANCING SOURCES</b>						
Michigan Transportation Fund distribution	\$	\$	\$ 605,005	\$ 624,986	\$ 159,921	\$ 164,750
Grants and transfers from other funds	3,506	979	217,613	217,989	1,861	1,840
Capital lease acquisitions			464			
Proceeds from sale of capital assets			3,006	2,840		
Proceeds from bonds and notes issued						
Premium on bonds issued						
Total other financing sources	<u>\$ 3,506</u>	<u>\$ 979</u>	<u>\$ 826,088</u>	<u>\$ 845,815</u>	<u>\$ 161,782</u>	<u>\$ 166,590</u>
<b>OTHER FINANCING USES</b>						
Michigan Transportation Fund distribution	\$ 764,926	\$ 789,736	\$	\$	\$	\$
Grants and transfers to other funds	203,296	202,423	2,703	2,896	67	72
Debt service			188,132	158,466	29,842	28,808
Total other financing uses	<u>\$ 968,222</u>	<u>\$ 992,159</u>	<u>\$ 190,835</u>	<u>\$ 161,363</u>	<u>\$ 29,909</u>	<u>\$ 28,880</u>
Excess of other financing sources over (under) other financing uses	<u>\$ (964,716)</u>	<u>\$ (991,179)</u>	<u>\$ 635,253</u>	<u>\$ 684,452</u>	<u>\$ 131,874</u>	<u>\$ 137,710</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (183,915)</u>	<u>\$ 142,250</u>	<u>\$ 6,848</u>	<u>\$ 891</u>
Fund balances - Beginning of fiscal year			892,858	750,608	57,603	56,712
Fund balances - End of fiscal year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 708,943</u>	<u>\$ 892,858</u>	<u>\$ 64,451</u>	<u>\$ 57,603</u>

State Aeronautics Fund		Combined State Trunkline Bond Proceeds Fund		Combined Comprehensive Transportation Bond Proceeds Fund		Transportation Related Trust Fund		Totals	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
\$ 5,344	\$ 6,335	\$	\$	\$	\$	\$	\$	\$ 1,931,831	\$ 1,973,563
302	315							39,687	50,025
108,295	112,674	56,434	56,823			291,828	200,915	1,180,781	1,229,657
34	30	2,703	4,683					12,978	23,030
711	607	5,752	4,223	2,160	4,437		3	36,610	41,516
								2,966	2,790
4,039	3,825	75,824	409	426	1,418	291	4,689	132,156	51,312
<u>\$ 118,725</u>	<u>\$ 123,785</u>	<u>\$ 140,713</u>	<u>\$ 66,138</u>	<u>\$ 2,586</u>	<u>\$ 5,855</u>	<u>\$ 292,120</u>	<u>\$ 205,607</u>	<u>\$ 3,337,008</u>	<u>\$ 3,371,893</u>
\$ 6,965	\$ 6,498	\$ 75,835	\$ 430	\$ 426	\$ 1,417	\$	\$	\$ 591,255	\$ 474,015
								184,024	184,089
		42,866	16,076	8,084	5,767			1,148,527	1,168,079
112,873	124,242			7,215	20,174			120,088	144,416
								2,891	2,716
						292,120	205,607	292,120	205,607
								90	78
<u>\$ 119,838</u>	<u>\$ 130,740</u>	<u>\$ 118,701</u>	<u>\$ 16,505</u>	<u>\$ 15,725</u>	<u>\$ 27,358</u>	<u>\$ 292,120</u>	<u>\$ 205,607</u>	<u>\$ 2,338,995</u>	<u>\$ 2,179,000</u>
\$	\$	\$ 175,465	\$ 394,007	\$	\$	\$	\$	\$ 1,130,594	\$ 1,238,296
323	264			80	55			15,004	15,589
<u>\$ 323</u>	<u>\$ 264</u>	<u>\$ 175,465</u>	<u>\$ 394,007</u>	<u>\$ 80</u>	<u>\$ 55</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,145,598</u>	<u>\$ 1,253,885</u>
\$ 120,160	\$ 131,004	\$ 294,166	\$ 410,512	\$ 15,805	\$ 27,413	\$ 292,120	\$ 205,607	\$ 3,484,593	\$ 3,432,885
\$ (1,435)	\$ (7,218)	\$ (153,453)	\$ (344,374)	\$ (13,219)	\$ (21,557)	\$ 0	\$ 0	\$ (147,584)	\$ (60,992)
\$ 6,000	\$ 11,000	\$	\$ 36	\$	\$	\$	\$	\$ 764,926	\$ 789,736
								228,980	231,844
								464	0
			485,115					3,006	2,840
			18,662					0	485,115
								0	18,662
<u>\$ 6,000</u>	<u>\$ 11,000</u>	<u>\$ 0</u>	<u>\$ 503,813</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 997,376</u>	<u>\$ 1,528,197</u>
\$ 47	\$ 46	\$ 53,109	\$ 54,999	\$	\$	\$	\$	\$ 764,926	\$ 789,736
3,475	4,352							259,221	260,435
<u>\$ 3,521</u>	<u>\$ 4,398</u>	<u>\$ 53,109</u>	<u>\$ 54,999</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,245,596</u>	<u>\$ 1,241,797</u>
\$ 2,479	\$ 6,602	\$ (53,109)	\$ 448,814	\$ 0	\$ 0	\$ 0	\$ 0	\$ (248,220)	\$ 286,400
\$ 1,044	\$ (616)	\$ (206,562)	\$ 104,441	\$ (13,219)	\$ (21,557)	\$ 0	\$ 0	\$ (395,804)	\$ 225,408
21,968	22,584	241,981	137,540	68,068	89,625			1,282,478	1,057,069
<u>\$ 23,012</u>	<u>\$ 21,968</u>	<u>\$ 35,418</u>	<u>\$ 241,981</u>	<u>\$ 54,849</u>	<u>\$ 68,068</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 886,673</u>	<u>\$ 1,282,478</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, 2008  
(In Thousands)

