

PERFORMANCE AUDIT
OF THE
ADMINISTRATION OF ACT 51, P.A. 1951, AS AMENDED

BY THE
MICHIGAN DEPARTMENT OF TRANSPORTATION
AND THE
DEPARTMENT OF TREASURY

EXECUTIVE DIGEST

ADMINISTRATION OF ACT 51, P.A. 1951, AS AMENDED

INTRODUCTION

This report contains the results of our performance audit* of the Administration of Act 51, P.A. 1951, as amended, by the Michigan Department of Transportation (MDOT) and the Department of Treasury.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General and was mandated by Act 341, P.A. 1996. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

The Michigan Transportation Fund is the depository for motor vehicle license revenue and gasoline tax revenue. After various statutory deductions and distributions, the revenue is distributed to the State (39.1%), to counties (39.1%), and to cities and villages (21.8%). The allocation to the local units* is based on mileage, population, and vehicle registrations.

Act 51, P.A. 1951, as amended (Sections 247.651 - 247.675 of the *Michigan Compiled Laws*), restricts the use of the funds to road maintenance, road construction, snow removal, and local road construction projects. Local units are required to report to MDOT, through the Act 51 report*,

* See glossary on page 26 for definition.

how the funds have been expended. The unit in MDOT with primary responsibility for reviewing the reports was the Act 51 Unit.

Under Sections 141.421 - 141.437 and 224.26 - 224.32 of the *Michigan Compiled Laws*, the Department of Treasury is responsible for the establishment of accounting policies and procedures for local units of government. The Department is also responsible for ensuring that the local units receive an audit of their records. If a local unit fails to receive an audit, the Department will either perform the audit or contract with a public accounting firm to conduct the audit. Subsequent to our audit fieldwork, Act 79, P.A. 1997, an amendment to Act 51, P.A. 1951, assigned the Department the responsibility to conduct performance audits of the road funds of local units.

The total amount distributed from the Michigan Transportation Fund to local units in fiscal year 1996-97 was \$724.2 million.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To assess the effectiveness and efficiency of the State's internal control structure* over the annual reporting and monitoring of the expenditure of Act 51 funds to ensure that the funds are expended in compliance with Act 51, P.A. 1951, as amended.

Conclusion: The internal control structure was generally effective and efficient; however, our assessment disclosed one material condition*:

- The Department of Treasury had not developed audit procedures and reporting requirements to help ensure that material Act 51 compliance requirements are audited (Finding 1).

* See glossary on page 26 for definition.

Audit Objective: To determine if Act 51, P.A. 1951, as amended, provides a process that is effective and efficient in the allocation, distribution, and use of transportation dedicated funding.

Conclusion: The Act 51 process to allocate, distribute, and use transportation dedicated funds was generally effective and efficient; however, our assessment disclosed three material conditions:

- There was no Statewide process that identifies needs and prioritizes the use and allocation of road funds for primary roads and major streets that cross multiple jurisdictions (Finding 2).
- The State did not have a system in place to monitor local units' reported road fund balances to determine if the local units are effectively utilizing the road fund distributions (Finding 3).
- The Act 51 distribution formula for road funds did not include significant factors that have a bearing on the useful life of a road or a road's need for repair (Finding 4).

Our assessment also disclosed one reportable condition* regarding the distribution of road funds (Finding 5).

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine policies and other records of the Michigan Department of Transportation, the Department of Treasury, county road commissions, county boards of commissioners, cities, and villages. Our audit

* See glossary on page 26 for definition.

was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

A summary of road fund balances for selected counties and a summary of street fund balances for selected cities and villages are included in this report as supplemental information. These summaries were prepared from the audited financial statements of the local units. Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

Our methodology included examining records and activities for the period October 1994 through May 1997.

To accomplish our objectives, we reviewed Act 51, P.A. 1951, as amended, to identify compliance issues and reporting requirements. We also reviewed Act 51 reports and tested local unit expenditures. In addition, we met with personnel from MDOT; the Department of Treasury; public accounting firms; and local units, which included the counties of Clare, Jackson, and Wayne; the cities of DeWitt, Gaylord, Grand Rapids, and Lansing; and the villages of Lakeview and Sanford.

