SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Closing: May 6, 2009

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Closing: May 6, 2009

CLOSING DOCUMENT LIST

TERMS USED HEREIN

County	-	Pima County, Arizona
Bond Counsel	-	Squire, Sanders & Dempsey L.L.P.
Underwriter	-	UBS Financial Services Inc.
Bond Registrar and Paying Agent	-	The Bank of New York Mellon Trust Company, N.A.
Financial Consultant	-	RBC Capital Markets Corporation
Bond Insurer	-	Assured Guaranty Corp.

Item No.

I. COUNTY PROCEEDINGS AND RELATED DOCUMENTS:

1. Certified copy of Resolution Nos. 1991-138 and 1991-182, passed, adopted and approved by the Board of Supervisors (the "Board") of the County on June 18, 1991 and August 6, 1991, respectively, relating to the issuance and sale of the County's Sewer Revenue Refunding Bonds, Series 1991 — 1

2. Certified copy of Resolution No. 2009-27, passed, adopted and approved by the Board of the County on February 17, 2009, ordering the sale of the Sewer Revenue Bonds — 2

3. Preliminary Official Statement, dated April 9, 2009, including a Notice Inviting Bids for the Purchase of Sewer Revenue Bonds — 3

4. Certified copy of Resolution No. 2009-69, passed, adopted and approved by the Board on April 21, 2009, authorizing the issuance and sale of the Sewer Revenue Bonds — 4

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DISTRIBUTION OF TRANSCRIPTS

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Pima County, Arizona	2
RBC Capital Markets Corporation	1
Squire, Sanders & Dempsey L.L.P.	1
UBS Financial Services Inc.	1
Assured Guaranty Corp.	4
The Bank of New York Mellon Trust Company, N.A.	1

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RESOLUTION NO. 1991-138

AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $60,000,000 PRINCIPAL AMOUNT OF PIMA COUNTY, ARIZONA SEWER REVENUE REFUNDING BONDS, SERIES 1991

Passed and adopted by the Pima County Board of Supervisors on June 18, 1991

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RESOLUTION NO. 1991-138

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $60,000,000 PRINCIPAL AMOUNT OF PIMA COUNTY, ARIZONA SEWER REVENUE REFUNDING BONDS, SERIES 1991; PRESCRIBING THE FORM AND OTHER DETAILS OF SAID BONDS; PROVIDING FOR THE COLLECTION AND DISPOSITION OF THE REVENUES TO BE DERIVED FROM THE COUNTY'S SEWER SYSTEM; MAKING OTHER PROVISIONS WITH RESPECT TO THE OPERATION OF SAID SEWER SYSTEM; PROVIDING FOR THE SECURITY AND PAYMENT OF SAID BONDS; AUTHORIZING THE EXECUTION OF A DEPOSITORY TRUST AGREEMENT FOR THE SAFEKEEPING AND HANDLING OF THE SECURITIES PURCHASED WITH THE PROCEEDS OF THE BONDS; AUTHORIZING THE EXECUTION OF A REGISTRAR, TRANSFER AND PAYING AGENT AGREEMENT; AUTHORIZING THE PURCHASE OF BOND AND RESERVE FUND INSURANCE OR GUARANTIES; APPROVING THE DISTRIBUTION OF A FINAL OFFICIAL STATEMENT; AND RATIFYING THE ACTIONS OF ALL OFFICERS AND AGENTS OF THE COUNTY WITH RESPECT TO THE BONDS AND THE PRELIMINARY OFFICIAL STATEMENT.

WHEREAS, pursuant to Title 11, Chapter 2, Article 4, Arizona Revised Statutes, as amended, Pima County, Arizona (the "County") will refund the following respective maturities and amounts of the County's revenue bonds issued for sewer purposes:

Pima County, Arizona, Sewer Revenue Bonds, Series 1980, dated February 1, 1980

Maturity Date (February 1)	Principal Amount	Interest Rate
1992	$ 445,000	8.00%
1993	480,000	8.00%
1994	515,000	8.00%
1995	555,000	7.00%
2010	16,345,000	7.70%

Pima County, Arizona, Sewer Revenue Bonds, Series 1984, dated April 1, 1984

Maturity Date (July 1)	Principal Amount	Interest Rate
1992	250,000	11.50%
1993	250,000	11.50%
1994	250,000	11.50%
1995	300,000	11.50%
1996	300,000	11.50%
1997	325,000	10.10%
1998	325,000	9.50%
1999	1,300,000	9.50%
2000	1,425,000	9.60%
2001	1,575,000	9.60%
2002	1,750,000	9.70%

Pima County, Arizona, Sewer Revenue Refunding Bonds, Series 1985, dated December 1, 1985

Maturity Date (July 1)	Principal Amount	Interest Rate
1992	470,000	7.00%
1993	510,000	7.25%
1994	570,000	7.50%
1995	605,000	7.70%
1996	660,000	7.80%
1997	715,000	7.90%
1998	815,000	8.00%

Pima County, Arizona, Sewer Revenue Bonds, Project of 1985, dated April 1, 1986

Maturity Date (July 1)	Principal Amount	Interest Rate
1992	340,000	8.40%
1993	370,000	8.40%
1994	405,000	8.00%
1995	435,000	6.40%
1996	475,000	6.50%
1997	515,000	6.65%
1998	560,000	6.75%
1999	610,000	6.90%
2000	665,000	7.00%
2001	720,000	7.10%
2002	785,000	7.10%
2003	850,000	7.20%
2004	925,000	7.20%
2005	1,005,000	6.40%

Pima County, Arizona, Sewer Revenue Bonds, Project of 1986, Series A (1986), dated October 1, 1986

Maturity Date (July 1)	Principal Amount	Interest Rate
1992	350,000	8.25%
1993	375,000	8.25%
1994	400,000	8.25%
1995	425,000	8.25%
1996	450,000	6.70%
1997	475,000	6.40%
1998	525,000	6.60%
1999	550,000	6.70%
2000	600,000	6.80%
2001	650,000	6.90%
2002	700,000	6.90%

2003	750,000	7.00%
2004	800,000	7.00%
2005	875,000	6.25%
2006	925,000	6.25%

Pima County, Arizona, Sewer Revenue Bonds, Series of 1988, dated March 1, 1988

Maturity Date (July 1)	Principal Amount	Interest Rate
1992	290,000	8.75%
1993	310,000	8.75%
1994	330,000	8.75%
1995	355,000	8.75%
1996	380,000	8.75%
1997	405,000	7.70%
1998	435,000	6.75%
1999	470,000	6.80%
2000	505,000	7.00%
2001	540,000	7.10%
2002	585,000	7.20%
2003	630,000	7.25%
2004	680,000	7.30%
2005	735,000	7.00%
2006	795,000	7.00%
2007	860,000	7.00%
2008	930,000	7.00%

The foregoing revenue bonds are hereinafter referred to as the "Bonds Being Refunded"; and

WHEREAS, the Bonds will be sold to a syndicate managed by Rauscher Pierce Refsnes,Inc. (collectively, the "Purchaser"); and

WHEREAS, by this resolution, this Board of Supervisors (the "Board") will authorize and provide for the issuance and sale of not to exceed $60,000,000 principal amount of Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1991 to advance refund the Bonds Being Refunded, set the maximum interest rate thereon, maximum term of the Series 1991 Bonds, maximum principal amount of Bonds to be issued and authorize the Chairman to accept an offer of the Purchasers (the "Offer") to purchase the Bonds and to execute the Bond Purchase Contract binding the County to issue and deliver the Bonds if the Offer is within the maximum amounts, terms and rates prescribed herein and the Chairman determines it to be in the County's best interest to accept the Offer; and

WHEREAS, all acts, conditions and things required by the Constitution and the laws of the State of Arizona (the "State") to happen, exist and be performed precedent to and in

the adoption of this resolution have happened, exist and have been performed as required to make this resolution a valid and binding instrument for the security of the Bonds authorized herein; and

WHEREAS, this Board is now empowered to proceed with the issuance and sale of the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AS FOLLOWS:

Section 1. Authority. The Bonds authorized herein are issued pursuant to Section 11-264.01, Arizona Revised Statutes, as amended, and other applicable provisions of law. This resolution will stay in full force and effect until all Bonds authorized hereunder are fully paid or provided for and all Policy Costs shall have been paid in full.

