



Budget Policies

The Budget Policies that have been included in this budget document are in draft-format. Pinal County uses a team-approach when creating policies of any kind. When policies are needed, the departments that oversee a particular area create the first draft of the policies.

Once the policies have been written, a draft copy is sent out to each Elected Official and department head to read and reply with any comments. Once the replies have been received they are applied to the policies. Should a reply differ substantially from the policy's goal or is not clear, the originating department will meet with the department and discuss their concerns about the proposed policy(s). Once the policies have been finalized, the Board of Supervisors for Pinal County will complete the circuit by formally adopting them at an open meeting.

The Budget Policies that are included in this document are not the final version. These policies have been sent to the Elected Officials and department heads and discussion between the departments is ongoing. It is the intent of the Budget Office to include them as a draft-format, with the understanding that these policies will be adopted before the end of Fiscal Year 2007.

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Pinal County – Budget Accountability Policies

A. Introduction

According to A.R.S. §42-17106, the County may not incur expenditures in excess of the amounts appropriated by the Board of Supervisors in the annual budget. However, if monies are available, the Board of Supervisors may transfer monies between budget items. This would be initiated in order to provide limited resources when they are most needed.

B. Definitions

Appropriation: Authorization by the Board of Supervisors to incur expenditures for a specific purpose, defined in Pinal County as total expenditures by Department/Special District and fund; “budget items” as referenced in A.R.S. §42-17106.

Department: All County Departments, including Elected Official Offices, Court Departments, and Appointed Departments.

Detailed Budget: Budget allocation within an appropriation by month, organization unit, program/activity/service, object/source, and/or position.

Special District: All Pinal County Special Districts, including Flood Control District and Library District.

Fund: A fiscal and accounting entity with a self-balancing set of accounts recording cash and financial resources.

C. Policy Guidelines

1. Budgets shall be appropriated and controlled by the Board of Supervisors at the level of Fund Level and, where applicable, by the Capital Improvement project.
2. Appropriation levels are not guaranteed from one fiscal year to the next. Each year, appropriation amounts for each Fund, Department/Special District shall be recommended by the Budget Office for approval by the Board of Supervisors, based on detailed reviews of spending needs, priorities, expected results and available funding.
3. Departments/Special Districts shall develop and maintain detailed revenue and expenditure budgets that will be loaded into the main financial system. Detailed budgets will be prepared on an annual basis, by organization unit, by object/source and position according to instructions developed by the Budget Office. Detailed budgets shall exactly equal Board appropriations.

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4. Fund level appropriations shall be changed during the fiscal year only with Board of Supervisors approval, with the exception of grants approved by the Board of Supervisors in the previous fiscal year and carried over into the new fiscal year. The Budget Office may approve appropriation adjustments for carried-over grants if the Board of Supervisors previously appropriated the grant and the Finance Department certifies the carried-over grant balance.
5. The County Manager must approve all changes in capital improvement project appropriations. All requests for project appropriations must be accompanied by a request for County Manager approval to amend the annual capital improvement program, or by notification that an amendment is not required. Capital Improvement project appropriations do not need to be adjusted so long as project overruns do not exceed 10% or \$1,000,000, whichever is less (refer to item 12).
6. In order to maximize results, Departments/Special Districts will have the flexibility to reallocate their detailed budgets for the remainder of the current fiscal year within appropriations approved by the Board of Supervisors. Budgetary flexibility is accompanied by the responsibility to produce expected results while absorbing unanticipated spending increases. If a Department/Special District requests an appropriation increase or contingency transfer for an unanticipated spending increase, the Board of Supervisors shall determine whether the department will be controlled according to its detailed budget. The Budget Office shall validate that all detailed budget adjustments balance and reconcile to appropriations set by the Board of Supervisors.
7. All positions must be fully funded and budgeted in accordance with the Budget Office's *Funded Positions Policy*. In order to create new positions, departments/special districts must first verify full-year funding. If a position loses funding, it shall be identified and eliminated.
8. Departments/Special Districts shall recommend for approval any agreements that commit the County/Special District to expenditures for which funding is not identified in future years. Departments/Special Districts shall verify funding for all purchase requisitions or other contracts or agreements.
9. Departments/Special District expenditures and revenues shall be monitored and reported on a monthly basis throughout the fiscal year by the respective departments/special districts and on a county-wide basis by the Budget Office. The Budget Office shall prepare and submit to the County Manager a comprehensive monthly analysis of budget variances, revenue and expenditures, on county-wide basis and will investigate any negative year-to-date variances.. The report shall also

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contain detailed information on any department/special district that is on “budget hold” status (see Budget Resolution).