AGENCY RESPONSES

Our audit report contains 3 findings and 3 corresponding recommendations directed to MDOT and 2 findings and 3 corresponding recommendations directed to the Department of Treasury. MDOT agreed with all of the recommendations directed to MDOT. The Department of Treasury did not agree with any of the recommendations directed to it.

Mr. Barton W. LaBelle, Chairman
State Transportation Commission
Transportation Building
Lansing, Michigan
and
Mr. Douglas B. Roberts
State Treasurer
Treasury Building
Lansing, Michigan

Dear Mr. LaBelle and Mr. Roberts:

This is our report on the performance audit of the Administration of Act 51, P.A. 1951, as amended, by the Michigan Department of Transportation and the Department of Treasury.

This report contains our executive digest; description of process; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; independent auditor's report on supplemental information; summaries of road fund balances for selected local units, presented as supplemental information; and a glossary of acronyms and terms.

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

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

AUDITOR GENERAL

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BY THE
MICHIGAN DEPARTMENT OF TRANSPORTATION
AND THE
DEPARTMENT OF TREASURY**

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Description of Process

The Michigan Transportation Fund is the depository for motor vehicle license revenue and gasoline tax revenue. After various statutory deductions and distributions, the revenue is distributed to the State (39.1%), to counties (39.1%), and to cities and villages (21.8%). The allocation to the local units is based on mileage, population, and vehicle registrations.

Act 51, P.A. 1951, as amended (Sections 247.651 - 247.675 of the *Michigan Compiled Laws*), restricts the use of the funds to road maintenance, road construction, snow removal, and local road construction projects. Local units are required to report to the Michigan Department of Transportation (MDOT), through the Act 51 report, how the funds have been expended. The unit in MDOT with primary responsibility for reviewing the reports was the Act 51 Unit.

Under Sections 141.421 - 141.437 and 224.26 - 224.32 of the *Michigan Compiled Laws*, the Department of Treasury is responsible for the establishment of accounting policies and procedures for local units of government. The Department is also responsible for ensuring that the local units receive an audit of their records. If a local unit fails to receive an audit, the Department will either perform the audit or contract with a public accounting firm to conduct the audit. Subsequent to our audit fieldwork, Act 79, P.A. 1997, an amendment to Act 51, 1951, assigned the Department the responsibility to conduct performance audits of road funds distributed to local units.

The total motor vehicle license and gas tax revenues distributed from the Michigan Transportation Fund to local units during the last four fiscal years were as follows (in millions):

	Fiscal Year			
	1996-97	1995-96	1994-95	1993-94
Roadways and streets	\$685.3	\$655.4	\$638.4	\$609.0
Snow removal	5.9	5.5	5.5	5.2
Local programs	33.0	33.0	78.0	78.0
Total	\$724.2	\$693.9	\$721.9	\$692.2

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit of the Administration of Act 51, P.A. 1951, as amended, by the Michigan Department of Transportation (MDOT) and the Department of Treasury had the following objectives:

1. To assess the effectiveness and efficiency of the State's internal control structure over the annual reporting and monitoring of the expenditure of Act 51 funds to ensure that the funds are expended in compliance with Act 51, P.A. 1951, as amended.

2. To determine if Act 51, P.A. 1951, as amended, provides a process that is effective and efficient in the allocation, distribution, and use of transportation dedicated funding.

Audit Scope

Our audit scope was to examine policies and other records of the Michigan Department of Transportation, the Department of Treasury, county road commissions, county boards of commissioners, cities, and villages. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

A summary of road fund balances for selected counties and a summary of street fund balances for selected cities and villages are included in this report as supplemental information. These summaries were prepared from the audited financial statements of the local units. Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

Audit Methodology

Our fieldwork was performed during September 1996 through June 1997. Our methodology included examining records and activities for the period October 1994 through May 1997.

