

Pinal County Transportation Excise Tax



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 2011 through 2015, the Towns of Mammoth and Superior inappropriately loaned and used excise tax monies for other purposes. Similar issues were identified during the previous audit. As a result of that audit, Mammoth implemented a repayment plan and should continue to repay its loaned monies. Superior did not implement a plan to repay its inappropriately loaned monies. As recommended in the previous audit, the State began withholding excise tax revenues from Superior in June 2015. In addition, both Towns should investigate previous expenditures to identify inappropriate use and repay those monies as well. Further, both Towns lack policies and procedures on appropriate excise tax use and should establish them and provide training. Finally, Pinal County and most municipalities can demonstrate the excise tax's impact. However, Mammoth and Superior can improve their planning procedures and documentation of the excise tax impact.



2016

Excise tax history

Pinal County residents authorized the current transportation excise tax in 2005. State law restricts the use of this excise tax to street and highway purposes and transportation projects. During fiscal years 2011 through 2015, the audit period, the excise tax generated \$67.5 million for Pinal County and its ten incorporated cities and towns.

Excise tax recipients, distributions, population, and lane miles maintained 2011 through 2015

Recipient	Fiscal years 2011 through 2015 excise tax distributions	Fiscal year 2015 population	Calendar year 2015 lane miles maintained
Pinal County—unincorporated	\$31,653,012	204,925	4,170
Apache Junction ¹	7,660,269	38,134	391
Casa Grande	8,846,569	51,744	890
Coolidge	2,253,761	12,187	416
Eloy	3,143,054	17,787	610
Florence	4,971,726	26,410	235
Kearny	427,544	2,023	29
Mammoth	346,015	1,480	37
Maricopa	7,531,774	48,374	531
Queen Creek ¹	75,958	475	20
Superior	600,097	2,929	55
Total	<u>\$67,509,779</u>	<u>406,468</u>	<u>7,384</u>

¹ Apache Junction and Queen Creek are located in both Maricopa and Pinal Counties. The lane miles listed in this table are for Pinal County only.

Additional procedures and training needed to ensure excise tax monies used appropriately

Two towns inappropriately used excise tax monies—The Towns of Mammoth and Superior inappropriately loaned excise tax or Road Fund monies to other funds during the audit period. As of June 30, 2013, the Town of Mammoth had an outstanding loan balance of more than \$1.1 million, and as of June 30, 2013, the Town of Superior had an outstanding loan balance of more than \$2.7 million. Both Towns loaned monies to cover cash deficits in other funds. As of this audit, it is unknown whether Mammoth's or Superior's loan balance has increased or decreased because they have not yet completed their financial audits for fiscal years 2014 and 2015. Similar issues were identified in the previous audit.

During fiscal year 2016, as recommended in the previous audit, the Town of Mammoth began making regular payments of \$500 per month to repay its loan. The Town of Superior has not implemented a repayment plan.

In addition to inappropriate loans, the Towns of Mammoth and Superior recorded excise tax expenditures for purposes other than streets and highways or transportation projects. For example, the Town of Mammoth recorded an expenditure of \$15,254 for a water tank in its Road Fund. However, the water tank expenditure should have been recorded in the Water Fund.

Two towns lack policies and procedures—Mammoth and Superior should develop policies and procedures governing the appropriate use of excise tax monies. The Towns should train all individuals responsible for the use of excise tax monies on the new policies and procedures.

Recommendations

- Mammoth should continue to repay its inappropriately loaned excise tax monies and Superior should implement a plan to repay its inappropriately loaned excise tax monies.
- If necessary, after our 6- and 18-month followups, the State should withhold excise tax monies from Mammoth if it does not continue to repay its loans.
- Mammoth and Superior should examine excise tax expenditures recorded during fiscal years 2011 through 2015 to identify inappropriately spent monies. The Towns should repay any inappropriate expenditures.
- Mammoth and Superior should develop and implement policies and procedures governing the use of excise tax monies and train personnel on them.

Pinal County and most entities can adequately demonstrate impact; two towns need improvement

The County and most cities and towns used excise tax monies to address a variety of issues—During the audit period, Pinal County used its excise tax revenues to improve congestion, driver safety, pollution, and road conditions. For example, the County is working on a project to widen 9.6 miles of Hunt Highway, the main thoroughfare connecting northern Pinal County and the Metropolitan Phoenix Southeast Valley. The project is being completed in five phases with the final phase expected to be complete in June 2019.

Most cities and towns can also demonstrate the impact of their use of excise tax monies, using excise tax monies for road maintenance, new road construction, dust abatement, and equipment to maintain and repair roads. For example, the City of Apache Junction completed an overlay and drainage project in its Superstition Villa subdivision (see Photo).

Superstition Villa subdivision before and after improvement

Before



After



Two towns can improve planning and recordkeeping procedures—The Towns of Mammoth and Superior can improve their planning and recordkeeping by implementing procedures similar to those used in other cities and towns. For example, the Town of Mammoth should consider completing a study to evaluate its road systems similar to one completed by the City of Apache Junction. The Town of Superior is in the process of completing a similar study.

Also, the Towns of Mammoth and Superior should develop and implement a formalized planning process to prioritize transportation projects and create project lists. The process should consider transportation studies, town needs, public works analysis, and public concerns.

Finally, the Towns of Mammoth and Superior should document recordkeeping policies to help them demonstrate the impact of transportation excise tax revenues in addressing transportation issues.

Recommendations

- The Town of Mammoth should consider conducting a transportation study to evaluate its road systems.
- The Towns of Mammoth and Superior should develop and implement a planning process to help identify and prioritize projects and implement policies and procedures detailing appropriate recordkeeping for the use of Road Fund monies.