Section 2. Definitions; Interpretation.

A. Definitions. The following terms shall have the following meanings in this resolution unless the text expressly or by necessary implication requires otherwise:

"Accreted Value" shall mean, with respect to Capital Appreciation Bonds, as of the date of calculation, the initial principal amount thereof plus interest accrued thereon to such calculation date, compounded from the date of initial delivery at the interest rate thereof on stated dates, as set forth in the resolution authorizing the issuance of such Capital Appreciation Bonds.

"Agreement" shall mean any agreement between a Reserve Fund Guarantor and the County, pertaining to a Reserve Fund Guarantor's reimbursement in the event of a Drawdown, as such Agreement may be amended, modified or supplemented from time to time.

"Assumed Interest Rate" shall mean an interest rate for Variable Rate Obligations at the computation date computed to be the lesser of (i) the maximum rate which Bonds of such series may bear under the terms of their issuance or (ii) the rate of interest then established for long-term bonds by the 30-year revenue bond index most recently published by The Bond Buyer of New York, New York prior to the date of computation (or in the absence of such published index, some other index selected in good faith by the Finance Director of the County after consultation with one or more reputable, experienced investment bankers as being equivalent thereto).

"Average Annual Debt Service" shall mean, at the time of computation, the average of each Bond Year's aggregate scheduled Bond principal and interest requirements; when

computing Average Annual Debt Service, Variable Rate Obligations shall be deemed to bear interest at the Assumed Interest Rate and Bonds subject to mandatory redemption shall be treated as maturing on their respective mandatory redemption dates and not at their stated maturity date and interest shall be deemed to cease on Bonds subject to mandatory redemption at the scheduled mandatory redemption dates.

"Beneficial Owner" shall mean the owner of any beneficial interest in any Book-Entry Bond as shown on the records of any Direct or Indirect Participant.

"Board" shall mean the Board of Supervisors of the County.

"Bond Fund" shall mean the Bond Fund created pursuant to Section 10 hereof.

"Bond Insurer" shall mean an issuer of a Municipal Bond Insurance Policy pertaining to the Bonds or any part thereof.

"Bond Register" shall mean the registration books pertaining to the ownership and transfer of the Bonds maintained by the Bond Registrar on behalf of the County.

"Bond Registrar" shall mean The Valley National Bank of Arizona, or its successor as bond registrar.

"Bonds" shall mean the Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1991, authorized to be issued herein and all Parity Bonds.

"Bond Year" shall mean initially the period from the date of the Series 1991 Bonds to July 1, 1992, and thereafter the one-year period commencing each July 2 and ending on the next forthcoming July 1. A Bond Year shall correspond to the Fiscal Year beginning on July 1 of the same year and ending on June 30 of the next year.

"Book-Entry Bonds" shall mean, initially, all Series 1991 Bonds and such other series or portion of a series of Parity Bonds which are hereafter designated by the County as Book-Entry Bonds.

"Capital Appreciation Bonds" shall mean Parity Bonds whose interest component is compounded semiannually on stated dates until maturity or to a date on which such Capital Appreciation Bonds are converted to Bonds paying interest semiannually, if so permitted or required.

"Capitalized Reserve Account" shall mean the Capitalized Reserve Account created pursuant to Section 10 hereof.

"Chairman" means the Chairman of the Board.

"Clerk" shall mean the Clerk of the Board.

"Construction Fund" shall mean the Construction Fund created pursuant to Section 10 hereof.

"Contributed Reserve Account" shall mean the Contributed Reserve Account created pursuant to Section 10 hereof.

"County" shall mean Pima County, Arizona.

"Deficiency" shall mean the difference between (i) the total amount due on a principal or interest payment date for the Bonds and (ii) the amount that has been deposited in the Bond Fund for payment to the Owners (which amount shall not include payments made pursuant to a Municipal Bond Insurance Policy or a Reserve Fund Guaranty but shall include all moneys transferred from the Reserve Fund to the Bond Fund or available in the Reserve Fund for such transfer).

"Depository Trust Agreement" shall mean the agreement between the County and The Valley National Bank of Arizona, as Trustee, regarding the holding in trust of the securities purchased to secure payment of the Bonds Being Refunded and other matters.

"Direct Participant" or "DTC Participant" shall mean any broker-dealer, bank or other financial institution for which the DTC holds Book-Entry Bonds from time to time as a securities depository.

"Drawdown" shall mean any amount drawn by the Paying Agent under any Reserve Fund Guaranty.

"Drawdown Date" shall mean the date on which the Paying Agent makes a Drawdown.

"DTC" shall mean the Depository Trust Company, the depository for the Book-Entry Bonds.

"Finance Director" shall mean the Pima County Finance Director.

"Fiscal Year" shall mean the twelve month period beginning each July 1 and ending on June 30th of the next succeeding year.

"Government Obligations" shall mean (i) direct and general obligations of the United States of America, or those which are unconditionally guaranteed as to principal and interest by the same, (ii) obligations issued by either the Resolution Trust Corporation or the Resolution Funding Corporation, the payment of which is ultimately backed by the United States Treasury; and (iii) pre-refunded municipal obligations meeting the following criteria:

(a) the municipal obligations may not be callable prior to maturity or, alternatively, the trustee has received irrevocable instructions concerning their calling and redemption;

(b) the municipal obligations are secured by cash or securities described in subparagraphs (i) and (ii) above (the "Defeasance Obligations"), which cash or Defeasance Obligations may be applied only to interest, principal and premium payments of such municipal obligations;

(c) the principal of and interest on the Defeasance Obligations (plus any cash in the fund) are sufficient to meet the liabilities of the municipal obligations;

(d) the Defeasance Obligations serving as security for the municipal obligations must be held by an escrow agent or a trustee; and

(e) the Defeasance Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

"Indirect Participant" shall mean any financial institution for whom any Direct Participant holds an interest in a Book-Entry Bond.

"Maximum Annual Debt Service" shall mean, at the time of computation, the greatest scheduled Bond principal and interest requirements occurring in the then-current, or any subsequent, Bond Year on all Bonds Outstanding; when computing Maximum Annual Debt Service, Variable Rate Obligations shall be deemed to bear interest at the Assumed Interest Rate and Bonds subject to mandatory redemption shall be treated as maturing on their respective mandatory redemption dates and not at their stated maturity date and interest shall be deemed to cease on Bonds subject to mandatory redemption at the scheduled mandatory redemption dates.

"Municipal Bond Insurance Policy" shall mean any Municipal Bond Insurance Policy insuring the payment of the principal of and interest on all or any part of the Bonds according to their terms.

"Net Revenues" shall mean Revenues remaining after deducting Operating Expenses.

"Operating Expenses" shall mean the reasonable and necessary costs of System operation, maintenance, and repair, including salaries, wages, cost of materials and supplies, and insurance, but shall exclude depreciation, payments into the Bond Fund, the Reserve Fund, the Reimbursement Fund and the Rebate Fund.

"Outstanding" or "Outstanding Bonds" when used with reference to the Bonds, shall mean, as of any determination date, all Bonds theretofore authenticated and delivered except:

(a) Bonds theretofore cancelled or delivered for cancellation;

(b) Bonds that are deemed paid and no longer Outstanding as provided herein; and

(c) Bonds in lieu of which other Bonds have been issued pursuant to the provisions hereof relating to Bonds destroyed, stolen, lost or mutilated, unless evidence satisfactory to the County Treasurer has been received that any such Bond is owned by a bona fide purchaser.

"Owner", except as provided in Section 17(B), shall mean any person who shall be the registered owner of any Bond or Bonds Outstanding (including, with respect to a Book-Entry Bond, DTC or a successor depository).

"Parity Bonds" shall mean any additional Bonds issued in accordance with Section 13 hereof.

"Paying Agent" shall mean The Valley National Bank of Arizona, or its successor as paying agent.

"Permitted Investments" shall mean, to the extent permitted by law:

1. Direct and general obligations of the United States of America, or obligations unconditionally guaranteed as to principal and interest by the same.