To accomplish our first objective, we reviewed Act 51, P.A. 1951, as amended, to identify compliance issues and reporting requirements. We also reviewed Act 51 reports and Attorney General opinions and tested local unit expenditures for compliance with the Act. In addition, to determine how Act 51 expenditures are audited, we met with personnel from MDOT; the Department of Treasury; public accounting firms; and local units, which included the counties of Clare, Jackson, and Wayne; the cities of DeWitt, Gaylord, Grand Rapids, and Lansing; and the villages of Lakeview and Sanford.

To accomplish our second objective, we discussed the allocation and distribution process for transportation dedicated funding with MDOT, the Department of Treasury, and local units. Also, we analyzed Michigan's allocation process and related compliance issues.

Agency Responses

Our audit report contains 3 findings and 3 corresponding recommendations directed to MDOT and 2 findings and 3 corresponding recommendations directed to the Department of Treasury. MDOT agreed with all of the recommendations directed to MDOT. The Department of Treasury did not agree with any of the recommendations directed to it.

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

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

INTERNAL CONTROL STRUCTURE

COMMENT

Audit Objective: To assess the effectiveness and efficiency of the State's internal control structure over the annual reporting and monitoring of the expenditure of Act 51 funds to ensure that the funds are expended in compliance with Act 51, P.A. 1951, as amended.

Conclusion: The internal control structure was generally effective and efficient; however, our assessment disclosed one material condition regarding the coordination of audit activities.

FINDING

1. Coordination of Audit Activities

The Department of Treasury had not developed audit procedures and reporting requirements to help ensure that material Act 51 compliance requirements are audited. As a result, the amount of expenditures audited and the compliance requirements pursued were not sufficient to identify areas of noncompliance.

Sections 141.426 and 224.27 of the *Michigan Compiled Laws* require each local unit to select a public accounting firm or the State Treasurer to perform an audit of the local unit's funds. The auditors are to be familiar with the provisions of Act 51. We met with representatives of the Department of Treasury and eight public accounting firms to discuss the audit procedures they performed to report on a local unit's compliance with the Act.

In our review of audit working papers and through discussions with Department of Treasury personnel, we determined that, although the Department audited for compliance with some requirements of the Act, its audit was limited in scope. The Department's audit procedures were generally sufficient to issue reports on the local units' financial statements and overall compliance; however, the procedures

were not sufficient to detect noncompliance with Act 51 requirements. We noted a similar condition with the public accounting firms' audits of local units.

We visited 9 local units, which included the counties of Clare, Jackson, and Wayne; the cities of DeWitt, Gaylord, Grand Rapids, and Lansing; and the villages of Lakeview and Sanford, and noted the following instances of noncompliance with Act 51:

- a. Six of the 9 local units did not maintain records of the source of financing of expenditures paid from the single deposit account. Section 14(2) of Act 51 required local units to maintain separate accounts of all road funds received. The road funds could be combined in a single deposit account as long as separate records were maintained. Without separate records, it could not be determined that expenditures were paid from the appropriate funding source.
- b. Road fund revenue was expended for items such as sidewalks (\$9,115), donations to a revitalization project (\$15,000), and picnic supplies (\$219). These expenditures did not qualify as road fund expenditures.
- c. Two of the 9 local units did not prepare biennial street programs. Section 14(1) of Act 51 requires all local units to prepare biennial primary road and major street programs based on long-range plans.

The Department of Treasury has the necessary legal authority to require the audit of significant Act 51 compliance requirements. The Department of Treasury should identify and require the testing of material Act 51 compliance requirements; require a review of, and a report on each local unit's internal control structure for, material Act 51 compliance requirements; and establish minimum testing levels.

RECOMMENDATION

We recommend that the Department of Treasury develop audit procedures and reporting requirements to help ensure that material Act 51 compliance requirements are audited.