(Statutory/Budgetary Basis)	Michigan Transportation Fund			State Trunkline Fund			Comprehensive Transportation Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>									
Taxes	\$ 1,844,372	\$ 1,844,372	\$ 0	\$	\$ 5,996	\$ 0	\$ 82,114	\$ 82,114	\$ 0
Licenses and permits	33,076	33,076	0	5,996	5,996	0	312	312	0
Federal aid				692,226	692,226	0	31,997	31,997	0
Local participation				10,241	10,241	0			
Interest earnings	5,220	5,220	0	22,186	22,186	0	582	582	0
Nonoperating revenue - bridges				2,966	2,966	0			
Other miscellaneous and services	3,394	3,394	0	47,363	47,363	0	818	818	0
<b>Total revenues</b>	<b>\$ 1,886,063</b>	<b>\$ 1,886,063</b>	<b>\$ 0</b>	<b>\$ 780,979</b>	<b>\$ 780,979</b>	<b>\$ 0</b>	<b>\$ 115,824</b>	<b>\$ 115,824</b>	<b>\$ 0</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>									
Administration and operations:									
Administration and maintenance	\$ 9,343	\$ 8,303	\$ 1,040	\$ 541,104	\$ 517,374	\$ 23,730	\$ 10,952	\$ 9,578	\$ 1,374
Bus operating assistance grants							185,529	185,092	438
Other grants	970,968	913,044	57,924	140,622	140,619	4	91,587	84,198	7,390
Airport development									
Nonoperating expenditures - bridges				2,966	2,891	75			
<b>Total administration and operations</b>	<b>\$ 980,310</b>	<b>\$ 921,347</b>	<b>\$ 58,964</b>	<b>\$ 684,693</b>	<b>\$ 660,884</b>	<b>\$ 23,809</b>	<b>\$ 288,069</b>	<b>\$ 278,868</b>	<b>\$ 9,201</b>
Capital outlay:									
Roads and bridges	\$	\$	\$	\$ 1,013,189	\$ 1,002,442	\$ 10,747	\$	\$	\$
Other capital outlay				18,080	18,070	10			
<b>Total capital outlay</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,031,269</b>	<b>\$ 1,020,512</b>	<b>\$ 10,757</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Total expenditures and encumbrances</b>	<b>\$ 980,310</b>	<b>\$ 921,347</b>	<b>\$ 58,964</b>	<b>\$ 1,715,962</b>	<b>\$ 1,681,396</b>	<b>\$ 34,566</b>	<b>\$ 288,069</b>	<b>\$ 278,868</b>	<b>\$ 9,201</b>
Excess of revenues over (under) expenditures and encumbrances	\$ 905,752	\$ 964,716	\$ 58,964	\$ (934,983)	\$ (900,418)	\$ 34,566	\$ (172,245)	\$ (163,044)	\$ 9,201
<b>OTHER FINANCING SOURCES</b>									
Michigan Transportation Fund distribution	\$	\$	\$	\$ 605,005	\$ 605,005	\$ 0	\$ 159,921	\$ 159,921	\$ 0
Grants and transfers from other funds	3,506	3,506	0	217,613	217,613	0	1,861	1,861	0
Proceeds from sale of capital assets				3,006	3,006	0			
<b>Total other financing sources</b>	<b>\$ 3,506</b>	<b>\$ 3,506</b>	<b>\$ 0</b>	<b>\$ 825,624</b>	<b>\$ 825,624</b>	<b>\$ 0</b>	<b>\$ 161,782</b>	<b>\$ 161,782</b>	<b>\$ 0</b>
<b>OTHER FINANCING USES</b>									
Michigan Transportation Fund distribution	\$ 803,020	\$ 764,926	\$ 38,094	\$	\$	\$	\$	\$	\$
Grants and transfers to other funds	207,470	203,296	4,174	2,700	2,703	(3)	95	67	28
Debt service				188,133	188,132	0	29,842	29,842	0
<b>Total other financing uses</b>	<b>\$ 1,010,490</b>	<b>\$ 968,222</b>	<b>\$ 42,269</b>	<b>\$ 190,833</b>	<b>\$ 190,835</b>	<b>\$ (2)</b>	<b>\$ 29,937</b>	<b>\$ 29,909</b>	<b>\$ 28</b>
Excess of other financing sources over (under) other financing uses	\$ (1,006,984)	\$ (964,716)	\$ 42,269	\$ 634,791	\$ 634,789	\$ (2)	\$ 131,845	\$ 131,874	\$ 28
Excess of revenues and other financing sources over (under) expenditures, encumbrances, and other financing uses	\$ (101,232)	\$ 0	\$ 101,232	\$ (300,192)	\$ (265,628)	\$ 34,564	\$ (40,400)	\$ (31,171)	\$ 9,229
<b>RECONCILING ITEMS</b>									
Encumbrances at September 30		\$			\$ 81,714			\$ 38,019	
Funds not annually budgeted									
<b>Net reconciling items</b>		<b>\$ 0</b>			<b>\$ 81,714</b>			<b>\$ 38,019</b>	
Excess of revenues and other financing sources over (under) expenditures and other financing uses (GAAP Basis)		\$ 0			\$ (183,915)			\$ 6,848	
<b>FUND BALANCES (GAAP BASIS)</b>									
Beginning balances		0			892,858			57,603	
Ending balances		<u>\$ 0</u>			<u>\$ 708,943</u>			<u>\$ 64,451</u>	

State Aeronautics Fund			Funds Not Annually Budgeted			Totals		
Budget	Actual	Variance Favorable (Unfavorable)	Combined State Trunkline Bond Proceeds Fund	Combined Comprehensive Transportation Bond Proceeds Fund	Transportation Related Trust Fund	Budget	Actual	Variance Favorable (Unfavorable)
\$ 5,344	\$ 5,344	\$ 0	\$	\$	\$	\$ 1,931,831	\$ 1,931,831	\$ 0
302	302	0				39,687	39,687	0
108,295	108,295	0				832,518	832,518	0
34	34	0				10,275	10,275	0
711	711	0				28,699	28,699	0
4,039	4,039	0				2,966	2,966	0
						55,614	55,614	0
<u>\$ 118,725</u>	<u>\$ 118,725</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,901,590</u>	<u>\$ 2,901,590</u>	<u>\$ 0</u>
\$ 8,551	\$ 6,995	\$ 1,557	\$	\$	\$	\$ 569,950	\$ 542,250	\$ 27,701
						185,529	185,092	438
						1,203,177	1,137,861	65,317
118,974	117,800	1,174				118,974	117,800	1,174
						2,966	2,891	75
<u>\$ 127,525</u>	<u>\$ 124,794</u>	<u>\$ 2,731</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,080,597</u>	<u>\$ 1,985,893</u>	<u>\$ 94,704</u>
\$	\$	\$	\$	\$	\$	\$ 1,013,189	\$ 1,002,442	\$ 10,747
324	324	0				18,403	18,394	10
<u>\$ 324</u>	<u>\$ 324</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,031,593</u>	<u>\$ 1,020,836</u>	<u>\$ 10,757</u>
<u>\$ 127,849</u>	<u>\$ 125,118</u>	<u>\$ 2,731</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,112,190</u>	<u>\$ 3,006,729</u>	<u>\$ 105,461</u>
<u>\$ (9,123)</u>	<u>\$ (6,393)</u>	<u>\$ 2,731</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (210,600)</u>	<u>\$ (105,139)</u>	<u>\$ 105,461</u>
\$	\$	\$	\$	\$	\$	\$ 764,926	\$ 764,926	\$ 0
6,000	6,000	0				228,980	228,980	0
						3,006	3,006	0
<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 996,912</u>	<u>\$ 996,912</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$	\$	\$ 803,020	\$ 764,926	\$ 38,094
55	47	8				210,320	206,112	4,208
3,475	3,475	0				221,449	221,449	1
<u>\$ 3,530</u>	<u>\$ 3,521</u>	<u>\$ 8</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,234,790</u>	<u>\$ 1,192,486</u>	<u>\$ 42,303</u>
<u>\$ 2,470</u>	<u>\$ 2,479</u>	<u>\$ 8</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (237,877)</u>	<u>\$ (195,574)</u>	<u>\$ 42,303</u>
<u>\$ (6,653)</u>	<u>\$ (3,914)</u>	<u>\$ 2,739</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (448,477)</u>	<u>\$ (300,713)</u>	<u>\$ 147,764</u>
	\$ 4,958		\$ (206,562)	\$ (13,219)	\$		\$ 124,690	\$ (219,781)
	<u>\$ 4,958</u>		<u>\$ (206,562)</u>	<u>\$ (13,219)</u>	<u>\$ 0</u>		<u>\$ (95,091)</u>	
	\$ 1,044		\$ (206,562)	\$ (13,219)	\$ 0		\$ (395,804)	
	<u>21,968</u>		<u>241,981</u>	<u>68,068</u>	<u>0</u>		<u>1,282,478</u>	
	<u>\$ 23,012</u>		<u>\$ 35,418</u>	<u>\$ 54,849</u>	<u>\$ 0</u>		<u>\$ 886,673</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, 2007  
(In Thousands)