Also permitted are evidences of ownership of proportionate interests in future interest and principal payments of the above United States obligations. Investments in such proportionate interests must be limited to circumstances wherein (a) a Bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

2. Obligations issued or guaranteed by the following instrumentalities or agencies of the United States of America:

(a) Federal Home Loan Bank System;
(b) Export-Import Bank of the United States;
(c) Federal Financing Bank;
(d) Government National Mortgage Association;
(e) Farmers Home Administration;
(f) Federal Home Loan Mortgage Company;
(g) Federal Housing Administration;
(h) Private Export Funding Corporation;
(i) Federal National Mortgage Association; and
(j) obligations issued by either the Resolution Trust Corporation or the Resolution Funding Corporation, the payment of which is ultimately backed by the United States Treasury.

3. Pre-refunded municipal obligations meeting the following conditions:

(a) the bonds are not to be callable prior to maturity or the trustee has been given irrevocable instructions concerning their calling and redemption;

(b) the bonds are secured by cash or Permitted Investments described in No. 1 (the "United States Obligations") which may be applied only to interest, principal, and premium payments of such bonds;

(c) the principal of and interest on the United States Obligations (plus any cash in the fund) are sufficient to meet the liabilities of the bonds;

(d) the United States Obligations serving as security for the bonds are held by an escrow agent or trustee; and

(e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

4. Direct and general long-term obligations of any state on which the full faith and credit of the state is pledged and which are rated in either of the two highest rating categories by either Moody's Investors Service (hereinafter referred to as Moody's) or Standard and Poor's Corporation (hereinafter referred to as S&P) or, in the event each of such rating agencies rate such obligations, by each of them; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating categories for comparable obligations by one of the two most widely recognized rating agencies then rating such credits.

5. Direct and general short term obligations of any state described in No. 4 above which are rated in the highest rating category by either Moody's or S&P or, in the event each of such rating agencies rate such obligations, by each of them; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in the highest rating category for comparable obligations by one of the two most widely recognized rating agencies then rating such credits.

6. Interest bearing demand or time deposits issued by state banks, savings and loan associations or trust companies or any national banking associations which are members of the Federal Deposit Insurance Corporation (FDIC). These deposits must be (a) continuously and fully insured by FDIC, (b) with banks that are rated at least P-1 by Moody's or at least A-1 by S&P, or (c) fully secured by direct and general obligations of the United States, or those which are unconditionally guaranteed as to principal and interest by the same. Such United States' securities must have a market value at all times at least equal to the principal amount of the deposits. The United States' securities must be held by the County or the Bond Registrar and Paying Agent (who shall not be the provider of the collateral), or any Federal Reserve Bank or Depositary, as custodian for the institution issuing the deposits. The County or the Bond Registrar and Paying Agent should have a perfected first lien in the United States Obligations serving as collateral, and that collateral is to be free from all third party liens.

7. Long-term or medium-term corporate debt guaranteed by any corporation rated by Moody's and S&P in their two highest rating categories.

8. Repurchase agreements, the maturity of which are less than thirty (30) days, entered into with financial institutions such as banks or trust companies organized under state law or national banking associations, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation or with a dealer or parent holding company rated investment grade by Moody's or S&P; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating categories for comparable obligations by one of the two most widely recognized rating agencies then rating such credits. The repurchase agreement should be secured by direct and general obligations of the United States of America or those unconditionally guaranteed as to principal and interest by the same. The United States obligations must have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreement. The County or the Paying Agent (who shall not be the provider of the collateral) must have a perfected first lien in, and retain possession of, the collateral. The obligations serving as collateral must be free from all third party claims.

9. Prime commercial paper of a United States corporation, finance company or banking institution rated at least "P-1" by Moody's or at least "A-1" by S&P; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating categories for comparable obligations by one of the two most widely recognized rating agencies then rating such credits.

10. Interests in money market portfolios issued by state banks, trust companies, savings and loan associations, or national banking associations which are members of the FDIC. Such interest should be (a) fully insured by FDIC; or (b) secured by direct and general obligations of the United States or those guaranteed as to principal and interest by the same. The collateral obligations must have a market value, exclusive of accrued interest, at least equal to the principal amount of the interests in the money markets and should be held by a custodian.

11. Public housing bonds issued by public agencies. Such bonds must be fully secured by a pledge of annual contributions under a contract with the United States government; temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States; or state or public agency or municipality obligations rated in the highest rating category by a nationally recognized bond rating agency.

12. Shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which has been rated in the highest rating categories by Moody's or S&P; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating category for comparable obligations by one of the two most widely recognized rating agencies then rating such credits, or money market accounts of the Trustee or any state or federal bank which is rated at least P-1 by Moody's or at least A-1 by S&P or whose one bank holding company parent is rated at least A-1 by S&P or at least P-1 by Moody's; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in a comparable rating category for comparable obligations by one of the two most widely recognized rating agencies then rating such entities, all to the extent not fully insured by FDIC having a combined capital and surplus of not less than $50,000,000 at the time of any such deposit.

Any other provision of this definition of Permitted Investments to the contrary notwithstanding, from and after the execution of the initial Agreement, this definition shall be deemed amended to conform to the definition set forth in such Agreement.

"Policy Costs" shall mean the amount necessary to reimburse a Reserve Fund Guarantor for any Drawdown(s) pursuant to the terms of an Agreement including, without limitation, the amount of any Drawdown, such Reserve Fund Guarantor's expenses (including any legal expenses) and interest thereon at the Reimbursement Rate until paid.

"Purchasers" shall mean, with respect to the Series 1991 Bonds, Rauscher Pierce Refsnes, Inc., Dean Witter Reynolds, Inc., First Southwest Company, Peacock, Hislop, Staley & Given, Inc. and Piper Jaffray & Hopwood, Inc.

"Rebate Fund" shall mean the Rebate Fund created pursuant to Section 10 hereof.

"Record Date" shall mean the fifteenth day of the month preceding an interest payment date (or if such day is a Saturday, Sunday or holiday, on the next preceding business day).

"Reimbursement Fund" shall mean the Reimbursement Fund created pursuant to Section 10 hereof.

"Reimbursement Period" shall mean, with respect to any Drawdown, the period commencing on the Drawdown Date and ending on the first anniversary of a Drawdown Date.

"Reimbursement Rate" shall mean the respective rate of interest to be paid by the County to reimburse a Reserve Fund Guarantor after a Drawdown as set forth in the respective Agreement.

"Representation Letter" shall mean letters to, or agreements with, a depository for Book-Entry Bonds to effectuate a book entry system with respect to certain Bonds registered in the Bond Register under the nominee name of the depository.

"Reserve Fund" shall mean the Reserve Fund created pursuant to Section 10 hereof.

"Reserve Fund Guarantor" shall mean, with respect to any series of Bonds, the issuer of a surety bond, letter of credit or line of credit or insurance policy executed and delivered to the Paying Agent as a Reserve Fund Guaranty, to be issued by an entity experienced in insuring municipal bonds or extending lines of credit with respect to municipal bonds whose insurance policies, surety bonds, letters or lines of credit will not adversely affect the Bonds' then-current rating if then rated by Moody's Investors Service or by Standard & Poor's Corporation.

"Reserve Fund Guaranty" shall mean any surety bond, letter of credit or line of credit or insurance policy executed and delivered by a Reserve Fund Guarantor to the County or the Paying Agent for the County as a reserve fund guaranty for purposes of this resolution.

"Reserve Fund Value" shall mean the value of moneys and investments credited to the Reserve Fund determined in accordance with Section 18 hereof plus the aggregate penal sums of all Reserve Fund Guaranties.

"Reserve Requirement" shall mean, initially, an amount equal to Average Annual Debt Service on the Series 1991 Bonds, which amount shall be adjusted upon the issuance of Parity Bonds to equal Average Annual Debt Service immediately after such issuance or the maximum amount the Reserve Fund is then permitted to increase under Section 148 of the Internal Revenue Code of 1986, as amended, or any comparable statutory provision limiting the amount of a reasonably required reserve and replacement fund.

"Revenue Fund" shall mean the Revenue Fund created pursuant to Section 10 hereof.

