



REPORT HIGHLIGHTS PERFORMANCE AUDIT

Excise tax history

Our Conclusion

Transportation excise tax money is statutorily restricted to street and highway purposes or transportation projects. Gila County demonstrated that it spent excise tax monies during calendar years 2009 through 2013 to address traffic safety and congestion issues and deteriorating road conditions. Also, in January 2014, the County completed the Gila County Transportation Study, which identified the most critical future transportation infrastructure needs and recommended projects to address those needs. We also determined that the County spent its excise tax monies solely for street and highway purposes or transportation projects as required by Arizona Revised Statutes §28-6392(B), and implemented all but one of our prior audit recommendations.

In 1994, Gila County voters passed a half-cent excise tax to pay for highway and street improvements and transportation projects within the County. The excise tax became effective on January 1, 1995, and will expire on December 31, 2014. Since the excise tax became effective through December 31, 2013, it has generated approximately \$51.1 million in revenue. During the period covered by this audit, January 1, 2009 through December 31, 2013, the excise tax generated approximately \$14.5 million in revenue and the County spent approximately \$9.6 million for transportation projects. As of December 31, 2013, the County had approximately \$5.5 million in remaining excise tax monies to pay for future projects. In June 2014, the County Board of Supervisors approved a resolution to request the Gila County voters to approve the half-cent transportation excise tax in a countywide election. If approved, the tax would be effective January 1, 2015, for a period of 20 years and would be shared with the County's cities and towns.

County projects improved traffic safety, congestion, and road conditions

County has used excise tax monies to address major transportation problems— Since our last performance audit in 2009 (see Auditor General Report No. 09-06), the County has used excise tax monies for projects that have helped address major transportation problems. The County used its 2006 Small Area Transportation Study to focus on projects that were identified to improve traffic safety, congestion, and road conditions. For example, one important project the County used its excise tax monies for was the Pine Creek Canyon Road project. This approximately 1-mile project, completed in December 2012, included road reconstruction to allow for improved emergency vehicle access to homes, safer driving conditions for residents, and replacing the aging drainage system to prevent flooding (see photo). This project cost approximately \$1.6 million, of which the County contributed \$1.3 million in excise tax monies. In addition, the Pine-Strawberry Water Improvement District contributed an additional \$260,000 for the project.

Pine Creek Canyon Road—before and after road improvements



2014

In addition to funding the Pine Creek Canyon Road project, the County used excise monies for projects to improve road conditions that were deteriorating throughout the County and to address traffic congestion. For example, to improve road conditions, the County completed chip seal road work on Fossil Creek Road and Cline Boulevard. Also, to address traffic congestion on State Route 260, the County added turn lanes into the maintenance yard.

County has planned for future transportation projects—To plan future projects, in January 2014, the County completed the Gila County Transportation Study. The Study identifies the County's most critical transportation infrastructure needs and recommends future near-term, mid-term, and long-term improvement projects that the County will finance with excise tax, Highway User Revenue Fund monies, and other local, regional, state and/or federal revenue sources. The projects are estimated to be completed in fiscal years 2015 through 2034, and have an estimated cost of approximately \$32.8 million for the near-term projects and \$133.4 million for the mid- and long-term projects.

County spent excise tax monies in accordance with the law and implemented all but one prior audit recommendation

From January 2009 through December 2013, County spent excise tax monies in accordance with statute—We found that the County spent its excise tax monies in compliance with Arizona Revised Statutes §28-6392(B). This statute requires that transportation excise tax monies be used only for street and highway purposes or for transportation projects. Street and highway purposes include costs of rights-of-way, construction, reconstruction, maintenance, repair, and roadside development of county, city, and town roads, streets, and bridges. In addition, the monies can be spent on costs that indirectly affect transportation projects.

County implemented 12 of 13 prior audit recommendations—In June 2009, we issued the prior Gila County Transportation Excise Tax performance audit report, which included 13 audit recommendations (see Report No. 09-06). As of our last follow-up report in January 2011, the County had not implemented eight recommendations related to its highway and street expenditures and travel policies. We followed up on these recommendations and determined that the County implemented all of the recommendations related to its highway and street expenditures, and all but one of the recommendations related to its travel policies. The County's travel policy was updated to include guidance on documentation and reimbursement of travel-related expenditures and revised per diem amounts. In addition, employees were trained on the policy, and we noted that they followed the updated policy. However, the updated policy has not been presented to the County Board of Supervisors for approval.