(Statutory/Budgetary Basis)	Michigan Transportation Fund			State Trunkline Fund			Comprehensive Transportation Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>									
Taxes	\$ 1,899,550	\$ 1,899,550	\$ 0	\$ 16,611	\$ 16,611	\$ 0	\$ 67,678	\$ 67,678	\$ 0
Licenses and permits	32,786	32,786	0	833,073	833,073	0	314	314	0
Federal aid				18,317	18,317	0	26,171	26,171	0
Local participation				25,080	25,080	0	233	233	0
Interest earnings	6,933	6,933	0	2,790	2,790	0			
Nonoperating revenue - bridges				36,640	36,640	0			
Other miscellaneous and services	3,187	3,187	0				1,143	1,143	0
Total revenues	<u>\$ 1,942,456</u>	<u>\$ 1,942,456</u>	<u>\$ 0</u>	<u>\$ 932,512</u>	<u>\$ 932,512</u>	<u>\$ 0</u>	<u>\$ 95,538</u>	<u>\$ 95,538</u>	<u>\$ 0</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>									
Administration and operations:									
Administration and maintenance	\$ 10,144	\$ 8,741	\$ 1,404	\$ 508,985	\$ 478,556	\$ 30,429	\$ 10,392	\$ 8,422	\$ 1,970
Bus operating assistance grants							184,089	184,089	0
Other grants	1,011,544	942,536	69,007	170,800	168,429	2,372	84,544	80,761	3,783
Airport development									
Nonoperating expenditures - bridges				2,790	2,716	75			
Total administration and operations	<u>\$ 1,021,688</u>	<u>\$ 951,277</u>	<u>\$ 70,411</u>	<u>\$ 682,575</u>	<u>\$ 649,700</u>	<u>\$ 32,876</u>	<u>\$ 279,025</u>	<u>\$ 273,272</u>	<u>\$ 5,753</u>
Capital outlay:									
Roads and bridges	\$	\$	\$	\$ 901,693	\$ 901,693	\$ 0	\$	\$	\$
Other capital outlay				19,724	19,587	137	122	122	0
Total capital outlay	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 921,417</u>	<u>\$ 921,280</u>	<u>\$ 137</u>	<u>\$ 122</u>	<u>\$ 122</u>	<u>\$ 0</u>
Total expenditures and encumbrances	<u>\$ 1,021,688</u>	<u>\$ 951,277</u>	<u>\$ 70,411</u>	<u>\$ 1,603,993</u>	<u>\$ 1,570,980</u>	<u>\$ 33,013</u>	<u>\$ 279,147</u>	<u>\$ 273,394</u>	<u>\$ 5,753</u>
Excess of revenues over (under) expenditures and encumbrances	<u>\$ 920,768</u>	<u>\$ 991,179</u>	<u>\$ 70,411</u>	<u>\$ (671,481)</u>	<u>\$ (638,468)</u>	<u>\$ 33,013</u>	<u>\$ (183,609)</u>	<u>\$ (177,856)</u>	<u>\$ 5,753</u>
<b>OTHER FINANCING SOURCES</b>									
Michigan Transportation Fund distribution	\$	\$	\$	\$ 624,986	\$ 624,986	\$ 0	\$ 164,750	\$ 164,750	\$ 0
Grants and transfers from other funds	979	979	0	217,989	217,989	0	1,840	1,840	0
Proceeds from sale of capital assets				2,840	2,840	0			
Total other financing sources	<u>\$ 979</u>	<u>\$ 979</u>	<u>\$ 0</u>	<u>\$ 845,815</u>	<u>\$ 845,815</u>	<u>\$ 0</u>	<u>\$ 166,590</u>	<u>\$ 166,590</u>	<u>\$ 0</u>
<b>OTHER FINANCING USES</b>									
Michigan Transportation Fund distribution	\$ 843,096	\$ 789,736	\$ 53,360	\$	\$	\$	\$	\$	\$
Grants and transfers to other funds	207,160	202,423	4,738	2,700	2,896	(196)	95	72	23
Debt service				170,995	158,466	12,528	28,808	28,808	0
Total other financing uses	<u>\$ 1,050,257</u>	<u>\$ 992,159</u>	<u>\$ 58,098</u>	<u>\$ 173,695</u>	<u>\$ 161,363</u>	<u>\$ 12,332</u>	<u>\$ 28,903</u>	<u>\$ 28,880</u>	<u>\$ 23</u>
Excess of other financing sources over (under) other financing uses	<u>\$ (1,049,277)</u>	<u>\$ (991,179)</u>	<u>\$ 58,098</u>	<u>\$ 672,120</u>	<u>\$ 684,452</u>	<u>\$ 12,332</u>	<u>\$ 137,687</u>	<u>\$ 137,710</u>	<u>\$ 23</u>
Excess of revenues and other financing sources over (under) expenditures, encumbrances, and other financing uses	<u>\$ (128,509)</u>	<u>\$ 0</u>	<u>\$ 128,509</u>	<u>\$ 639</u>	<u>\$ 45,984</u>	<u>\$ 45,345</u>	<u>\$ (45,922)</u>	<u>\$ (40,145)</u>	<u>\$ 5,776</u>
<b>RECONCILING ITEMS</b>									
Encumbrances at September 30		\$			\$ 96,267			\$ 41,036	
Funds not annually budgeted									
Net reconciling items		<u>\$ 0</u>			<u>\$ 96,267</u>			<u>\$ 41,036</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing uses (GAAP Basis)		\$ 0			\$ 142,250			\$ 891	
<b>FUND BALANCES (GAAP BASIS)</b>									
Beginning balances		\$ 0			\$ 750,608			\$ 56,712	
Ending balances		<u>\$ 0</u>			<u>\$ 892,858</u>			<u>\$ 57,603</u>	

State Aeronautics Fund			Funds Not Annually Budgeted			Totals		
Budget	Actual	Variance Favorable (Unfavorable)	Combined State Trunkline Bond Proceeds Fund	Combined Comprehensive Transportation Bond Proceeds Fund	Transportation Related Trust Fund	Budget	Actual	Variance Favorable (Unfavorable)
\$ 6,335	\$ 6,335	\$ 0	\$	\$	\$	\$ 1,973,563	\$ 1,973,563	\$ 0
315	315	0				50,025	50,025	0
112,674	112,674	0				971,919	971,919	0
30	30	0				18,347	18,347	0
607	607	0				32,853	32,853	0
3,825	3,825	0				2,790	2,790	0
						44,796	44,796	0
<u>\$ 123,785</u>	<u>\$ 123,785</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,094,292</u>	<u>\$ 3,094,292</u>	<u>\$ 0</u>
\$ 8,382	\$ 6,541	\$ 1,840	\$	\$	\$	\$ 537,903	\$ 502,260	\$ 35,643
						184,089	184,089	0
						1,266,888	1,191,726	75,162
135,071	130,137	4,934				135,071	130,137	4,934
						2,790	2,716	75
<u>\$ 143,453</u>	<u>\$ 136,678</u>	<u>\$ 6,774</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,126,741</u>	<u>\$ 2,010,927</u>	<u>\$ 115,814</u>
\$	\$	\$	\$	\$	\$	\$ 901,693	\$ 901,693	\$ 0
264	264	0				20,110	19,973	137
<u>\$ 264</u>	<u>\$ 264</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 921,803</u>	<u>\$ 921,666</u>	<u>\$ 137</u>
<u>\$ 143,717</u>	<u>\$ 136,942</u>	<u>\$ 6,774</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,048,544</u>	<u>\$ 2,932,593</u>	<u>\$ 115,951</u>
<u>\$ (19,931)</u>	<u>\$ (13,157)</u>	<u>\$ 6,774</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 45,748</u>	<u>\$ 161,699</u>	<u>\$ 115,951</u>
\$	\$	\$	\$	\$	\$	\$ 789,736	\$ 789,736	\$ 0
11,000	11,000	0				231,808	231,808	0
						2,840	2,840	0
<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,024,384</u>	<u>\$ 1,024,384</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$	\$	\$ 843,096	\$ 789,736	\$ 53,360
55	46	9				210,010	205,436	4,574
5,607	4,352	1,256				205,410	191,626	13,784
<u>\$ 5,662</u>	<u>\$ 4,398</u>	<u>\$ 1,265</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,258,516</u>	<u>\$ 1,186,798</u>	<u>\$ 71,718</u>
<u>\$ 5,338</u>	<u>\$ 6,602</u>	<u>\$ 1,265</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (234,132)</u>	<u>\$ (162,414)</u>	<u>\$ 71,718</u>
<u>\$ (14,594)</u>	<u>\$ (6,554)</u>	<u>\$ 8,039</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (188,385)</u>	<u>\$ (716)</u>	<u>\$ 187,669</u>
\$ 5,938			\$ 104,441	\$ (21,557)	\$		\$ 143,241	\$ 82,883
<u>\$ 5,938</u>			<u>\$ 104,441</u>	<u>\$ (21,557)</u>	<u>\$ 0</u>		<u>\$ 226,124</u>	
\$ (616)			\$ 104,441	\$ (21,557)	\$ 0		\$ 225,408	
\$ 22,584			\$ 137,540	\$ 89,625	\$ 0		\$ 1,057,069	
<u>\$ 21,968</u>			<u>\$ 241,981</u>	<u>\$ 68,068</u>	<u>\$ 0</u>		<u>\$ 1,282,478</u>	