"Revenues" shall mean and include all income, moneys and receipts derived by the County from the ownership, use and operation including, without limitation, interest received on, and profits realized from the sale of, investments made with System moneys (excluding from such determination interest and profits retained in either the Construction Fund or the System Development Fund pursuant to Section 10B(8)) however, the term Revenues shall not include Bond proceeds or the interest received on any Bond proceeds placed irrevocably in trust to pay, or provide for the payment of, any Bond or Bonds Being Refunded or any amounts received which the County is contractually required to pay out as reimbursement for acquisition, construction or installation of System facilities.

"Series 1991 Bonds" shall mean the series of Bonds authorized to be issued pursuant to Section 3 hereof.

"State" shall mean the State of Arizona.

"System" shall mean the County's entire sewer system, all sewer properties of every nature hereafter owned by the County and all acquisitions, improvements and extensions added thereto by the County while any Bonds remain Outstanding, including all real and personal property of every nature comprising part of, or used or useful in connection with, the County's sewer system, and including all appurtenances, contracts, leases, franchises, and other intangibles.

"System Development Fund" shall mean the system development fund created pursuant to Section 10 hereof.

"Variable Rate Obligations" shall mean any Parity Bonds which may, in the future, bear interest at rates which cannot be determined with specificity on their original issue date.

B. Interpretation.

1. Any reference herein to the County, its Board or any officer thereof shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

2. Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender.

3. Section headings and the table of contents hereof are solely for convenience and do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

4. The words "hereof" or "herein" shall refer to this resolution.

5. All accounting reports or statements required by this resolution shall be presented in accordance with generally accepted governmental accounting principles at the date of the report or statement.

Section 3. Authorization of Bonds.

A. To advance refund the Bonds Being Refunded, there are hereby authorized to be issued not to exceed $60,000,000 principal amount of Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1991. The Bonds shall never be construed to be general obligations of the County within the meaning of Title 35, Chapter 3, Article 3, Arizona Revised Statutes, as amended, or to create a debt of the County within the Constitution and laws of the State.

B. The Bonds are special obligations of the County payable solely from and secured as to the payment of the principal and redemption price thereof, and interest thereon, in accordance with their terms and the provisions hereof. Subject to Section 10(B) hereof, Net Revenues are pledged as security for the payment of the principal and redemption price of, and interest on the Bonds in accordance with their terms and the provisions hereof. All Net Revenues shall be immediately subject to the pledge of this resolution without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the County, irrespective of whether such persons have notice thereof. Nothing contained in this section shall be construed as limiting any authority granted elsewhere herein to issue Parity Bonds nor be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the County secured by moneys, income and funds other than the Net Revenues and other moneys and investments pledged hereunder.

Section 4. Terms of Bonds. The Series 1991 Bonds shall be dated either the first or the 15th day of the month in which the Series 1991 Bond Purchase Agreement is executed, at the option of the Chairman, shall be numbered from 1 consecutively upwards, shall be fully registered Bonds without coupons, shall be in the denomination of $5,000 or any integral multiple thereof, shall bear interest at a rate or rates not exceeding eight and one-half percent (8-1/2%) per

annum from the most recent January 1 or July 1 to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their date, which interest shall be payable on January 1, 1992, and semiannually thereafter on July 1 and January 1 of each year during the term of each Bond. The principal of the Bonds shall be payable at the principal corporate trust office of The Valley National Bank of Arizona in Phoenix, Arizona, as Paying Agent. Interest on the Bonds shall be payable by check mailed to the Owner thereof, as shown on the Bond Register at the address appearing therein at the close of business on the Record Date. Additionally, payment may also be made by wire transfer to DTC or upon two (2) days prior written request delivered to the Paying Agent specifying a wire transfer address in the continental United States by any Owner of Bonds (other than DTC) owning an aggregate principal amount of at least $1,000,000. No document of any nature whatsoever need be surrendered as a condition to payment of principal of and interest on Book-Entry Bonds.

All Series 1991 Bonds will be registered so as to participate in a book-entry system with DTC (the "DTC Program"). Either the Chairman or the Finance Director is authorized to execute a Representation Letter or such other documents as may be necessary for the County to participate in the DTC Program. Upon initial issuance, the ownership of the Bonds held by DTC shall be registered in the Bond Register in the name of Cede & Co., or any successor thereto, as nominee for DTC. The County shall have no responsibility or obligation to Direct or Indirect Participants or Beneficial Owners for which DTC holds Bonds from time to time as a depository. Without limiting the immediately preceding sentence, the County shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co., or any Direct or Indirect Participant with respect to any beneficial ownership interest in the Bonds, (b) the delivery to any Direct or Indirect Participant or any person, other than a registered Owner of a Bond as shown in the Bond Register, of any notice with respect to the Bonds, or (c) the payment to any Direct or Indirect Participant or any other person, other than a registered Owner as shown in the Bond Register, of any amount with respect to the Bonds. No person other than an Owner as shown in the Bond Register shall receive a certificate evidencing a Bond or confirming ownership of a Book-Entry Bond.

The Series 1991 Bonds shall mature on July 1 of each year. The Series 1991 Bonds shall mature in such amounts in any of the years 1992 to 2015 as shall be acceptable to the Purchasers and accepted by the Chairman. No Series 1991 Bonds may mature later than July 1, 2015. The Series 1991 Bonds may be sold at a price which is below par, but the difference between the price for which the Series 1991 Bonds are sold and

their par value (exclusive of accrued interest) shall not be greater than 2½ % of such par value.

The terms of Bonds included in any series of Parity Bonds shall be set forth in the resolution authorizing such Parity Bonds.

The Valley National Bank of Arizona is hereby appointed as the Bond Registrar and the Paying Agent. The Bond Registrar shall maintain the Bond Register for registration of ownership of each Bond. A Bond may be transferred on the Bond Register upon its delivery to the Bond Registrar, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by such Bond's Owner or the Owner's attorney-in-fact or legal representative, containing written instructions as to the details of its transfer. Transfers shall not be effective until entered on the Bond Register.

In all cases upon the transfer of a Bond, the Bond Registrar will enter the transfer of ownership on the Bond Register and will authenticate and deliver in the transferee or transferee's name a new fully registered Bond or Bonds in denominations of $5,000 or any integral multiple thereof (no Bond shall be issued which relates to more than a single principal maturity) for the aggregate principal amount which the Owner is entitled to receive. The County or the Bond Registrar will charge the Owner for every such transfer an amount sufficient to reimburse them for any transfer fee, tax or other governmental charge required to be paid with respect to such transfer, and may require that such transfer fee, tax or governmental charge be paid before any such new Bond or Bonds shall be delivered.

The Bond Registrar shall keep the Bond Register showing the Bonds' Owners and all ownership transfers. Bonds presented to the Bond Registrar for transfer after the close of business on the Record Date and before the close of business on the next subsequent interest payment date will be registered in the transferee's name but the related interest payment will be made to the Owners shown on the Bond Register at the close of business on the Record Date.

The Bond Registrar may but need not register the transfer of a Bond which has been selected for redemption and need not register the transfer of any Bond for a period of fifteen (15) days before the selection of Bonds to be redeemed; if the transfer of any Bond which has been called or selected for call for redemption in whole or in part is registered, any notice of redemption which has been given to the transferor will be binding upon the transferee and a copy of the notice of redemption will be delivered to the transferee along with the Bond or Bonds.

Section 5. Redemption Prior to Maturity. On behalf of the County, the Chairman is authorized to agree to such provisions for redemption of the Series 1991 Bonds prior to maturity as he deems in the best interests of the County, and is authorized to include such prior redemption terms in the form of Series 1991 Bonds and to cause the Series 1991 Bonds to include such terms. The prior redemption features may include both optional and mandatory redemptions.

The Series 1991 Bonds shall be redeemed only in integral multiples of $5,000. If less than all Outstanding Series 1991 Bonds of a single maturity are to be redeemed, the Bonds in that maturity to be redeemed shall be selected by lot in such manner as the Bond Registrar may determine.