10. Any department/special district for which the Budget Office reports a negative year-to-date expenditure or revenue variance, or budget hold status, must provide a written explanation and corrective action plan to the Budget Office. The Budget Office will review and approved all corrective action plans, and report them to the County Manager once they are finalized. (see Budget Resolution)
11. If there is a significant risk that a department/special district will exceed its annual appropriation, the Board of Supervisors may place restrictions on the ability of a department/special district to adjust its detailed budget, and may also control its expenditures according to its detailed budget (see Budget Resolution).
12. Departments/special districts shall not exceed their expenditure appropriations. Budget Hold status will be implemented according to the annual Budget Resolution, as approved by the Board of Supervisors.
13. At the close of the fiscal year, the Finance Department will prepare and submit to the Board of Supervisors a comprehensive report of all audited actual expenditures relative to all department/special district appropriations. The report will include an explanation of each instance in which expenditures exceed appropriations by the Board of Supervisors.
14. If a department/special district exceeds its annual expenditure appropriation, its expenditures will be reviewed by the Budget Office. The Budget Office will review the department/special district expenditures, identify the causes of the overrun, and report its findings to the Board of Supervisors.
15. In the event of a budget overrun by a department/special district, the Budget Office may place the department/special district on Budget Hold status at the beginning of the next fiscal year. This status will require all uses of operating expenses to be approved by the Budget Office for the first six-months of the new fiscal year. After such time, the Budget Office will review the department/special district’s budget and determine if the department/special district is allowed off of budget hold status.

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Pinal County - General Government Policy and Procedures

1. PURPOSE

The purpose of this policy is to provide guidelines for development and administration of the General Government budget to County departments/special districts so that the General Government budget is handled according to Board policy and direction.

a.) BUDGETED REVENUES

The revenues budgeted in the General Government budget are revenues that may be specific to particular funds, but benefit several departments and not a particular department or program within a department. Examples of these revenues include:

- i) Property Taxes (General Fund and Debt Service Fund)
- ii) Anticipated Grants from outside sources
- iii) State Shared Sales Tax
- iv) State Shared Vehicle License Tax
- v) Cable TV application fees for franchise agreements with the County
- vi) Liquor License fees
- vii) Other Miscellaneous Revenue as appropriate

b.) BUDGETED EXPENDITURES

The expenditures budgeted in the General Government budget are general expenses not specific to a particular department, or which benefit the County as a whole. These expenses can include budgeted contingencies, general debt service, taxes and assessments, legal expenses, and various Board-approved special projects or initiatives.

Expenditure items will be listed in the Recommended budget, and individual items are subject to Board approval.

2. PROCEDURES

a.) BUDGET PROCESS

General Government will follow all County budgeting policies and guidelines including the approval process established by the Board of Supervisors. The Budget Office, along with the County Manager, will be responsible for developing the General Government budget for each fiscal year. The recommended budget will include an itemized schedule of proposed expenditures by fund.

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b.) APPROVAL OF EXPENSES

The Assistant County Manager for Administrative Services or designee must authorize all expenditures prior to processing. This authority has been delegated to the manager responsible for a particular item within the General Government. If the expenditure is not approved it will be returned and absorbed within the budget of the department that submitted it.

If a contingency fund is adopted in the General Government budget during a fiscal year, General Fund departments can request funding for unanticipated expenditures or unfunded projects. These requests must be handled via Board agenda item, and submitted by the responsible department. The Board of Supervisors must approve all requests for contingency funds.

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Pinal County – Budget Policy Objectives

The budgetary polices enumerated below, outline a general framework of budgetary goals and objectives regarding the operating budget, debt service, capital expenditures, reserves and financial reporting. They provide standards against which current budgetary performance can be measured and proposals for future programs evaluated.

Operating Budget Policies

Current revenues will be sufficient to support current operating expenditures.