AGENCY PRELIMINARY RESPONSE

The Department of Treasury did not agree with this recommendation. The Department's response stated that its Bulletin for Audits of County Road Commissions in Michigan already requires the auditor to follow professional standards applicable to compliance audits of local units. Compliance with Act 51 is required to be included in the scope of the audit and the auditor is required to develop an appropriate audit program to cover the areas required for coverage in accordance with the professional judgment of the auditor. The requirements in the Bulletin have been the same since the Act requiring the audit was enacted in 1975. The Department believes that requiring additional audit work would have Headlee implications.

EPILOGUE

We agree that the Bulletin requires the auditor to follow professional standards applicable to compliance audits of local units. However, whereas the professional standards would require the testing of compliance in relation to amounts that may be material to the financial statements, requiring the testing of the defined Act 51 requirements would require testing of specific requirements material to the Act 51 funds. There may be additional costs associated with the required testing, depending upon the extent of increased testing required.

ALLOCATION, DISTRIBUTION, AND USE OF FUNDS

COMMENT

Audit Objective: To determine if Act 51, P.A. 1951, as amended, provides a process that is effective and efficient in the allocation, distribution, and use of transportation dedicated funding.

Conclusion: The Act 51 process to allocate, distribute, and use transportation dedicated funds was generally effective and efficient; however, our assessment disclosed three material conditions regarding coordination of the use of road funds, undesignated fund balances, and the distribution formula. Our assessment also disclosed one reportable condition regarding the distribution of road funds.

FINDING

2. Coordination of the Use of Road Funds

Act 51, P.A. 1951, as amended, did not provide for a Statewide process that identifies needs and prioritizes the use of road funds for primary roads and major streets that cross jurisdictional boundaries. Also, the Act did not establish a method or basis to allocate road funds based on Statewide needs for roads that cross multiple jurisdictions. Generally, this resulted in local units reconstructing and maintaining connecting roadways based on their own priorities.

Section 14(1) of Act 51 requires local units to prepare their biennial primary road and major street programs based on long-range plans and to make the programs available for review by the public. The Act does not require each creating body to share its program information with local units.

The federal Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 requires metropolitan areas with more than 50,000 in population to have a metropolitan planning organization to maintain the regional transportation planning process. The rural ISTEA task force consists of multi-county committees responsible for distribution of federal Surface Transportation Program funds in rural areas.

Extending the ISTEA process to include all local units and both State and federal funds would help ensure coordination of the use of road funds.

RECOMMENDATION

We recommend that MDOT, in conjunction with local units, establish a Statewide process that identifies needs and prioritizes the use and allocation of road funds for primary roads and major streets that cross jurisdictional boundaries.

AGENCY PRELIMINARY RESPONSE

MDOT agreed with this recommendation. MDOT's response stated that the recommendation is consistent with its present approach to "rationalize" Michigan's road system. This process determines jurisdiction for roads based on the function of the road, not geographic boundaries. MDOT will continue to meet with local road agencies to develop a revised system of responsibilities for Michigan's

roadways. With completion of the roadway system analysis, MDOT will move forward to recommend an Act 51 distribution of funds based on appropriate road function and jurisdiction.

FINDING

3. Undesignated Fund Balances

The State did not have a system in place to monitor local units' reported road fund balances to determine if the local units are effectively utilizing the road fund distributions. Also, the Department of Treasury did not require or provide instructions to the local units to report their road fund balances by fund balance component.

Road funds are distributed to local units for maintenance, construction, and reconstruction of public roads and streets; snow removal; and local programs. The local units record the State distributions in their own distinct funds. The total of the fund balances reported by local units in fiscal year 1994-95 (including reserved, designated, and undesignated fund balances) was \$512.9 million. Similar amounts were noted for fiscal year 1995-96.

Generally accepted accounting principles (GAAP) describe a fund balance as the difference between governmental fund assets and liabilities. GAAP states that fund balance may be divided into three components: reserved, designated, and undesignated. A reserved fund balance is that portion of the fund balance that is legally set aside to meet future commitments, such as an uncompleted construction project. A designated fund balance is that portion of the fund balance that has been earmarked for specific future purposes, but is available for reallocation if needed for other projects. An undesignated fund balance is that part of the fund balance that is available for general road fund use.