Not more than sixty (60) nor less than thirty (30) days before any prior redemption date, the Bond Registrar shall cause a notice of any such redemption to be mailed by registered or certified mail to each Reserve Fund Guarantor and to the Owner of each Bond to be redeemed at the address shown on the Bond Register. Failure to mail notice to any Owner shall not affect the validity of the proceeding for the redemption with respect to other Owners.

On the date designated for redemption by notice given as herein provided, the Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds on such date, and, if moneys for payment of the redemption price and accrued interest are held in separate accounts by the Paying Agent, interest on such Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any benefit or security hereunder and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and accrued interest and such Bonds shall be deemed paid and no longer Outstanding.

The County may redeem an amount which is included in a Bond in the denomination in excess of, but divisible by, $5,000. In that event, the Owner shall submit the Bond for partial redemption and the Paying Agent shall make such partial payment and the Bond Registrar shall cause to be issued a new Bond in a principal amount which reflects the redemption so made to be authenticated and delivered to the Owner thereof.

Whenever Bonds which are subject to mandatory redemption are purchased, redeemed (other than pursuant to mandatory redemption) or are delivered by the County to the Paying Agent for cancellation, the principal amount of the Bonds so retired shall satisfy and be credited against any

mandatory redemption requirements for the respective series of Bonds so purchased, redeemed or cancelled of the same maturity for such years as the County may direct.

The prior redemption terms for any Parity Bond series shall be as set forth in the resolution authorizing the issuance of such series of Bonds.

Section 6. Bond Execution. The Bonds shall be executed for the County by the Chairman and shall be attested by the Clerk by their manual or facsimile signatures and by imprinting thereon the corporate seal of the County, and such officials are authorized and directed to execute the Bonds as aforesaid.

Section 7. Source of Payment and Pledge of Revenues. The Bonds shall be payable solely from the Net Revenues. The Bonds shall be equally and ratably secured by a pledge thereof and lien thereon without priority one over the other.

Section 8. Bond Forms.

A. The Bonds shall be in substantially the form attached hereto as Exhibit A allowing those executing the Bonds to make insertions and deletions necessary to conform the Bonds to this resolution and the Offer.

B. The form of Bonds pertaining to Parity Bonds shall be determined by the County. The County shall cause the Bond forms applicable to any series of Parity Bonds to conform as nearly as practicable to the Bond form set forth in Exhibit A. Parity Bonds may be in the form of fixed interest rate obligations, Capital Appreciation Bonds or Variable Rate Obligations or any combination thereof.

Section 9. Rate Covenant. The County covenants and agrees with the Owners that it will establish and maintain rates, fees and other charges for all services supplied by the System to provide Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates, to pay all Operating Expenses and produce aggregate Net Revenues in each Fiscal Year equal to at least one hundred twenty percent (120%) of the principal and interest requirements on all Outstanding Bonds for the corresponding Bond Year (treating Variable Rate Obligations as bearing interest at the Assumed Interest Rate and Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates).

Section 10. Creation of Funds; Application of Revenues.

A. Upon the Series 1991 Bonds' issuance, the County Treasurer shall create the following special funds and accounts to be held in trust for the Owners, Reserve Fund Guarantors or the County, as the case may be, and expended as herein provided:

1. The Pima County Sewer Revenue Bond Revenue Fund (the "Revenue Fund").

2. The Pima County Sewer Revenue Bond Operation and Maintenance Fund (the "Operation and Maintenance Fund").

3. The Pima County Sewer Revenue Bond Principal and Interest Fund (the "Bond Fund").

4. The Pima County Sewer Revenue Bond Reserve Fund Guarantor Reimbursement Fund (the "Reimbursement Fund").

5. The Pima County Sewer Revenue Bond Reserve Fund (the "Reserve Fund"), which fund also shall contain separate accounts to be known as the Capitalized Reserve Account and the Contributed Reserve Account.

6. The Pima County Sewer Revenue Bond Rebate Fund (the "Rebate Fund").

7. The Pima County Sewer Revenue Bonds System Development Fund (the "System Development Fund").

8. The Pima County Revenue Bond Sewer Construction Fund (the "Construction Fund").

B. While any Bonds are Outstanding and unpaid either as to principal or interest, the entire Revenues shall be held in the County Treasurer's custody in the Revenue Fund. The Revenue Fund shall be disbursed only for the purposes herein authorized and only in the following order of priority:

1. Operation and Maintenance Fund. First, to the Operation and Maintenance Fund, on or before the tenth (10th) day of each month, an amount which, together with any money already on deposit in said Fund, will be sufficient to pay Operating Expenses for said month. Money in the Operation and Maintenance Fund shall be used only to pay Operating Expenses. The County may accumulate in the Operation and Maintenance Fund equitable allowances for accruals and accumulations to cover periodic Operating Expenses, including such items as insurance premiums and expenditures for

renewals, replacements and repairs normally classified as Operating Expenses. Where items such as insurance, gasoline and electrical energy are purchased by the County at large, it may allocate to the System only its share of such expenditure, which allocation shall not be contestable except for fraud or willful misconduct by the County.

2. Bond Fund. Second, on or before the tenth (10th) day of each month, to the Bond Fund the following amounts in the following manner:

(a) Commencing August 10, 1991, through December 10, 1991, one-fifth (1/5), and commencing January 10, 1992, one-sixth (1/6) of the interest becoming due on the next interest payment date on all Series 1991 Bonds then Outstanding; and

(b) Commencing August 10, 1991, through June 10, 1992, one-eleventh (1/11), and commencing July 10, 1992, one-twelfth (1/12) of the principal becoming due on the next principal payment date on all Series 1991 Bonds then Outstanding.

The proceedings pertaining to the issuance of Parity Bonds shall provide for additional deposits to the Bond Fund sufficient to satisfy all additional or modified debt service requirements.

The Bond Fund shall be a trust fund used solely to pay principal of and interest on the Bonds. Moneys in the Bond Fund shall be transferred to the Paying Agent as needed to pay punctually all principal and interest as it matures or comes due.

3. Reimbursement Fund. Third, if a Drawdown shall have occurred, there shall be deposited to the Reimbursement Fund to pay Policy Costs commencing the tenth (10th) day of the first month following a Drawdown and each month thereafter for the next succeeding eleven (11) months, or until the Reimbursement Fund contains amounts sufficient to reimburse all Policy Costs or all Policy Costs with respect to such Drawdown have been paid, an amount equal to at least one-twelfth (1/12) of the aggregate Policy Costs related to the Drawdown. Moneys in the Reimbursement Fund shall be used only to pay Reserve Fund Guarantors for Policy Costs.

Policy Costs owing to a Reserve Fund Guarantor shall be paid from the Reimbursement Fund in twelve (12) equal monthly installments commencing the tenth day of the first month following a Drawdown; provided, however, that if moneys are available in the System Development Fund the Finance

Director may elect to transfer moneys to the Reimbursement Fund and then direct that any such Policy Costs be paid at an earlier date or dates. Policy Costs with respect to any Drawdown which occurs against more than one Reserve Fund Guaranty shall be reimbursed on a pro rata basis (calculated by reference to the maximum amounts available for such reimbursement).

If the County fails to repay any Policy Costs, the Reserve Fund Guarantor or Guarantors shall be entitled to exercise all remedies available to the Owners at law or under this resolution or to any Reserve Fund Guarantor under any Agreement other than (i) acceleration of the maturity of the Bonds or (ii) any other remedies which would adversely affect the Owners' rights.

All Reserve Fund Guaranties shall be held by the Paying Agent acting as fiduciary for the Owners. All Reserve Fund Guaranties shall by their terms expire no earlier than the final maturity date of the respective series for which said Reserve Fund Guaranty applies.

4. Reserve Fund. Fourth, on or before the tenth (10th) day of each month to the Reserve Fund any amounts required to be deposited to the Reserve Fund in accordance with Section 13(A)(4)(ii) if applicable, or one-twelfth (1/12) of the amount required to restore the Reserve Fund to the Reserve Requirement after a Reserve Fund withdrawal.

If, on any principal or interest payment date, a Deficiency exists, then:

(a) If there are investments or cash in the Reserve Fund, such investment shall be liquidated and the cash and investment proceeds transferred to the Bond Fund; and

(b) If the Deficiency is not cured after any transfers pursuant to subparagraph (a) above, then the Paying Agent shall deliver a Drawdown request to each Reserve Fund Guarantor. All Drawdowns and Reserve Fund proceeds shall be applied solely to pay the interest on, and principal of, the Bonds then due.