- **Status:** *FY2006-2007 estimated General Fund operating revenues (\$160 million) to expenditures (\$160 million) – Ratio 1:1*

Financial systems will be maintained to monitor expenditures, revenues and program performance on an ongoing basis.

- **Status:** *Ongoing monitoring system with monthly reviews of budgeted and actual expenses and revenues.*

Monthly reviews on performance of operating budgets for General Fund and monthly overviews on all non-General Fund operating budgets.

- **Status:** *Ongoing monitoring is being completed on a monthly basis with reports being analyzed and forwarded on to Assistant County Manager for Administrative Services and County Manager.*

Debt Service Policies

Long-term debt will not be issued to cover current operations.

- **Status:** *None issued to finance current operations*

General Obligations bonds will not be used for long-term debt.

- **Status:** *Long-term projects are budgeted using current revenues (Certificates of Participation). If revenues are not available, project will be postponed or resources will be re-appropriated to cover debt service.*

Capital Expenditure Policies

A five-year Public Works capital improvement plan (CIP) will be developed and updated annually, including anticipated funding sources.

- **Status:** *FY2006-2007 five-year Public Works capital improvement plan has been updated.*

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The County's capital improvement plan will be presented to the County's CIP committee for its annual recommendation to the County Manager.

- **Status:** *Board of Supervisors has approved a CIP budget of \$15.6 million for FY2006-2007.*

The County's approved CIP will be such that its costs will fit within the limited operating budget of the General Fund.

- **Status:** *The CIP is budgeted to fit within the operating budget for FY2007*

The County will maintain all its physical assets at a level adequate to protect the County's capital investment and to minimize future maintenance and replacement costs.

- **Status:** *Aggressive capital maintenance program approved in CIP*

The County will maintain a replacement program for Technology and Vehicles in order to stabilize requests and maintain an efficient and up-to-date fleet of vehicles and technology-related equipment.

- **Status:** *The County has implemented a three-year replacement program for most technology related equipment and for its vehicle fleet.*

Reserve Policies

The County will maintain its healthy financial reserve position. Fund balance coverage for the General Fund will be maintained at a minimum of 15% of General Fund revenue.

- **Status:** *The General Fund has maintained the 15% minimum reserve balance since the ordinance was adopted. However, for the past several years, the General Fund reserve has been closer to 25% of General Fund revenues.*

Financial Reporting Policies

The County's accounting and financial reporting systems will be maintained in conformance with current accepted principles and standards of the Government Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA).

- **Status:** *FY2004-2005 GFOA Certificate of Achievement for Excellence in Financial Reporting submission for FY2005-2006 award. FY2005-2006 Distinguished Budget Presentation Award by GFOA, submission for 2006-2007 award.*

Full disclosure will be provided in the general financial statements and COPS representations.

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- **Status:** *Notes to the financial statements and official COPS statement provide full disclosure.*

An annual audit will be performed by either the State of Arizona Auditor General’s Office or an independent accounting firm with the subsequent issue of an official annual financial statement.

- **Status:** *State of Arizona Auditor General’s Office performs annual independent review of all financials.*

Board of Supervisors Budget Tenets

- Continue the modified base budget implemented at the start of the budget process, incorporating historical spending patterns, program cost adjustments, and long-range forecasts in the preparation of budget allocation targets, thereby limiting the rate of budgetary growth.
- Continue to evaluate our self-supporting enterprise operations on an annual basis for possible revenue changes.
- Continue to re-examine current programs, re-engineering processes and competitiveness in the County, as necessary.
- Continue to identify and address Board of Supervisor’s strategic issues.
- Continue periodic budget reviews with the County Manager.
- Continue examination of current programs by each department for potential sun-setting opportunities.

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	SUBJECT: 40.2 – FUNDED POSITION			

Funded Position Policy

A. Introduction

The purpose of the Funded Positions Policy is to establish guidelines for adding, deleting and changing positions so that all authorized positions are fully funded on an annualized basis, and that any filled or vacant position that becomes unfunded or under-funded is either fully funded or deleted.

B. Definitions

Full-Time Equivalent (FTE): A value equivalent to a number of employees paid full-time (forty-hours per week, or from 2,080 to 2,096 hour per year, depending on the calendar). A half-time position that is paid 20-hours per week equates to 0.5 FTE; so for example, four half-time positions, each paid 20-hours per week, equals 2.0 FTE (4 X 0.5), and so on. A single position may have an FTE value greater than zero, but not greater than 1.0. A group of positions has an aggregate FTE value based on the FTE values of the specific positions within the group.

