

**REPORT  
HIGHLIGHTS  
PERFORMANCE AUDIT**

**Our Conclusion**

Transportation excise tax money is statutorily restricted to street and highway purposes and transportation projects. However, during some or all of fiscal years 2006 through 2010, the Towns of Kearny, Mammoth, and Superior had loaned excise tax monies for other purposes, such as to cover cash deficits in other funds. Kearny has repaid all of the monies, but Mammoth and Superior should repay the loaned monies. Further, municipalities lacking policies and procedures on appropriate excise tax expenditures should establish them and provide training. Finally, Pinal County and most municipalities can demonstrate the excise tax's impact.

**Excise tax history**

Pinal County residents authorized the current transportation excise tax in 2005, which is effective until December 31, 2026. State law restricts the use of this excise tax to street and highway purposes and transportation projects.

During fiscal years 2006 through 2010, the time period this audit covers, the excise tax generated \$81.8 million for Pinal County and its ten incorporated cities and towns, which was distributed based on population.

Excise Tax Recipients, Distributions, 2010 Population, and Lane Miles Maintained

Recipient	Fiscal Years 2006 to 2010 Excise Tax Distributions	2010 Population	2010 Lane Miles Maintained <sup>1</sup>
Pinal County	\$30,286,896	375,770	4,229
Apache Junction	14,355,561	34,004	372
Casa Grande	11,480,528	48,571	827
Coolidge	3,543,727	11,825	411
Eloy	4,722,079	16,631	560
Florence	7,832,095	25,536	211
Kearny	1,023,665	1,950	29
Mammoth	801,983	1,426	36
Maricopa	6,219,820	43,482	509
Queen Creek	54,152	1,558	14
Superior	1,481,100	2,837	46
Total	<u>\$81,801,606</u>		

<sup>1</sup> Lane miles are the length of the lane measured along the centerline of each lane. For example, 1 mile of a two-lane road equals 2 lane miles. The lane miles reported include both paved and unpaved roads.

**Additional procedures and training needed to ensure appropriate excise tax use**

**Three towns inappropriately loaned their excise tax monies**—At the end of fiscal year 2006, the Town of Kearny had an outstanding loan balance of nearly \$207,000 in road monies, which includes excise tax monies. These monies were used to keep its Utilities Fund going, but it repaid all of the monies by the end of fiscal year 2007.

fiscal year 2010, Mammoth had a loan balance of nearly \$389,000. As of June 30, 2008, Superior had an outstanding loan balance of approximately \$1.5 million. As of this audit, it is unknown whether Superior's balance has increased or decreased because it has not yet completed its financial audits for fiscal years 2009 and 2010.

During some or all of fiscal years 2006 through 2010, the Towns of Mammoth and Superior loaned excise tax monies to other funds to cover cash deficits. At the end of

Mammoth and Superior should repay the loans. If we determine at our 6-month followup that Mammoth and Superior have not repaid their loans or developed and



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implemented a repayment schedule, the State should also exercise the statutory option of withholding the excise tax revenues that would otherwise be distributed to Mammoth and Superior until they have repaid the loans.

In addition, Mammoth, Superior, and the City of Maricopa should develop policies and procedures on the appropriate use of excise tax monies. These three municipalities, as well as Kearny, which already has policies and procedures, should train staff on their policies and procedures.

## Recommendations

- Mammoth and Superior should repay the excise tax.
- If necessary, after our 6-month followup, the State should withhold excise tax monies from Mammoth and Superior until they repay the loans.
- Mammoth, Maricopa, and Superior should develop policies and procedures on appropriate uses of the excise tax, and they, as well as Kearny, should train staff on their policies and procedures.

## Pinal County and most municipalities can demonstrate excise tax's impact

**Excise tax funded various projects**—Since 2006, one important project the County used its excise tax for was the Edwin Road project. This project, completed in June 2009, improved traffic safety by paving and widening a narrow gravel road and

adding drainage crossing improvements (see Photo). This project cost approximately \$2.3 million, of which the County contributed approximately \$784,000 in excise tax monies, with additional funding coming from other sources.

Most cities and towns can also show how the excise tax benefited their transportation needs. The City of Maricopa constructed a \$2.8

million bridge over a wash, with \$355,000 coming from the excise tax and the remainder coming from other sources. The bridge was needed because this principal route was inaccessible to citizens and emergency responders when water was flowing in

the wash. The City of Casa Grande used approximately \$2.7 million of its excise tax monies to improve traffic in the downtown area, and the City of Coolidge used approximately \$366,000 of its excise tax monies on a grader and water truck to maintain unpaved roads.

### Two towns should improve project documentation or planning

—Superior received about \$1.5 million in excise tax revenue between fiscal years 2006 and 2010, but has not been able to demonstrate how the money was used. Other cities and towns have project records, costs, plans, and photographs of their projects.

Our 2006 transportation excise tax audit report recommended that Mammoth formalize its transportation planning process to include steps such as developing a road evaluation system and holding regular, documented transportation planning meetings to identify and prioritize transportation projects. Mammoth had provided evidence during the audit follow-up process to demonstrate that it had implemented the recommendation. However, now, the town receives input only from town officials.

## Recommendations

- Superior should document and demonstrate how it has used transportation excise tax revenues.
- Mammoth should expand its planning process.

Edwin Road  
Before and After Improvement



Source: Photos courtesy of Pinal County.