We analyzed fiscal year 1994-95 audited financial statements and Act 51 reports for 17 counties, each having fund balances exceeding \$3 million, and 23 cities and villages, each having fund balances exceeding \$2 million (see supplemental information section for breakdown). These 40 local units represent \$329.4 (64%) of the \$512.9 million in reported fund balances. We determined that \$234.3 million

(71%) of the analyzed fund balances were undesignated. Some of the local units had undesignated fund balances that represented over 24 months of their Act 51 monthly allocations.

We were advised by local unit personnel that these undesignated fund balances were maintained to meet special needs, such as lawsuits and equipment purchases. However, the balances appeared to be excessive for these potential uses and were not documented with cash flow analyses or specific plans.

The Department of Treasury informed us that it does not require the classification of road fund balances because the use of the road funds is restricted by law. Consequently, the need to further classify the road fund balance is not necessary. However, the further classification provides needed information in determining planned uses of the funding.

We recognize that it is sometimes necessary for local units to accumulate road funds to complete large projects. However, local units may not be effectively utilizing undesignated fund balances for road and street repairs. Therefore, because of the fixed State resources available for road repair, the fund balances need to be monitored and justified in order to help ensure that road funds are used effectively.

Subsequent to our audit fieldwork, Act 79, P.A. 1997, an amendment to Act 51, P.A. 1951, assigned the responsibility to conduct performance audits of the road funds of the local units of government to the Department of Treasury. The review of the local units' road fund balances could be included as part of these performance audits.

RECOMMENDATIONS

We recommend that the Department of Treasury include the review of local units' road fund balances in its performance audits.

We also recommend that the Department of Treasury require the local units to report their road fund balances by fund balance component and issue instructions to the local units to help ensure consistent classification.

AGENCY PRELIMINARY RESPONSE

The Department of Treasury did not agree with the first recommendation. The Department's response indicated that it is not required to monitor Act 51 funds.

The Department of Treasury did not agree with the second recommendation. The Department's response stated that it does not agree that this is a GAAP requirement and that the recommendations in the Department's manuals and the accounts provide required GAAP reporting.

EPILOGUE

The reporting of reserves is permitted by the Governmental Accounting Standards Board to disclose to the readers of the financial statements the amount of the fund balance that has been set aside for specific use and that portion that is available for the purpose of the fund. While the reporting of designations of fund balance is not required by GAAP, it does provide the readers of the financial statements with important information regarding the programming of the available Act 51 funds.

FINDING

4. Distribution Formula

The Act 51 distribution formula did not include significant factors that have a bearing on the useful life of a road or a road's need for repair. As a result, road funds may not be directed toward roads with the greatest need for maintenance.

The formula for distributing road funds is based on mileage, population, and vehicle registrations. Although these factors establish the distribution based on local usage of a road, they do not consider commuter traffic or road size.

Our review of the Act 51 distribution formula noted that the formula lacked three factors which relate to the useful life of a road:

a. Vehicle Miles Traveled

Vehicle miles traveled is the product of the average number of vehicles and the length of the road segment these vehicles are on. The estimated vehicle miles traveled is based on annual average daily traffic, which is the average number of vehicles traveling a road segment on any given day.

A distribution of road funds that includes vehicle miles traveled as a factor would distribute the funds to roads that are more heavily traveled.

b. Lane Miles

The use of road mileage, rather than lane mileage, penalizes local units with multi-lane roads built to handle additional traffic. For example, the allocation base for 10 miles of two-lane highway is the same as 10 miles of four-lane highway.

A formula which includes lane miles as a factor would provide more equity in the distribution of road funds.

c. Prioritized Needs

The distribution formula did not require prioritizing projects across jurisdictions to identify roadways that are in most need of repairs (see Finding 2).

Other states consider the need for repairs within the distribution process. For example, 70% of the road fund distribution to counties in the state of Iowa is based on the need for repair. The state of Minnesota also considers the need for repairs in the distribution of road funds to counties and cities.