## Descriptions of Debt Service Funds

### **COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND**

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

### **COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND**

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

MICHIGAN DEPARTMENT OF TRANSPORTATION  
 Combining Balance Sheet  
 Debt Service Funds  
As of September 30  
 (In Thousands)

	Combined State Trunkline Bond and Interest Redemption Fund		Combined Comprehensive Transportation Bond and Interest Redemption Fund		Totals	
	2008	2007	2008	2007	2008	2007
<b>ASSETS</b>						
Current assets:						
Equity in common cash	\$	\$ 124	\$	\$	\$ 0	\$ 124
Total assets	\$ 0	\$ 124	\$ 0	\$ 0	\$ 0	\$ 124
<b>LIABILITIES AND FUND BALANCES</b>						
Current liabilities:						
Warrants outstanding	\$	\$ 10	\$	\$	\$ 0	\$ 10
Accounts payable		114			0	114
Total liabilities	\$ 0	\$ 124	\$ 0	\$ 0	\$ 0	\$ 124
Total fund balances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total liabilities and fund balances	\$ 0	\$ 124	\$ 0	\$ 0	\$ 0	\$ 124

**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	
	2008	2007	2008	2007	2008	2007
<b>REVENUES</b>						
Interest earnings	\$ 1	\$ 1	\$ 1		\$ 2	\$ 1
Total revenues	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ 2</u>	<u>\$ 1</u>
<b>EXPENDITURES</b>						
Administration and maintenance	\$ 1	\$ 1	\$ 1		\$ 2	\$ 1
Bond principal retirement	75,523	71,994	21,275	20,230	96,798	92,224
Bond interest and fiscal charges	112,609	86,472	12,041	12,930	124,651	99,402
Total expenditures	<u>\$ 188,133</u>	<u>\$ 158,467</u>	<u>\$ 33,317</u>	<u>\$ 33,160</u>	<u>\$ 221,450</u>	<u>\$ 191,627</u>
Excess of revenues over (under) expenditures	<u>\$(188,132)</u>	<u>\$(158,466)</u>	<u>\$(33,316)</u>	<u>\$(33,160)</u>	<u>\$(221,449)</u>	<u>\$(191,626)</u>
<b>OTHER FINANCING SOURCES</b>						
Transfer from State Trunkline Fund	\$ 188,132	\$ 158,466	\$	\$	\$ 188,132	\$ 158,466
Transfer from Comprehensive Transportation Fund			33,316	33,160	33,316	33,160
Total other financing sources	<u>\$ 188,132</u>	<u>\$ 158,466</u>	<u>\$ 33,316</u>	<u>\$ 33,160</u>	<u>\$ 221,449</u>	<u>\$ 191,626</u>
<b>OTHER FINANCING USES</b>						
Debt service	\$	\$	\$	\$	\$ 0	\$ 0
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>\$ 188,132</u>	<u>\$ 158,466</u>	<u>\$ 33,316</u>	<u>\$ 33,160</u>	<u>\$ 221,449</u>	<u>\$ 191,626</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund balances - Beginning of fiscal year					0	0
Fund balances - End of fiscal year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</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>2008</u>	<u>2007</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Licenses and permits	\$ 154	\$ 10,986
Federal aid	26,083	35,893
Local participation	432	367
Interest earnings	4,501	4,616
Michigan Transportation Fund distribution	40,275	40,275
Miscellaneous	552	2,987
Transfers in		776
Total revenues and other financing sources	<u>\$ 71,997</u>	<u>\$ 95,899</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Administration and maintenance	\$ 366	\$ 468
Forest roads	5,040	5,040
Target industries - State takeovers	14,011	12,820
Rural county urban system	2,823	4,096
Urban county congestion	14,546	19,791
Rural county primary	23,855	28,784
Debt service	14,609	14,342
Total expenditures and other financing uses	<u>\$ 75,250</u>	<u>\$ 85,342</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ (3,253)	\$ 10,558
Fund balances - Beginning of fiscal year	<u>111,121</u>	<u>100,564</u>
Fund balances - End of fiscal year	<u>\$ 107,869</u>	<u>\$ 111,121</u>

The Economic Development Fund (EDF) was created as a subfund of the State Trunkline Fund during fiscal year 1987-88. The amounts shown on this schedule have been reported as part of the State Trunkline Fund in the various combined and combining 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, motor vehicle fee income, federal funds for expenditures eligible for matching, and interest earnings. EDF money is expended for the purpose of enhancing the State's ability to compete in an international economy, serving as a catalyst for the economic growth of the State, and improving the quality of life in the rural and urban areas of the State.

Licenses and permits revenue was reduced in fiscal year 2007-08 because of a \$13 million transfer to the State's General Fund that was required by Act 346, P.A. 2008, and Act 364, P.A. 2008.

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

	2008	2007
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Interest earnings on common cash	\$ 355	\$ 237
Miscellaneous revenue	15,604	13,987
Total revenues and other financing sources	\$ 15,959	\$ 14,225
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Administration and operations:		
Administration and maintenance	\$ 4,891	\$ 5,143
Roads and bridges	6,146	2,452
Grants and transfers to other funds	26	23
Debt service	1,752	2,528
Total expenditures and other financing uses	\$ 12,815	\$ 10,145
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 3,144	\$ 4,080
Fund balances - Beginning of fiscal year	8,258	4,179
Fund balances - End of fiscal year	\$ 11,402	\$ 8,258

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

Through provisions of Section 1012 of the federal Intermodal Surface Transportation Efficiency Act of 1991, the State Trunkline Fund received federal funds to be loaned to BWBF for construction of the Blue Water Bridge Project. Repayment of the \$45 million loan began in 1998. The term of the loan will not exceed 30 years from the time that the loan was obligated. The loan was fully repaid in fiscal year 2006-07.

MICHIGAN DEPARTMENT OF TRANSPORTATION  
Schedule of Expenditures of Federal Awards (Note 1)  
For the Period October 1, 2006 through September 30, 2008  
(In Thousands)

For the Fiscal Year Ended September 30, 2007

Federal Agency/Program or Cluster	CFDA * Number	Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
<b><u>U.S. Department of Transportation</u></b>				
Federal Transit Cluster				
Direct Programs:				
Federal Transit: Capital Investment Grants	20.500	\$	\$ 3,916	\$ 3,916
Federal Transit: Formula Grants	20.507	1,340		1,340
Total Federal Transit Cluster		<u>\$ 1,340</u>	<u>\$ 3,916</u>	<u>\$ 5,256</u>
Transit Services Programs or Cluster				
Direct Programs:				
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	\$	\$	\$ 0
Job Access: Revenue Commute	20.516			0
New Freedom Program	20.521			0
Total Transit Services Programs or Cluster		<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Direct Programs:				
Airport Improvement Program (Note 2)	20.106	\$ 41,761	\$	\$ 41,761
Highway Planning and Construction (Note 3)	20.205	1,054,915	41,022	1,095,937
High Speed Ground Transportation: Next Generation High Speed Rail Program	20.312	87		87
Federal Transit: Metropolitan Planning Grants	20.505		2,174	2,174
Formula Grants for Other Than Urbanized Areas	20.509	1,097	16,398	17,495
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513		2,950	2,950
State Planning and Research	20.515	1	192	193
Job Access: Reverse Commute	20.516		398	398
Total Direct Programs		<u>\$ 1,097,861</u>	<u>\$ 63,134</u>	<u>\$ 1,160,995</u>
<b>Total U.S. Department of Transportation</b>		<b><u>\$ 1,099,201</u></b>	<b><u>\$ 67,050</u></b>	<b><u>\$ 1,166,251</u></b>
Total Expenditures of Federal Awards		<u>\$ 1,099,201</u>	<u>\$ 67,050</u>	<u>\$ 1,166,251</u>

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

See accompanying notes to the schedule of expenditures of federal awards.

