

# AUDITOR GENERAL REPLY TO RESPONSE

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The following auditor comments are provided to address the statements the Town of Mammoth made related to Finding 1, Recommendation 1.2:

The Town of Mammoth's response indicates that it has not loaned its Pinal County transportation excise tax (excise tax) monies in any permanent way to any other portion of the Town or for any other purpose and that there is no statute that directly or indirectly disallows for a temporary transaction that may be made to properly reflect its financial statements. However, auditors' review of the Town of Mammoth's financial statements and other financial information found that Mammoth did not have sufficient general fund cash or other resources to pay for its operations. To help cover these shortfalls, Mammoth loaned monies from another fund, which primarily consists of restricted monies such as excise tax and Highway User Revenue Fund monies, to its general fund. This borrowing from its restricted fund, which has persisted in various amounts since June 30, 2006, (see Table 2, page 4) is considered a loan. Additionally, if no other revenue source besides its general fund existed, Mammoth would have had to borrow money or obtain a line of credit to pay for its operations. According to A.R.S. §28-6392(B), a town can only use the excise tax revenues for street and highway purposes or transportation projects. Therefore, the Town of Mammoth had no authority to loan these restricted monies, even on a temporary basis, to cover its general operations.