Having a process in place to identify the needs of each county and prioritizing those needs to develop a Statewide or regional listing of proposed projects would help ensure that the most critical roadways and bridges are considered on an annual basis.

Considering factors that directly relate to the useful life of a road or the need for repairs would enhance the use of limited road funds.

RECOMMENDATION

We recommend that MDOT, in conjunction with the local units, identify factors that have a bearing on the useful life of a road or a road's need for repair for legislative consideration in any future changes in the Act 51 distribution formula.

AGENCY PRELIMINARY RESPONSE

MDOT agreed with this recommendation. MDOT's response stated that it will work with local units to propose a revised formula for distribution of Act 51 funds that includes factors that have a bearing on the useful life and service of the road. MDOT will recommend a process similar to the recently established long-term strategy to bring roads to an acceptable condition over a period of time based on a pavement management system. This system considers both the service provided by the roadway and the best fix strategy to repair, extend life, or completely reconstruct the roadway.

FINDING

5. Distribution of Road Funds

Act 51, P.A. 1951, as amended, did not ensure that road funds were distributed in an effective manner.

We identified two local units that received road fund distributions even though they had no major or local streets. All roads within their jurisdiction were private roads. At the end of fiscal year 1995-96, the two local units had accumulated fund balances in their major and local street funds totaling \$111,399 and \$142,656, respectively, or 144 and 162 monthly allocations, respectively. We were informed that those local units had expended some of the road funds on public roads that adjoined their boundaries.

The distribution formula breaks down the road fund allocation to local units into three amounts: an amount based on road mileage; an amount based on population; and an amount based on vehicle registrations. The Act did not require that all of the attributes of the distribution formula be present before distributing road funds to local units. Therefore, it is possible for local units to receive road funds even though they do not report any road mileage.

RECOMMENDATION

We recommend that MDOT, in conjunction with local units, propose legislation that will ensure that road funds are distributed in an effective manner.

AGENCY PRELIMINARY RESPONSE

MDOT agreed with this recommendation. MDOT's response stated that this recommendation is also consistent with the present approach to "rationalize" Michigan's road system. MDOT will continue to meet with local road agencies to develop a revised system of responsibilities for Michigan's roadways. Once the roadway system analysis is completed, MDOT will recommend an Act 51 distribution of funds based on appropriate road function and jurisdiction. In addition, MDOT will recommend that all road agencies utilize automated pavement management systems to develop coordinated short/long-term plans to maintain and preserve Michigan's road and bridge infrastructure. These systems should include consideration of current pavement conditions, service needs, pavement life, and various alternate fix strategies in the development of these plans.

Independent Auditor's Report on
Supplemental Information

August 15, 1997

Mr. Barton W. LaBelle, Chairman
State Transportation Commission
Transportation Building
Lansing, Michigan
and
Mr. Douglas B. Roberts
State Treasurer
Treasury Building
Lansing, Michigan

Dear Mr. LaBelle and Mr. Roberts:

A summary of road fund balances for selected counties and a summary of street fund balances for selected cities and villages are included in this report as supplemental information. These summaries were prepared from the audited financial statements of the local units. Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