<u>For the Fiscal Year Ended September 30, 2008</u>			Total Expended and Distributed
<u>Directly Expended</u>	<u>Distributed to Subrecipients</u>	<u>Total Expended and Distributed</u>	<u>for the Two-Year Period</u>
\$ 6	\$ 10,564	\$ 10,570	\$ 14,486
427		427	1,767
<u>\$ 433</u>	<u>\$ 10,564</u>	<u>\$ 10,997</u>	<u>\$ 16,253</u>
\$ 31	\$ 1,823	\$ 1,854	\$ 1,854
19	1,359	1,378	1,378
		0	0
<u>\$ 50</u>	<u>\$ 3,182</u>	<u>\$ 3,232</u>	<u>\$ 3,232</u>
\$ 86,051	\$	\$ 86,051	\$ 127,812
1,003,730	40,191	1,043,921	2,139,858
22		22	109
	1,907	1,907	4,081
1,657	15,747	17,404	34,899
		0	2,950
21	332	353	546
		0	398
<u>\$ 1,091,481</u>	<u>\$ 58,177</u>	<u>\$ 1,149,658</u>	<u>\$ 2,310,653</u>
<u><b>\$ 1,091,964</b></u>	<u><b>\$ 71,923</b></u>	<u><b>\$ 1,163,887</b></u>	<u><b>\$ 2,330,138</b></u>
<u><b>\$ 1,091,964</b></u>	<u><b>\$ 71,923</b></u>	<u><b>\$ 1,163,887</b></u>	<u><b>\$ 2,330,138</b></u>

## Notes to the Schedule of Expenditures of Federal Awards

### Note 1 Basis of Presentation

This schedule presents the federal grant activity of the Michigan Department of Transportation (MDOT) on the modified accrual basis of accounting and in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 Federal expenditures for Wayne County Airport Authority (WCAA) of \$73.7 million and \$25.6 million for fiscal years 2006-07 and 2007-08, respectively, are not included in the schedule of expenditures of federal awards (SEFA) for the Airport Improvement Program (CFDA 20.106). MDOT is channeling\* Airport Improvement Program grants from the Federal Aviation Administration (FAA) to primary airports, including the WCAA, in accordance with Act 345, P.A. 1945. The FAA determined that MDOT has no oversight responsibility for these grants to primary airports. The FAA and the U.S. Department of Transportation Office of Inspector General agreed with MDOT that WCAA expenditures will not be reported in the SEFA due to WCAA administering its own contracting functions directly. The remaining primary airports are included in the amount directly expended on the SEFA due to MDOT administering the contracting functions for these primary airports.

### Note 3 Highway Planning and Construction

MDOT's SEFA reported \$250.1 million more in Highway Planning and Construction Program (CFDA 20.205) expenditures than the amount in the State's accounting records in fiscal year 2006-07. This difference is from MDOT converting advanced construction\* (AC) project expenditures related to GARVEE (grant anticipation revenue vehicles) notes\* previously issued by MDOT.

AC projects are construction projects originally funded using State funds, which have been preapproved for future federal reimbursement when the AC project

\* See glossary at end of report for definition.

federal funds become available at a later date. MDOT obtains federal reimbursement by converting the AC project expenditures.

MDOT issued \$600 million of GARVEE notes in fiscal years 2000-01 and 2001-02 to provide the original State funding for AC project expenditures. MDOT planned to use the federal funds from converting these AC construction projects to repay these notes in future fiscal years. However, these AC project expenditures were not needed to repay the GARVEE notes because MDOT refinanced the GARVEE notes during fiscal year 2006-07 by issuing \$244.5 million in long-term bonds. MDOT subsequently collected federal reimbursement from converting \$250.1 million in AC project expenditures originally funded by the issuance of the GARVEE notes. Because the related expenditures were recorded in previous fiscal years, this resulted in a \$250.1 million reconciling item between the SEFA and the State's accounting records.

Note 4 State Infrastructure Bank (SIB) Program

The SIB Program was enacted by the U.S. Congress in 1995 as part of the U.S. Department of Transportation's continuing effort to increase infrastructure investment in the transportation sector. A SIB is an investment fund at the state or multi-state level with the ability to make loans to public and private entities to carry out highway construction or transit capital projects. The Federal Highway Administration (FHWA) deposited a percentage of funds apportioned to the State of Michigan in fiscal years 1997-98 through 2004-05 in an MDOT account strictly used for SIB activity. A state match equal to 25% of the federal deposit was required. These monies, along with interest earnings, are to remain in the SIB account and be used for purposes included in the cooperative agreement between FHWA, the Federal Transit Administration, and MDOT. At the end of fiscal year 2007-08, the total amount of federal and State deposits and interest earnings equaled \$21.8 million.

Five loans, totaling \$5,522,000, were made during the audit period.



INDEPENDENT AUDITOR'S REPORTS ON  
INTERNAL CONTROL AND COMPLIANCE



STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL  
201 N. WASHINGTON SQUARE  
LANSING, MICHIGAN 48913  
(517) 334-8050  
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Mr. Ted B. Wahby, Chair  
State Transportation Commission  
and  
Kirk T. Steudle, P.E., Director  
Michigan Department of Transportation  
Murray Van Wagoner Transportation Building  
Lansing, Michigan

Dear Mr. Wahby and Mr. Steudle:

We have audited the financial statements of the Michigan Department of Transportation as of and for the fiscal years ended September 30, 2008 and September 30, 2007, as identified in the table of contents, and have issued our report thereon dated June 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the next paragraph, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in Findings 1 through 3 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described in the third paragraph of this section is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Department's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Department's management, the State Transportation Commission, the Michigan Aeronautics Commission, others within the Department, the Governor, the Legislature, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR GENERAL

June 25, 2009



STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL  
201 N. WASHINGTON SQUARE  
LANSING, MICHIGAN 48913  
(517) 334-8050  
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

Independent Auditor's Report on Compliance With  
Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133

Mr. Ted B. Wahby, Chair  
State Transportation Commission  
and  
Kirk T. Steudle, P.E., Director  
Michigan Department of Transportation  
Murray Van Wagoner Transportation Building  
Lansing, Michigan

Dear Mr. Wahby and Mr. Steudle:

Compliance

We have audited the compliance of the Michigan Department of Transportation with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each major federal program for the two-year period ended September 30, 2008. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the preceding paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion the Michigan Department of Transportation complied, in all material respects, with the requirements referred to in the first paragraph that are applicable to each of its major federal programs for the two-year period ended September 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding 4.

### Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Department's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 4 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the preceding paragraph to be a material weakness.

The Department's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Department's management, the State Transportation Commission, the Michigan Aeronautics Commission, others within the Department, the Governor, the Legislature, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR GENERAL

June 25, 2009

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Section I: Summary of Auditor's Results

### Financial Statements

Type of auditor's report issued:	Unqualified*
Internal control* over financial reporting:	
Material weaknesses* identified?	No
Significant deficiencies* identified that are not considered to be material weaknesses?	Yes
Noncompliance or other matters material to the financial statements?	No

### Federal Awards

Internal control over major programs:	
Material weaknesses* identified?	No
Significant deficiencies* identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133, Section 510(a)?	Yes

### Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
20.500 and 20.507	Federal Transit Cluster
20.509	Formula Grants for Other Than Urbanized Areas

\* See glossary at end of report for definition.