Fully-Funded Position: An authorized position that is fully funded by the general revenues of the County, a special revenue source, or a grant.

Payroll Liability: The salaries, benefits, payoff of accrued vacations and compensatory time and career center expenses that result from a reduction in force.

Under-funded Position: A position for which a County department/special district has a 1% to 99% of the funding required to support it on an annualized basis.

C. New Position Establishment Policy Guidelines

1. In order to create a new position, County department/special districts must submit a request to the Budget Office on an official form that includes the following information:
 - Working title and description of the position or positions requested.
 - The number of positions requested and FTE value(s) of the position(s) requested.
 - A brief description of the purpose of the new position(s), including relation to program/activity/service, strategic goals.
 - The full cost of the requested position(s), including not only direct salaries and benefits, but also indirect costs such as uniform allowances, equipment, and mandated or essential training. The County department/special district will indicate whether it has enough building space, or identify the costs and sources of funding for additional space, if needed.

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- The funding source of the position(s) and location in the current budget.
 - A list of any position(s) to be deleted in conjunction with creating the new position, along with a description of any other budgetary reductions made to offset the cost of the new position(s).
 - Justification of why budget savings, including savings from deleted positions, should be used to create new positions and not result in a budget reduction.
2. The County department/special district director, elected official or chief deputy to an elected official must sign all position requests.
 3. Position requests must be sent to the Budget Office for review. The Budget Office will verify that the requested position(s) have been budgeted appropriately and that there is adequate funding to support the budget as a whole, including the requested position(s). The Budget Office will not approve new positions unless their fully annualized cost can be supported within the County department's/special district's current appropriation, or if the Board of Supervisors has approved other funding. The Budget Office will also verify that the request complies with established policies and priorities of the Board of Supervisors.
 4. On approval by the Budget Office, position requests from Elected or Judicial Branch departments will be forwarded to Human Resources for review of job description and salary information. Requests from appointed County departments/special districts will be forwarded to the County Manager for final approval before they are forwarded to Human Resources.
 5. If a position request is denied, Elected or Judicial Branch departments may appeal the decision to the County Manager. If the County Manager approves a position request on appeal, the approval must be accompanied by an action to provide funding for the position(s), as necessary.
- D. Position Funding Policy Guidelines
1. Each year as part of the budget process, County departments/special districts must verify that budget and funding are adequate to support all authorized positions. The Budget Office will validate that the position funding is adequate, and will identify all positions that are potentially unfunded or under-funded.
 2. Personnel will be budgeted by market range title, full-time equivalent (FTE) and average wage and benefit rates at the fund and organizational level with County department/special district budgets. Total authorized FTE's and average wage

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and benefit rates must be at or lower than budgeted levels at all times, and fully-funded on an annualized basis with current appropriation levels and funding.

3. Personnel savings due to natural staff turnover will be budgeted in all County departments/special districts at appropriate levels. If actual personnel savings reaches high levels due to failure to fill positions for extended periods, adjustments will be made to either eliminate the positions or make efforts to fill them.
4. County departments/special districts with vacant under-funded positions will discuss the funding shortfall with the Budget Office. County departments/special districts have the option of eliminating the position(s) or identifying additional funding for the position(s).
5. The Budget Office and County departments/special districts will delete any vacant positions identified as unfunded or under-funded.
6. If filled positions are identified as unfunded or under-funded, the County departments/special districts will provide the following information:
 - The position or position’s contribution to provision of services and results.
 - The full cost to continue the position(s)
 - The resulting payroll liability if current employee(s) are terminated due to lack of funding.

This information will be forwarded for review and validation by the Budget Office. The Budget Office will consolidate the information and forward it to the County Manager for possible action.

7. If eliminating unfunded or under-funded positions results in a Reduction of Force, the process will be conducted in a uniform manner in accordance with procedures administered by the Human Resources Department. Any payroll liability costs will be funded from within the County department’s/special district’s current appropriation.