AUDITOR GENERAL

SUPPLEMENTAL INFORMATION

COMBINED ROAD FUNDS
 Counties
 Fiscal Year 1994-95

County	Fund Balance				Annual Allocation
	Total	Reserved	Designated	Undesignated	
Wayne	\$ 20,536,013	\$ 5,447,193	\$	\$ 15,088,820	\$ 55,185,795
Oakland	19,201,303		14,905,646	4,295,654	44,489,664
Kent	13,435,047		1,947,800	11,487,247	21,450,046
Genessee	9,729,749	47,858	9,326,502	355,389	17,843,703
Macomb	9,376,027			9,376,027	26,559,978
Ottawa	7,103,685	937,902	1,269,776	4,896,007	10,355,100
Muskegon	6,971,819	646,789		6,325,030	6,474,961
Monroe	5,844,694	2,921,879		2,922,815	7,345,383
Saginaw	5,436,239			5,436,239	10,367,508
Midland	5,098,030	2,196,309		2,901,721	3,931,092
Lenawee	4,523,002	2,595,549	844,730	1,082,723	5,315,240
Ingham	4,172,582	2,582,988	300,000	1,289,594	10,392,926
Jackson	4,139,302	1,298,306		2,840,996	8,166,185
Kalamazoo	3,895,345			3,895,345	9,534,361
St. Clair	3,760,062	44,867	1,546,939	2,168,256	7,601,078
Washtenaw	3,576,724		2,735,000	841,724	11,563,965
Berrien	3,279,850	274,250		3,005,600	8,126,195
Total	<u>\$ 130,079,473</u>	<u>\$ 18,993,890</u>	<u>\$ 32,876,393</u>	<u>\$ 78,209,187</u>	<u>\$ 264,703,180</u>
	100.0%	14.6%	25.3%	60.1%	

STREET FUND BALANCES
Selected Cities and Villages
Fiscal Year 1994-95

City or Village	Fund Balance			Annual Allocation	
	Total	Reserved	Designated		
Detroit	\$ 85,948,420	\$ 598,892	\$	\$ 85,349,528	\$ 49,145,858
Rochester Hills	16,891,392	5,347,276	2,447,513	9,096,603	2,851,842
Dearborn	10,477,791	2,456,244		8,021,547	4,337,684
Grand Rapids	10,200,041	4,461,146	429,756	5,309,139	9,304,061
Southfield	7,244,429	2,454,343	1,465,000	3,325,086	3,764,097
Warren	7,070,051	517,223	1,307,412	5,245,416	6,136,037
Flint	6,767,846	231,293	967,703	5,568,850	7,428,332
Roseville	6,642,297			6,642,297	2,212,578
Sterling Heights	5,973,181	107,555	2,954,830	2,910,796	4,860,997
Harper Woods	5,488,971	15,449	5,067,369	406,153	574,338
Kentwood	3,920,845			3,920,845	1,709,378
Livonia	3,381,034		841,424	2,539,610	4,594,347
Lansing	3,317,240	1,151,472	1,336,767	829,001	6,464,655
Kalamazoo	3,264,581	507,782	1,612,976	1,143,823	4,000,561
Troy	3,255,761	700,000		2,555,761	3,384,559
Inkster	3,108,430		2,901,608	206,822	1,221,164
Westland	2,930,534		1,255,112	1,675,422	3,371,970
Saginaw	2,746,686	516,068		2,230,618	3,887,910
Holland	2,667,156	1,347,483	123,798	1,195,875	1,715,731
Midland	1,353,001			1,353,001	2,384,238
Battle Creek	2,536,587	92,053		2,444,534	3,513,497
Ann Arbor	2,072,580	46,014		2,026,566	5,113,881
Royal Oak	2,064,562			2,064,562	3,061,784
Total	\$ 199,323,416	\$ 20,550,293	\$ 22,711,268	\$ 156,061,855	\$ 135,039,499
	100.0%	10.3%	11.4%	78.3%	

Glossary of Acronyms and Terms

Act 51 report	The annual financial report submitted by counties, cities, and villages to MDOT.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical for the amount of resources applied or minimizing the amount of resources required to attain a certain level of outputs or outcomes.
GAAP	generally accepted accounting principles.
internal control structure	The management control environment, management information system, and control policies and procedures established by management to provide reasonable assurance that goals are met; that resources are used in compliance with laws and regulations; and that valid and reliable performance related information is obtained and reported.
ISTEA	federal Intermodal Surface Transportation Efficiency Act of 1991.
local units	Includes counties, cities, and villages.
material condition	A serious reportable condition which could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the opinion of an interested person concerning the effectiveness and efficiency of the program.
MDOT	Michigan Department of Transportation.

performance audit

An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.

reportable condition

A matter coming to the auditor's attention that, in his/her judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in the design or operation of the internal control structure or in management's ability to operate a program in an effective and efficient manner.