Dollar threshold used to distinguish between type A and type B programs: \$7,006,981

Auditee qualified as a low-risk auditee\*?

No

## Section II: Findings Related to the Financial Statements

### **FINDING (5910901)**

#### 1. Controls Over Cash Receipts

The Michigan Department of Transportation (MDOT) needs to improve its internal control over cash receipts received through the mail and by its central cashier. Internal control over cash receipts is important because the central cashier deposits in excess of \$150 million of cash receipts each fiscal year.

Internal control is a process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Further, Section 18.1485 of the *Michigan Compiled Laws* requires MDOT to establish and maintain an internal accounting and administrative control system that includes a system of authorization and recordkeeping procedures to control assets, liabilities, revenues, and expenditures; qualified personnel that maintain a level of competence; and internal control techniques that are effective and efficient.

The State of Michigan Financial Management Guide (FMG) (Part II, Chapter 9, Section 100) describes various procedures to be followed for the receipting and depositing of cash and cash items received by a State agency. It provides that each agency has the responsibility to establish an internal control environment that ensures the safeguarding of cash receipts. It also describes various control features that should be considered when establishing and evaluating the control environment. MDOT Guidance Document 10134 also establishes accountability requirements for cash receipts in field offices, but MDOT did not have a similar procedure for the central cashier.

\* See glossary at end of report for definition.

Our review of MDOT's procedures for processing money received through the mail and by the central cashier disclosed that there were controls recommended by the Department of Management and Budget that were not included in MDOT's processes. We also noted other controls that would improve the accountability over cash receipts:

- a. MDOT had two staff opening the mail, but only one of the mail openers initialed the cash receipts log. The FMG requires both mail openers to initial the cash receipts log.
- b. Mailroom staff did not restrictively endorse checks received through the mail. The FMG requires that checks and money orders be restrictively endorsed immediately upon receipt, unless they are received in error. MDOT's process is for the central cashier to restrictively endorse checks after determining that the checks were appropriate for deposit.
- c. Mailroom staff did not record the amount received by type of cash item, e.g., check, currency, or warrant, on the cash receipts log. According to the FMG, the cash receipts log should indicate the amount received by type.
- d. The central cashier did not initial the cash receipts log to acknowledge receipt of the money from the mail openers. The FMG requires that the cashier initial the cash receipts log to acknowledge verification of the count and transfer of money to the central cashier.
- e. The central cashier frequently did not prepare and issue a receipt to individuals making a deposit with the central cashier. The cashier prepared a handwritten receipt only for currency or if the person making the payment requested a receipt. The FMG requires that a receipt be issued for cash receipts received on-site other than by mail and that a prenumbered cash receipt should be used if a cash register or validating machine is not available. MDOT Guidance Document 10134 pertaining to the handling of cash items at field offices also requires that a receipt be prepared for all cash items received, but this process was not followed by the central cashier.
- f. The central cashier did not make timely deposits of currency received. The FMG requires that a cashier deposit accumulated receipts when either the currency received exceeds \$200 or the dollar amount of checks received

exceeds \$500. MDOT Guidance Document 10134 has the same requirement for field locations, but this process was not followed by the central cashier. Although both checks and currency needed to be deposited with accumulated receipts, the central cashier did not include currency in deposits unless there was more than \$200 in currency.

- g. MDOT did not compare the cashier batch documents with the cash receipts log. This comparison is needed to make sure that all cash receipts were deposited or otherwise accounted for.
- h. The central cashier collects the cash receipts and also records the payments directly into MDOT's Accounts Receivable System (ARS). Proper internal control would require someone other than the cashier to record these payments.

### **RECOMMENDATION**

We recommend that MDOT improve its internal control over cash receipts received through the mail and by its central cashier.

### **FINDING (5910902)**

#### **2. Distributions From the Michigan Transportation Fund**

MDOT needs to strengthen its internal control over the distribution of motor fuel taxes and vehicle registration fees from the Michigan Transportation Fund to county road commissions to ensure compliance with State law. Although total distributions were correct, we noted that MDOT made incorrect distributions to several individual county road commissions during fiscal years 2007-08 and 2006-07.

Motor fuel taxes and vehicle registration fees provide the bulk of the revenues that are deposited into the Michigan Transportation Fund. These revenues are distributed to various entities, including county road commissions, in accordance with Act 51, P.A. 1951. A portion of the distributions received by county road commissions is for local roads (65% of this amount is distributed based on local road mileage within each county and 35% of this amount is distributed based on the rural population within each county).

MDOT calculated each county's rural population by deducting the population of the county's cities and villages from the county's total population. However, MDOT's calculations for these distributions did not consider that the population of some cities and villages may be located in more than one county. Instead, MDOT deducted all of the population of cities and villages from the county that contained a majority of the city or village. As a result, MDOT's distributions to county road commissions were not based on the correct rural population whenever a city or village was in more than one county. MDOT informed us that this distribution methodology had been used for many years.

MDOT distributed \$108.5 million from the Michigan Transportation Fund to county road commissions for local roads during fiscal years 2007-08 and 2006-07. Our review of these distributions noted that there were 24 instances in which the population of cities and villages resided in more than one county. In each of these 24 instances, MDOT deducted the entire population of the city or village from a single county instead of deducting an appropriate amount from each county. As a result, MDOT used an incorrect rural population for 35 counties when making the annual distributions from the Michigan Transportation Fund. This resulted in underpayments totaling \$220,000 and \$228,000 to 19 county road commissions for fiscal years 2007-08 and 2006-07, respectively, and overpayments totaling \$220,000 and \$228,000 to 16 county road commissions for fiscal years 2007-08 and 2006-07, respectively.

The underpayments and net overpayments by county for fiscal years 2007-08 and 2006-07 are as follows:

Summary by County

County	Net Underpayment	County	Net Overpayment
Ottawa	\$ (173,640)	Allegan	\$ 173,833
Ingham	(116,717)	Eaton	115,680
Oakland	(74,910)	Wayne	72,981
Washtenaw	(41,228)	Monroe	41,228
Oceana	(8,776)	Newaygo	8,776
Emmet	(7,691)	St. Clair	7,788
Macomb	(5,859)	Cheboygan	7,691
Midland	(5,352)	Bay	5,352
Grand Traverse	(3,592)	Leelanau	3,592
Kent	(3,351)	Genesee	3,520
Shiawassee	(2,001)	Muskegon	3,351
Lapeer	(1,326)	Clinton	2,001
Ionia	(1,013)	Calhoun	820
Branch	(820)	Isabella	796
Clare	(796)	Jackson	723
Lenawee	(723)	Cass	121
Van Buren	(193)		
Sanilac	(145)		
Berrien	(121)		
Total	\$ (448,253)		\$ 448,253

**RECOMMENDATIONS**

We recommend that MDOT strengthen its internal control over the distribution of motor fuel taxes and vehicle registration fees from the Michigan Transportation Fund to county road commissions to ensure compliance with State law.

We also recommend that MDOT correct all distributions made to county road commissions during fiscal years 2007-08 and 2006-07.

We further recommend that MDOT obtain a formal Attorney General opinion to determine how far back it should go to correct distributions made to county road commissions in previous fiscal years.

### **FINDING (5910903)**

#### **3. Cash Management**

MDOT did not request federal reimbursement in a timely manner for eligible expenditures for the Highway Planning and Construction Program. As a result, the State lost interest of \$385,000 for the two-year period ended September 30, 2008. Also, MDOT should request that the Department of Treasury renegotiate its Cash Management Improvement Act (CMIA) agreement for the Highway Planning and Construction Program to take into account the time savings that result from the use of electronic funds transfers. This would allow MDOT to receive federal reimbursements up to two days sooner than the current CMIA agreement so that the State would not lose additional interest revenues of as much as \$189,000 per year.

Department of Management and Budget Administrative Guide procedure 1210.06 stipulates that funds are to be requested as close as is administratively feasible to the actual cash outlay by the State for the programs.