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	SUBJECT: 40.3 – DEBT POLICIES			

Debt Policy

A. Introduction

This information outlines the types of debt, uses, restrictions, legal requirements and other considerations of the issuance of debt by Pinal County. The use of debt by Pinal County will be based on long-term needs of the County and the amount of fund reserves needed for capital outlay. Decisions to use debt will follow a strict series of analyses to determine the need of debt to facilitate capital needs of the County and to build-up strong credit ratings.

B. Debt Policy

It is the current policy of Pinal County to finance capital projects and infrastructure needs through methods of cash financing as opposed to the use of long-term debt. If sufficient funding from revenues is not available projects will be placed on hold until such funds are available for use. However, Pinal County does hold the authority to use long-term debt financing if the need for such funding is necessary. The following is a list of potential financing options the County may use to fund capital projects:

C. Financing Options

1. Cash Financing

This method of financing involves paying for capital projects from the County's current revenue base. The County would not be required to issue bonds and would not be required to repay any amount over time. Cash financing offers the benefits of foregoing interest payments thus keeping the total dollar expended cost of a project to a minimum. By not using long-debt the County is able to conserve the legal limits of long-term debt capacity for use in future projects. The use of cash financing also lowers the County's liability thus improving the credit rating and ability of the County to successfully achieve better terms of repayment and rates for debt borrowed in the future.

Using cash financing also has cautions. By using current revenue sources the County must ensure that services provided to the community as a whole does not suffer the use of the revenue on capital projects. Maintaining the level of service of current programs may outweigh the need of a capital project to be funded from current revenues.

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2. Line of Credit

Pinal County maintains a line of credit with the (Bank) to meet short-term financial needs. The current maximum line of credit is (\$) as of (date) this (amount) was available for use. Advances of this credit line are payable on demand. This type of financing should only be used for short-term needs commonly defined as needs for a period of less than one year. A typical use would be for situations when expenditures do not match timely with the receipt of revenues.

3. General Obligation Bonds

General Obligation Bonds are considered general debt financing sources of the County. These bonds are backed by a full faith pledge of the County to be repaid through general revenues (unless proscribed otherwise) and/or the legal means to raise taxes. This offers high security of repayment and thus provides the County with favorable interest rate options. By continually improving the credit rating, the County can ultimately borrow long-term funds through General Obligation Bonds at very low interest rates. These bonds should be used specifically for capital infrastructure needs and not for operating expenditures. In most circumstances, General Obligation Bond debt would be retired through an annual levy of a secondary property tax assessed against the value of all property in Pinal County.

Limitations: The Arizona State Constitution has limited the amount of debt that can be issued through General Obligation Bonds to not exceed 6% of the County's property value as the latest assessment. However, with voter approval the County may finance up to 15% of the assessed value through General Obligation Bonds. Finally, prior to using General Obligation Bonds, the County residents must cast a majority vote in favor of the bond.

4. Special District Bonds

Pinal County is authorized to create special taxing districts, each bound by separate statutory provisions. Currently, the main special districts imposed through the County are the Regional Flood Control and Library Districts.

Regional Flood Control District: This district can issue debt when voters authorize the district to levy a tax on the secondary value of property within the County. The debt raised must be used for specific purposes and may not exceed

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the specified amount. Currently, this type of debt can't exceed 5% of the value of the districts taxable property.

Library District: This district can issue debt when voters authorize the district to levy a tax on the secondary value of real and personal property within the County. The debt raised must be used for a specific purpose and may not exceed the specified amount.

Other Districts: Other districts with taxing authority exist within Pinal County, however, they are governed by their own boards and in most cases do not report to County officials. These districts may levy a tax on the secondary value of property within the taxing district to raise funds for specific projects. These districts include but are not limited to fire districts, school districts, lighting districts, irrigation districts, and so forth.

5. Lease Purchase Contracts

A lease purchase contract is a tool of debt financing. Payment of such debt is subject to operating funds and can't be satisfied through a secondary property tax. The County shall establish policies and procedures for entering into such contracts.

6. Loans Payable

Loans are available from many federal and state agencies that are authorized to offer below-market rate loans to the County for the purpose of developing infrastructure required by federal law. This method of finance is of benefit when funds from other sources are insufficient to meet infrastructure requirements.

7. Notes Payable

This type of debt is similar to an IOU. The County will enter into an agreement to repay the entire principal and interest of the note on a specific future date. This provides a mechanism to take ownership today and pay in the future without a third party lender of funds.