All money so taken from the Reserve Fund to pay such principal and interest shall be replaced therein from the first moneys in the Revenue Fund thereafter received which are not required for current transfers into the Operation and Maintenance, Bond or Reimbursement Funds pursuant to subparagraphs (1), (2) and (3) of this Subsection.

The Reserve Fund shall contain two accounts, the Contributed Reserve Account and the Capitalized Reserve Account. The two accounts are created to segregate Reserve Fund moneys and investments to provide a means of tracking such deposits and investment income thereon for arbitrage rebate purposes. All Reserve Fund deposits made from Net Revenues or other available moneys of the County shall be deposited to the Contributed Reserve Account. All Bond proceeds deposited to the Reserve Fund shall be deposited in the Capitalized Reserve Account. Any proceedings hereinafter taken with respect to Parity Bonds may specify the amount to be deposited to either Account, so long as the minimum amount required by this resolution to be deposited to the Reserve Fund shall be so deposited. All Reserve Fund Guaranties shall be deemed deposited to, and a part of, the Capitalized Reserve Account.

If, after a Reserve Fund withdrawal, the Reserve Requirement exceeds the Reserve Fund Value, unless otherwise provided herein, such deficiency shall be made up over a twelve (12) month period by deposit of twelve (12) substantially equal payments to the Contributed Account of the Reserve Fund.

5. Rebate Fund. Fifth, to the Rebate Fund the balance remaining in the Revenue Fund until the amount in the Rebate Fund equals the amount to be deposited in the Rebate Fund for arbitrage rebate purposes during such Bond Year as determined by the Finance Director.

6. System Development Fund. Sixth, any moneys in the Revenue Fund exceeding the amounts necessary to be placed in the Operation and Maintenance Fund, the Bond Fund, the Reimbursement Fund, the Reserve Fund and the Rebate Fund shall be deposited in the System Development Fund. After all payments have been made in any month, moneys in the System Development Fund may be used (without priority): (1) for System extensions and betterments; (2) for unbudgeted maintenance and operation expenses; (3) for the redemption of Bonds then subject to optional redemption prior to maturity or to purchase from time to time in the open market any Outstanding Bonds as the Finance Director deems proper; (4) to pay general obligation bonds issued by the County for acquisition of the System or for construction of additions or improvements to the System; (5) to make loans to the County to be used for any lawful County purpose under equitable terms prescribed by the Board; or (6) used for any lawful System purpose.

7. The money in the Revenue Fund shall be allotted and paid into the various Funds hereinbefore established in the order in which said Funds are listed and if in any month the money in the Revenue Fund is insufficient to

make the required deposits to any Fund, the insufficiency shall be made up in the following month or months after payment into all Funds enjoying a prior claim to the Revenues has been met in full.

8. Money on deposit in the Revenue Fund, the Operation and Maintenance Fund, the Bond Fund, the Reserve Fund, the Reimbursement Fund and the Rebate Fund may be invested and reinvested by the County in Permitted Investments. All income derived from such investments shall be regarded as System Revenues and shall be deposited in the Revenue Fund. Such investments shall be liquidated as needed and the proceeds applied to the purpose for which the respective fund or account was created. Moneys in the Construction and System Development Funds may be invested in any investment which the County is permitted by law from time to time to make. At the option of the Finance Director, income derived from investments of moneys in either the Construction or System Development Funds shall be deposited to either the Revenue Fund or retained in the respective Fund.

Section 11. Covenants Regarding the System. The County covenants and agrees with each Owner that it will:

A. Permit no free sewer services to be furnished to any consumer or user;

B. Maintain the System in good condition and operate the same in an efficient manner and at reasonable cost;

C. Maintain insurance on all System properties (which may be in the form of or include an adequately-funded program of self-insurance) of the type and with the coverage normally carried by municipalities or private companies engaged in a similar business. System self-insurance may be maintained either separately or in connection with any County-wide self-insurance program; provided, that (i) any such program is in writing and has been adopted by the Board and (ii) an independent insurance or actuarial consultant appointed by the County annually reviews and certifies to the County in writing that any such program is adequate and actuarially sound. The proceeds of any such insurance, except public liability insurance, received by the County shall be pledged as security for the Bonds until used to replace the System parts damaged or destroyed, or if not so used, shall be placed in the Revenue Fund in addition to all other moneys required to be deposited therein;

D. Cause to be kept proper books and accounts adapted to the System, and cause the books and accounts to be audited after each Fiscal Year by a recognized independent

certified public accountant firm in accordance with generally accepted governmental accounting practices;

The County will furnish copies of such audits to any Reserve Fund Guarantor and to any Owner at their request, no later than one hundred eighty (180) days after the end of each Fiscal Year;

E. Faithfully and punctually perform all its duties concerning the System required by the Constitution and laws of the State of Arizona;

F. Not sell, lease, mortgage or in any manner dispose of the System or any part thereof, including any extensions and additions that may be added thereto, until all Bonds and any County obligations under any Agreement have been paid or provided for in full. This covenant shall not be construed to prevent the disposition of property which the County determines to be inexpedient for use in connection with the System. All proceeds from such disposition shall be deposited in the Revenue Fund;

G. Prior to each Fiscal Year, prepare and adopt a budget showing the estimated Revenues and Operating Expenses for System operation and maintenance for the ensuing Fiscal Year, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any Owner upon request;

H. To the extent allowed by law, discontinue the service to any premises for which the owner or occupant shall be delinquent in the payment of System charges for a period beyond the period allowed by County policy from time to time, not resume the service until all delinquent charges, with interest and penalties, shall have been paid, and do all things and exercise all remedies legally available to assure the prompt payment of System charges;

I. Duly pay and discharge, from time to time, or cause to be paid and discharged, all taxes, assessments or other governmental charges, if any, lawfully imposed upon the System, or upon any Revenues when the same shall become due, as well as any lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien or charge upon the System, or upon any Revenues, or which might impair the security of the Bonds and subject to the provisions hereof, will duly observe and conform to all valid governmental requirements pertaining to the System and to all covenants, terms and conditions hereof;

J. Deposit the net proceeds realized by the County from any eminent domain proceeding concerning the System in the Revenue Fund;

K. To the extent allowed by law, refuse to grant any franchise or permits for any competing sewer system operation in the County. This covenant shall not prohibit the County from entering into "privatization" contracts, agreements or other similar arrangements with private parties.

L. Not cause or permit the moneys in the Bond Fund, the Reimbursement Fund, the Reserve Fund or the Construction Fund to be invested in any investments except Permitted Investments.

M. Not violate the terms of any Agreement and will give all notices and perform all acts and abide by all promises contained in such Agreement or Agreements.

Section 12. Remedies of Owners. Any Owner may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction protect the lien on the Net Revenues, enforce and compel performance of all duties imposed upon the County by the provisions hereof or seek the appointment of a receiver as herein provided.

If any default occurs in the payment of principal of or interest on any Bonds, then upon the filing of suit by an Owner, any court having jurisdiction of the action may appoint a receiver to administer the System for the County with power to charge and collect fees sufficient to pay all Operating Expenses and to make all required payments to the Bond, Reimbursement and Reserve Funds.