The federal CMIA of 1990 regulates federal cash management requirements. The CMIA requires states to comply with procedures, which have been agreed to by the federal government, and to receive funds from the federal government as close as possible to the actual cash outlays for the federal program. Also, CMIA agreements with the federal government, which are negotiated for the State by the Department of Treasury, can be revised annually.

Because federal funding is not always available, MDOT completes several advanced construction (AC) projects each year using State funds. However, under an arrangement with the Federal Highway Administration (FHWA), MDOT qualifies these construction projects for federal reimbursement. At a later date, when federal funds are available, MDOT will convert AC projects based on several different factors, including the amount of federal funds available.

MDOT converted \$52.0 million of AC projects in November 2006 and \$32.0 million of AC projects in November 2007. The federal funding for these projects became available on October 1st of each year; however, MDOT did not draw down these federal funds until November 4, 2006 and November 2, 2007, respectively. Based on the State's common cash fund interest rate, we estimated that \$385,000 of interest was lost by the State because MDOT did not draw these federal funds on a timely basis.

We also noted that MDOT's current CMIA agreement for the Highway Planning and Construction Program provides for a two-day clearance pattern. This means that MDOT should not receive federal reimbursement until two days after the related program payments are made. However, the two-day clearance requirement does not take into consideration that MDOT now makes most program payments using electronic funds transfers. If MDOT's CMIA agreement for the Highway Planning and Construction Program contained a zero-day clearance pattern, MDOT would be able to request federal funds two days sooner. With annual program expenditures of \$838.5 million, we estimate that receiving federal funds two days sooner would keep the State from losing interest revenues of as much as \$189,000 per year.

## **RECOMMENDATIONS**

We recommend that MDOT request federal reimbursement in a timely manner for eligible expenditures for the Highway Planning and Construction Program.

We also recommend that MDOT request that the Department of Treasury renegotiate its CMIA agreement for the Highway Planning and Construction Program to take into account the time savings that result from the use of electronic funds transfers.

## Section III: Findings and Questioned Costs\* Related to Federal Awards

### **FINDING (5910904)**

#### 4. Airport Improvement Program (AIP), CFDA 20.106

U.S. Department of Transportation	CFDA 20.106: Airport Improvement Program
Award Number: Various	Award Period: 10/01/2006 - 09/30/2008
	Known questioned costs: \$0

MDOT's internal control did not ensure compliance with federal cash management requirements related to nonautomated payments for AIP. As a result, MDOT requested federal reimbursement before the related program expenditures had been made and the State incurred an interest liability to the federal government of approximately \$48,000. Also, MDOT should request that the Department of Treasury renegotiate its CMIA agreement for AIP to take into account the time savings that result from the use of electronic funds transfers. This would allow MDOT to receive federal reimbursement up to two days sooner than the current CMIA agreement so that the State would not lose interest revenues of as much as \$26,000 per year.

The federal CMIA of 1990 regulates federal cash management requirements. The CMIA requires states to comply with procedures, which have been agreed to by the federal government, and to receive funds from the federal government as close as possible to the actual cash outlays for the federal program. However, MDOT cannot receive funds from the federal government prior to making actual cash outlays. Also, CMIA agreements with the federal government, which are negotiated for the State by the Department of Treasury, can be revised annually.

For AIP, MDOT makes most payments using an automated payment process. However, for one vendor, MDOT makes payments with a nonautomated process. Our review of 11 cash draws related to nonautomated payments of \$62.2 million, made by MDOT for AIP during the audit period, disclosed that MDOT obtained federal funds 5 to 13 days earlier than allowed by CMIA. Because these cash

\* See glossary at end of report for definition.

draws were made prior to incurring the related program expenditures, we estimate that the State inappropriately earned approximately \$48,000 in interest revenues. Noncompliance with CMIA requirements could result in the State having to reimburse the federal government for any interest revenues.

We also noted that MDOT's current CMIA agreement for AIP provides for a two-day clearance pattern. This means that MDOT should not receive federal reimbursement until two days after the related program payments are made. However, the two-day clearance requirement does not take into consideration that MDOT now makes AIP payments using electronic funds transfers. If MDOT's CMIA agreement for AIP contained a zero-day clearance pattern, MDOT would be able to request federal funds two days sooner. With federally reimbursable annual program expenditures of \$113.6 million, we estimate that receiving federal funds two days sooner would keep the State from losing interest revenues of as much as \$26,000 per year.

## **RECOMMENDATIONS**

We recommend that MDOT improve its internal control to ensure compliance with federal cash management requirements related to nonautomated payments for AIP.

We also recommend that MDOT request that the Department of Treasury renegotiate its CMIA agreement for AIP to take into account the time savings that result from the use of electronic funds transfers.

**The status of the findings related to federal awards that were reported in prior Single Audits\* is disclosed in the summary schedule of prior audit findings.**

\* See glossary at end of report for definition.

## OTHER SCHEDULES

MICHIGAN DEPARTMENT OF TRANSPORTATION  
Summary Schedule of Prior Audit Findings  
As of June 25, 2009

**PRIOR AUDIT FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

There were no findings related to the financial statements in the prior Single Audit.

**PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS**

Audit Findings That Have Been Fully Corrected:

**Audit Period:** October 1, 2004 through September 30, 2006

**Finding Number:** 5910701

**Finding Title:** State Infrastructure Bank (SIB) Program

**Finding:** The Michigan Department of Transportation (MDOT) needs to strengthen its internal control over the SIB Program to ensure compliance with federal and State laws and regulations and contract terms regarding activities allowed or unallowed.

**Agency Comments:** Procedures were formally adopted on September 30, 2007 to monitor compliance with contract reporting requirements. Program-specific site visit forms were developed in August 2007. Since the finding in June 2007, MDOT has conducted site visits and requested final project accounting in compliance with program procedures and contract provisions.

MICHIGAN DEPARTMENT OF TRANSPORTATION

Corrective Action Plan

As of June 24, 2009

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**Finding Number:** 5910901  
**Finding Title:** Controls Over Cash Receipts

**Management Views:** The Michigan Department of Transportation (MDOT) generally concurs. Finding 1, part b., cited that the mailroom staff did not restrictively endorse checks received through the mail. Reconciling the cash receipts log and the cashier's batch documents, as noted below, will eliminate the need to change MDOT's current process related to endorsing checks received in the mail.

**Planned Corrective Action:** MDOT will ensure that both mail openers initial the cash receipts log. The mailroom staff will record the amount received by type of cash item. The cashier will initial the cash receipts log, acknowledging receipt of the money from the mail openers. The cashier will prepare and issue receipts for all individuals making a deposit at the cashier's office. When making a deposit, the cashier will also deposit all types of cash items as required by the State of Michigan Financial Management Guide.

MDOT will begin to compare the cashier's batch documents with the cash receipts log to verify that all receipts were deposited or otherwise accounted for by having an independent review of the information performed once a week. MDOT will also add a new procedure to ensure that the activity recorded by the cashier in the Accounts Receivable System (ARS) is

accurate. This procedure will consist of an employee, independent of cashier or account receivable duties, sampling the information recorded for a particular day's deposit and validating the information posted to the ARS. This procedure will be performed once a week initially and adjusted if determined a different time frame is needed.

Improving the controls above will eliminate the need to change MDOT's current process related to endorsing checks received in the mail, noted in Finding 1 part b. The cashier will continue to retain responsibility for security of the bank endorsement stamp and restrictively endorse the checks upon receipt of the cash items from the mail openers.

**Anticipated Completion Date:** August 31, 2009

**Responsible Individual:** Edward A. Timpf, Administrator  
Financial Operations Division

---

**Finding Number:** 5910902

**Finding Title:** Distributions From the Michigan Transportation Fund

**Management Views:** MDOT generally concurs.

**Planned Corrective Action:** MDOT notified the locals impacted by this error in March 2009. The Michigan Transportation Fund monthly distribution for fiscal years 2005-06 through 2007-08 and distributions to date for fiscal year 2008-09 were corrected for the population errors with the June 3, 2009 distribution for all but four counties. Two of the counties agreed to work together to negotiate a repayment plan to correct the distribution error between them. MDOT is still working with the remaining two counties on a plan and expects an agreement to be finalized by September 30, 2009.