8. Certificate of Deposit

A certificate of deposit is a liability held by the County to repay principal and interest on a specific date in the future for use of monies today. The County may sell certificates of deposit as a method of securing funding for capital projects.

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	SUBJECT: 40.4 – PERFORMANCE MONITORING POLICY			

Performance Monitoring Policy

A. Introduction

This policy will be set forth to provide departments with standards for financial performance. In addition, this policy will help establish department accountability to improve efficiency in carrying out their assigned responsibilities.

B. Definitions

Objectives: Specific goals or measurements to be achieved by this policy.

Controls: Requirements put in place by the Board of Supervisors to ensure appropriate actions are taken when departments have reached spending limits in their budgets.

Budget Risk: A department showing a negative account balance or demonstrating the potential of overspending in their fund for the fiscal year.

C. Policy

1. Departments in jeopardy of creating budget risk shall work with the budget office to determine causes for such risk and develop a plan to reduce the potential of exceeding their fund budget for the fiscal year. If it is determined that contingency funds and/or reallocation of funding is warranted then steps will be taken in accordance with the “Budget Accountability Policy” to have funds reallocated at the discretion of the Board of Supervisors.
2. Performance Audits shall be performed periodically to determine the effectiveness of a County department and/or program through and independent assessment. Departments that exceed their budgets by more than 15 percent during the fiscal year will be automatically selected for performance audits unless the County Manager determines that circumstances exist in which the department could not have planned for such budget expense overtures.
3. Performance Audit Objectives:
 - a. Determine cause(s) of over-expending allocated resources.
 - b. Identify opportunities to increase revenues
 - c. Identify opportunities to reduce costs
 - d. Identify management controls and develop recommendations to enhance controls to ensure future compliance.
4. All departments subject to a performance audit shall cooperate fully with auditors by providing all records, documents, and information readily available unless such information is confidential by law.

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5. After audit completion an audit report will be drafted and transmitted to the Board of Supervisors, County Manager, and department director. The audit report will contain the following:
 - a. Audit scope, objective, and methodology
 - b. Significant findings and conclusions of each objective.
 - c. Recommendations of actions to correct deficiencies and enhance performance.
 - d. Occurrences of non-compliance
 - e. Response of department director regarding findings including plans for resolution.
 - f. Accomplishments of the department.
 - g. Any other information the auditor determines noteworthy to report are part of the audit scope.

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	SUBJECT: 40.5- TAX REDUCTION POLICY			

Tax Reduction Policy

A. Purpose:

The purpose of this policy is to create tax rates that will continue to sustain the operating needs of the County while lessening the burden on the tax payers. This policy in hand with long-term debt policy will ensure that Pinal County will maintain sufficient revenue levels to maintain services without the use of long-term debt or substantial increases in tax rates during slow economic periods.

Thus, Pinal County will, when circumstances permit, reduce tax rates while continuing to provide services and remain accountable to the citizens.

B. Definitions:

Fund Balance: The difference between fund assets and fund liabilities.

General Obligation Bonds: Long-term debt used to fund capital projects, funded by a Levy on the secondary property value of the County and assessed to each resident in the form of a tax on their individual assessed property value.

C. Reserve Policy:

The Board of Supervisors will maintain a minimum reserve fund balance of 15% of revenue sources for each fiscal year. Currently and in recent years the County has been able to maintain a reserve of greater than 25%. Fund reserve balances may be used to fund (CIP) Capital Improvement Projects, retirement of debt services, or left in reserve for future needs thus eliminating the need for long-term debt.

D. Tax Reduction Policy

Unless otherwise required by law, the Board of Supervisors will work to maintain the combined primary, Library District, and Flood Control District property tax rates at current or lower levels.

The Board of Supervisors may reduce property tax rates under the following conditions:

- The tax reduction is sustainable for the foreseeable future according to conservative forecasts.
- The current budget is structured and balanced, and recurring revenues will continue to exceed recurring expenditures under conservative forecasts for the foreseeable future.
- Fund balance reserves are sufficient to eliminate any need of cash-flow borrowing for unexpected economic conditions.

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- Fund balances have sufficient funding reserves to pay for repayment of any outstanding debt.
- Capital expenditures are supported by reserve balances.

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