Section 13. Equality of Lien; Parity Bonds. The Bonds shall each enjoy complete parity of lien on the Net Revenues despite the fact that any Bond may have been delivered before any other Bonds. The County will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the Net Revenues having priority over or parity with the Bonds herein authorized; provided, however, that additional Parity Bonds may be issued on a parity with the Bonds herein authorized under the following conditions, but not otherwise:

A. Parity Bonds may be issued on a parity with the Bonds herein authorized only if all the following conditions are met:

1. The Net Revenues for the completed Fiscal Year immediately preceding the issuance of the Parity Bonds must have been at least equal to one hundred twenty percent (120%) of Maximum Annual Debt

Service on all Bonds to be Outstanding immediately after issuance of such Parity Bonds as shown by a certificate signed by the Finance Director. For the purposes of the computation required by this subsection, additional amounts may be added to the Net Revenues of the preceding Fiscal Year, as follows: (i) If all or part of the proceeds of the Parity Bonds are to be expended for the acquisition of existing sewer properties, the net revenues which would have been derived from the operation of such acquired sewer properties during the entire immediately preceding Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues, (ii) if during such preceding Fiscal Year the County has acquired existing sewer properties, the net revenues which would have been derived from the operation of such sewer properties during such Fiscal Year had such sewer properties been acquired and operating throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues, and (iii) if during such preceding Fiscal Year the County shall have increased its System rates, fees and charges, the increased amount which would have been received during such Fiscal Year had such increase been in effect throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues;

2. The payments required to be made into the various Funds provided in Section 10 hereof must be current at the time of issuance of the Parity Bonds;

3. The additional Parity Bond proceeds must be used solely to make extensions, renewals, improvements, or replacements to the System or to refund any Bonds; and

4. The Reserve Fund Value shall be increased with respect to such Parity Bonds, at the Board's option, by: (i) the immediate deposit of Parity Bond proceeds or available moneys of the County to the Reserve Fund or the immediate delivery of a Reserve Fund Guaranty to the Paying Agent, or any combination thereof in order for the Reserve Fund Value to equal or exceed the Reserve Requirement immediately after issuance of such Parity Bonds; or (ii) deposits of Net Revenues to the Reserve Fund in approximately equal monthly installments on the 10th

day of each month such that the Reserve Fund Value will equal or exceed the increased Reserve Requirement not later than the expiration of five years following the initial delivery of such Parity Bonds; or (iii) any combination of the methods described in clauses (i) and (ii) above in an aggregate amount equal to the increase in the Reserve Requirement resulting from the issuance of such Bonds.

B. Any provision of this Section 13 to the contrary notwithstanding, one series of Parity Bonds having an aggregate principal amount of not to exceed $7,000,000 may be issued prior to January 1, 1992, subject only to the conditions set forth in subparagraphs 2 through 4 of subsection A of this Section 13 but without regard to any requirements set forth in subparagraph 1 of subsection A.

Section 14. Bond Proceeds.

A. From the Series 1991 Bond proceeds, all accrued interest shall be deposited in the Bond Fund. All Series 1991 Bond proceeds not retained in the Bond Fund shall be delivered to the Trustee and shall be invested or expended by the Trustee as directed in the Depository Trust Agreement. The proceeds so invested or cash held by the Trustee, shall be held in trust by The Valley National Bank of Arizona, as the trustee (the "Trustee"), under the Depository Trust Agreement. After all the Bonds Being Refunded shall have become due and payable through maturity or redemption prior to maturity, any moneys or investments remaining under the Depository Trust Agreement over and above the amount necessary to be retained to pay any Bonds Being Refunded not yet presented shall be returned to the County and deposited in the Bond Fund.

B. Upon delivery of the Series 1991 Bonds, the Treasurer is ordered and directed to transfer from the reserve funds pertaining to the Bonds Being Refunded to the Construction Fund herein created all moneys and investments in such reserve funds, except amounts required by the Depository Trust Agreement to be transferred to the Trustee. All moneys so deposited to the Construction Fund shall be expended for the purposes for which the Bonds Being Refunded were originally issued.

C. All moneys deposited to the Construction Fund from the proceeds of Parity Bonds shall be held and expended solely for the purposes for which such Parity Bonds were issued.

Section 15. Resolution Incorporated Into the Bonds. The provisions of this resolution are deemed incorporated into the Bonds themselves and no change, variation or alteration of any kind in the provisions hereof shall be made in any manner, except as provided in the following Section and Section 17 hereof, until all Outstanding Bonds and interest due thereon have been paid in full or fully provided for.

Section 16. Resolution Modification.

A. Without the consent of or notice to any of the Owners, the County may modify this resolution for one or more of the following purposes:

(1) To cure any ambiguity or formal defect or omissions herein or to correct or supplement any provision herein which may be inconsistent with any other provision herein.

(2) To grant or confer upon the Owners any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(3) To secure additional Revenues for the System or provide additional security or reserves for the payment of the Bonds;

(4) To comply with the requirements of any federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;

(5) To permit, preserve or continue (in the event of a change in federal income tax laws (the "Code") which requires a Supplement hereto in order to continue such exclusion) the exclusion of the interest income borne on the Bonds from gross income as defined by the Code or the exemption from State income taxes and to preserve the power of the County to continue to issue bonds or other obligations (specifically not limited to the Bonds authorized hereby) the interest income on which is likewise excluded from gross income as defined by the Code for federal income tax purposes and exempt from State income taxes;

(6) To conform the definition of Permitted Investments to the definition set forth in the initial Agreement;

(7) To vest in any Reserve Fund Guarantor the rights same rights afforded herein to any Owner or to any other Reserve Fund Guarantor;

(8) To provide such remedies and assurances as may be necessary to induce Reserve Fund Guarantors to issue Reserve Fund Guaranties or to induce Bond Insurers to issue Municipal Bond Insurance Policies with respect to the Bonds, and to conform this Resolution to the Initial Agreement.

B. Except as provided in Subsection A of this Section 16, the Owners of fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciation Bond at the time of calculation as its principal amount) of the Bonds then Outstanding (not including in any case any Bonds that may then be held or owned by or for the County) shall have the right from time to time to consent to and approve the adoption by the Board of a resolution or resolutions modifying or amending any terms or provisions contained herein; provided, however, that this resolution may not be so modified or amended in any manner which:

1. Changes the maturity of any Outstanding Bond.

2. Changes the interest rate on any Outstanding Bond.

3. Reduces the principal or redemption premium payable on any Bond.

4. Modifies the principal, interest or redemption premium payment terms on any Bond or imposes any adverse conditions on such payments.

5. Adversely affects the rights of the Owners of less than all Bonds then Outstanding.

Whenever the County shall propose to amend or modify this resolution, it shall cause notice of the proposed amendment to be mailed by first class mail, postage prepaid to each Owner. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file with the Clerk for public inspection.

If, within one (1) year from said mailing, there shall be filed with the Clerk an instrument or instruments executed by the Owners of at least fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciation Bond at the time of calculation as its principal amount) of the Bonds then Outstanding referring to the proposed amendatory resolution described in said notice and specifically consenting to and approving its adoption, the Board may adopt such amendatory resolution and such resolution shall become effective.

If the Owners of at least fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciation Bond at the time of calculation as its principal amount) of the Bonds Outstanding at the time of the adoption of such amendment, or the predecessors in title of such Owners, shall have consented to the adoption thereof as herein provided, no Owner shall have any right or interest to object to such amendment's adoption or to object to any terms or provisions therein contained or to the operation thereof or to enjoin or restrain the County or the Board from taking any action pursuant thereto.

Any consent given by the Owner shall be irrevocable for six (6) months from the mailing date above provided for and shall be conclusive and binding upon all future Owners of the same Bond during such period. Such consent may be revoked after such six (6) months' period by the Owners who gave such consent or by a successor in title by filing a notice of revocation with the Clerk but such revocation shall not be effective if the Owners of fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciation Bond at the time of calculation as its principal amount) of the Bonds Outstanding have, prior to the attempted revocation, consented to and approved such amendment.

The fact and date of any consent or revocation's execution may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to acknowledge deeds within such jurisdiction, that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount and numbers of the Bonds held by any person executing such instrument and the date of such person's holding the same may be proved by a certificate executed by the Bond Registrar showing that on the date therein mentioned such person was shown as the Owner of the Bonds on the Bond Register.

Section 17. Rights of Reserve Fund Guarantors; Rights of Bond Insurers.

A. If any Bond's principal or interest shall be paid by a Reserve Fund Guarantor, (i) the pledge of the Net Revenues and all of the County's covenants, agreements and other obligations to the Owner hereunder shall continue to exist and such Reserve Fund Guarantor shall be fully subrogated to all of such Owner's rights in accordance with the respective Agreement.