MDOT disagrees that a formal Attorney General opinion is needed. MDOT sought, received, and followed the advice from an assistant attorney general regarding a three-year statute of limitations and does not believe a formal opinion is required. All counties impacted by this error are in agreement with the corrective plan.

**Anticipated Completion Date:** September 30, 2009

**Responsible Individual:** Edward A. Timpf, Administrator  
Financial Operations Division

---

**Finding Number:** 5910903

**Finding Title:** Cash Management

**Management Views:** MDOT does not concur that it is in violation of the Department of Management and Budget (DMB) Administrative Guide procedure 1210.06. MDOT concurs that it should renegotiate its Cash Management Improvement Act (CMIA) agreement with the Department of Treasury related to the Highway Planning and Construction Program.

**Planned Corrective Action:** Total requests for Highway Planning and Construction Program reimbursements for the audit period total \$2.1 billion. The audit finding noted two requests for Highway Planning and Construction Program reimbursements totaling \$84 million, which represents 4% of total collections. MDOT followed the understanding between MDOT and Federal Highway Administration (FHWA) regarding how the indirect GARVEE (grant anticipation revenue vehicles) advanced construction program would work. However, MDOT does agree that it will work with FHWA to determine if the reimbursement could occur sooner in the fiscal year. Currently, MDOT is

negotiating how advanced construction would be reflected in the Statewide Transportation Improvement Program, which will impact whether this change can be made. MDOT also concurs that it will request the Department of Treasury to recalculate the average clearance pattern to determine if the increase in electronic funds transfer payments will reduce the number of days between payment and receipt of federal funds related to the Highway Planning and Construction Program. MDOT and the Office of the Auditor General did not recalculate the actual clearance pattern; therefore, the amount of interest lost is not known at this time.

MDOT's procedure to request federal reimbursement for purposes of paying debt service states that federal revenue shall be requested two weeks prior to making the debt service payment. MDOT followed its procedure for the debt service payment program; therefore, it is not in violation of DMB Administrative Guide procedure 1210.06. The DMB Office of Financial Management also believes that MDOT did not violate DMB Administrative Guide procedure 1210.06. As stated earlier, MDOT will review its procedure to determine if changes can be made in order to request the federal reimbursement at the beginning of the fiscal year.

Following the Department of Treasury's recalculation of the average clearance pattern, MDOT will request changes, as appropriate, for the Highway Planning and Construction Program when renegotiating the CMIA agreement with the Department of Treasury.

**Anticipated Completion Date:** December 31, 2009

**Responsible Individual:** Edward A. Timpf, Administrator  
Financial Operations Division

---

**FINDINGS RELATED TO FEDERAL AWARDS**

**Finding Number:** 5910904  
**Finding Title:** Airport Improvement Program (AIP), *CFDA* 20.106

**Management Views:** MDOT concurs.

**Planned Corrective Action:** MDOT will review its process for nonautomated payments related to the AIP to ensure compliance with federal cash management requirements. MDOT will also consider the time savings involved with electronic funds transfers payments for the AIP, as appropriate, when renegotiating the CMIA agreement with the Department of Treasury. MDOT and the Office of the Auditor General did not recalculate the actual clearance pattern; therefore, the amount of interest lost is not known at this time.

**Anticipated Completion Date:** August 31, 2009

**Responsible Individual:** Edward A. Timpf, Administrator  
Financial Operations Division

---

# GLOSSARY

## Glossary of Acronyms and Terms

accreted value	The value of a bond, when it is issued at a deep discount, that includes the bond issuance price plus the incremental increase in the value of the bond as it approaches redemption at face value.
advanced construction (AC)	In agreement with FHWA, deferred federal aid projects that MDOT may choose to convert for current year reimbursement from the federal government, provided there are adequate federal aid allocations. This allows states to obtain federal reimbursement not received during the construction period in case a relatively greater amount of federal aid becomes available at some later date or to assist in balancing the federal aid from year to year.
AIP	Airport Improvement Program.
ARS	Accounts Receivable System.
BWBF	Blue Water Bridge Fund.
<i>CFDA</i>	<i>Catalog of Federal Domestic Assistance.</i>
channeling	Requirement by state legislation that federal revenue received by a political subdivision must be accepted and disbursed by the state.
CMIA	Cash Management Improvement Act.
control deficiency in internal control over federal program compliance	The design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis noncompliance with a type of compliance requirement of a federal program.

control deficiency in internal control over financial reporting	The design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.
CTF	Comprehensive Transportation Fund.
DMB	Department of Management and Budget.
EDF	Economic Development Fund.
FAA	Federal Aviation Administration.
FHWA	Federal Highway Administration.
FMG	Financial Management Guide.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are presented fairly in all material respects in conformity with the disclosed basis of accounting.
GAAP	accounting principles generally accepted in the United States of America.
GARVEE (grant anticipation revenue vehicles) notes	Tax-exempt debt instrument financing mechanisms backed by annual federal appropriations for federal aid transportation projects. GARVEE notes were authorized in federal law to expand the eligibility of bond and other debt instrument financing costs for federal aid reimbursement. GARVEE notes represent debt issued that will be paid using federal funds instead of state restricted revenues.
GASB	Governmental Accounting Standards Board.
IBA	International Bridge Administration.

internal control	A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
JIBA	Joint International Bridge Authority.
low-risk auditee	As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an annual Single Audit and it meets other criteria related to prior audit results. In accordance with State statute, this Single Audit was conducted on a biennial basis; consequently, this auditee is not considered a low-risk auditee.
material misstatement	A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the changes in financial position or cash flows in conformity with the disclosed basis of accounting.
material noncompliance	Violations of laws, regulations, contracts, and grants that could have a direct and material effect on major federal programs or on financial schedule and/or financial statement amounts.
material weakness in internal control over federal program compliance	A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected.
material weakness in internal control over financial reporting	A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial schedules and/or financial statements will not be prevented or detected.

MDOT	Michigan Department of Transportation.
OMB	U.S. Office of Management and Budget.
pass-through entity	A nonfederal entity that provides a federal award to a subrecipient to carry out a federal program.
questioned cost	A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
SEFA	schedule of expenditures of federal awards.
SIB	State Infrastructure Bank.
significant deficiency in internal control over federal program compliance	A control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected.
significant deficiency in internal control over financial reporting	A control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial schedules and/or financial statements that is more than inconsequential will not be prevented or detected.

Single Audit	A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, a Single Audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with OMB Circular A-133.
SMRBC	St. Mary's River Bridge Company.
<i>SOMCAFR</i>	<i>State of Michigan Comprehensive Annual Financial Report.</i>
subrecipient	A nonfederal entity that expends federal awards received from another nonfederal entity to carry out a federal program.
unqualified opinion	An auditor's opinion in which the auditor states that: <ul style="list-style-type: none"> <li>a. The financial schedules and/or financial statements presenting the basic financial information of the audited agency are fairly presented in conformity with the disclosed basis of accounting; or</li> <li>b. The financial schedules and/or financial statements presenting supplemental financial information are fairly stated in relation to the basic financial schedules and/or financial statements. In issuing an "in relation to" opinion, the auditor has applied auditing procedures to the supplemental financial schedules and/or financial</li> </ul>

statements to the extent necessary to form an opinion on the basic financial schedules and/or financial statements, but did not apply auditing procedures to the extent that would be necessary to express an opinion on the supplemental financial schedules and/or financial statements taken by themselves; or

- c. The audited agency complied, in all material respects, with the cited requirements that are applicable to each major federal program.

WCAA

Wayne County Airport Authority.