B. For all purposes hereunder, the County may treat the consent of any Bond Insurer as the consent of the Owners of any Bonds then insured by such Insurer, if such Bond Insurer's insurance is then in effect and if the credit of said Insurer is then such that Bonds insured by it are rated, because of such insurance, in one of the two highest grades of municipal securities by one of the two most widely recognized rating agencies then rating municipal bond credits.

Section 18. Method of Valuation; Frequency. In computing the amount in any fund or account, Permitted Investments shall be valued at their market value. With respect to all Funds and Accounts, valuation shall occur annually and immediately upon a withdrawal from the Reserve Fund.

Section 19. Prior Redemption of Bonds Being Refunded. The Treasurer is ordered and directed to retain an amount of Series 1991 Bond proceeds and moneys in the redemption funds for the Bonds Being Refunded sufficient to pay on the prior redemption date all principal, interest and redemption premiums on all the Pima County, Arizona, Sewer Revenue Bonds, Series of 1980; which Bonds are called for redemption on September 1, 1991 if the Series 1991 Bonds are issued prior to July 25, 1991. If the Series 1991 Bonds are initially issued after July 25, 1991, the Series 1980 Bonds are called for redemption on a date occurring not more than 60 days after such issuance. The Clerk of this Board is directed to publish and mail a notice of redemption of the Series 1980 Bonds in the manner directed by this Board's Resolution No. 1979-185. The Treasurer is ordered and directed to pay the premium, accrued interest to the redemption date only and principal on the Series 1980 Bonds upon presentation and surrender on or after the redemption date.

If the Series 1991 Bonds are issued and the Depository Trust Agreement is fully funded, the remaining Bonds Being Refunded shall be called for redemption in accordance with the following schedule:

Name of Series	Prior Redemption Date
Series 1984	July 1, 1994
Refunding Series 1985	July 1, 1993
Project of 1985	July 1, 1995
Project of 1986	July 1, 1995
Series of 1988	July 1, 1997

Bonds of any of the above-mentioned series maturing on or before the prior redemption date will be paid in the normal manner.

Section 20. Defeasance. Payment of all or any part of the Bonds may be provided for by the irrevocable deposit with a trustee of moneys or Government Obligations, or both. The moneys and the maturing principal and interest income on such Government Obligations, if any, shall be sufficient, as evidenced by a certificate of an independent certified public accountant, a firm of such accountants or an actuary, or firm of actuaries, or other experts in the field who shall calculate the sufficiency of the subject moneys and Government Obligations to pay when due the principal or redemption price of and interest on such Bonds. The moneys and Government Obligations shall be held by a trustee irrevocably in trust for the Owners of such Bonds solely for the purpose of paying the principal or redemption price of and interest on such Bonds as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the trustee as to the dates upon which any such Bonds are to be redeemed prior to their respective maturities, if applicable.

If payment of Bonds is so provided for, the Trustee shall mail a notice so stating to each Owner of a Bond so provided for.

Bonds the payment of which has been provided for in accordance with this Section shall no longer be deemed Outstanding hereunder or secured hereby. The obligation of the County in respect of such Bonds shall nevertheless continue but the Owners thereof shall thereafter be entitled to payment only from the moneys or Government Obligations deposited with the trustee to provide for the payment of such Bonds.

No Bond may be so provided for if, as a result thereof or of any other action in connection with the provision for payment of such Bond, the interest payable on any Bond is thereby made subject to federal income taxes. The trustee and the County may rely upon an opinion of a nationally recognized bond counsel (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that the provisions of this Section will not be breached by so providing for the payment of any Bonds.

Section 21. Bond Purchase Agreement Form; Authorization to Execute. A Bond Purchase Agreement substantially in the form attached hereto and marked Exhibit E is approved and the Chairman is authorized to execute such Bond Purchase Agreement, and Clerk to attest, and to cause such Bond Purchase Agreement to be delivered to the Purchasers upon receiving and approving the Offer. The Bond Purchase Agreement, when so executed and delivered, shall evidence the County's agreement to sell the Series 1991 Bonds to the Purchasers in accordance therewith.

The County Treasurer is authorized and directed to cause the Series 1991 Bonds to be authenticated by the Bond Registrar and to be delivered to or upon the Purchaser's order upon payment therefor and satisfaction of all conditions for delivery thereof in accordance with the terms hereof and of the Bond Purchase Agreement.

Section 22. Authorization of Certain Agreements.

A. For and on behalf of the County, the Chairman, the Treasurer and the Clerk (as applicable) are authorized and directed to execute, attest and deliver the following agreements:

1. The Depository Trust Agreement (see Exhibit B hereto) and
2. The Bond Registrar and Paying Agent Agreement (see Exhibit C hereto),

each in substantially the form attached hereto with such changes as may be approved by such officials whose signatures thereon shall be conclusive evidence of such approval.

B. The Chairman is authorized to execute and deliver an Agreement pertaining to the Series 1991 Bonds between the County and the initial Reserve Fund Guarantor.

Section 23. Approval of Official Statement. The use and distribution of the Preliminary Official Statement pertaining to the original issuance of the Series 1991 Bonds in the form now on file with the Clerk is approved and is "deemed final" (except for permitted omissions) by the County as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1). Either the Chairman or the Finance Director is authorized on behalf of the County and in such person's official capacity, to complete the Official Statement relating to the Series 1991 Bonds with such modifications, changes and supplements as may be necessary to conform the Official Statement to the terms set forth in the Series 1991 Bond Purchase Agreement. Such officers shall approve or authorize and certify, or otherwise represent, that such official statement is the final official statement for the Series 1991 Bonds for the purposes of the Securities and Exchange Commission Rule 15c2-12(b)(3) and (4).

The Chairman is further authorized to use and distribute, or authorize the use and distribution of, the final official statement and supplements thereto in connection with the original issuance and sale of the Series 1991 Bonds as may in the Chairman's judgment be necessary or appropriate.

The Chairman and the Clerk are also authorized to sign and deliver, on behalf of the County, and in their official capacities, such certificates in connection with the accuracy of the final official statement and any amendment thereto as may, in their judgment, be necessary or appropriate.

Section 24. Federal Tax Law Covenants. In consideration of the purchase and acceptance of the Bonds by the Owners and, as authorized by Arizona Revised Statutes, Title 35, Chapter 3, Article 7, and in consideration of retaining the exclusion of interest income on the Bonds from gross income for federal income tax purposes, the County covenants with the Owners neither to take nor fail to take any action which action or failure to act is within its power and authority and which would result in the interest income on the Bonds becoming includable in gross income for federal income tax purposes under either laws existing on the date of issuance of the Bonds or such laws as they may be modified or amended.

The County agrees that it will comply with such requirement(s) and will take any such action(s) as in the opinion of a nationally recognized bond counsel ("Bond Counsel") are necessary to prevent interest income on the Bonds becoming includable in gross income for federal income tax purposes. Such requirements may include but are not limited to making further specific covenants; making truthful certifications and representations and giving necessary assurances; complying with all representations, covenants and assurances contained herein; to pay to the United States of America any required amounts representing rebates of investment income relating to the Bonds; filing forms, statements and supporting documents as may be required under the federal tax laws; limiting the term of and yield on investments made with proceeds of the Bonds; and limiting the use of Bond proceeds.

To determine which Series 1991 Bonds are issued for advance refunding purposes and which are issued for prior redemption of the Series 1980 Bonds, the Finance Director is authorized and directed to allocate the various maturities of the Series 1991 Bonds to the Bonds Being Refunded. Such allocation shall be deemed binding upon the County and this Board. Such allocation shall be set forth in the County's no arbitrage statement executed and delivered with respect to the Series 1991 Bonds.

Section 25. Ratification of Actions. All actions of the officers and agents of the County that conform to the purposes and intent of this resolution and which further the issuance and sale of the Bonds as contemplated by this resolution, whether heretofore or hereafter taken, shall be

and are ratified, confirmed and approved. The proper officers and agents of the County are authorized and directed to do all such acts and things and to execute and deliver all such documents for the County as may be necessary to carry out the terms and intent hereof.

Section 26. Separability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

Adopted and approved this 18th day of June, 1991.

Reg Morrison
Chairman, Board of Supervisors

ATTEST:

Jane S Williams
Clerk, Board of Supervisors

APPROVED AS TO FORM:

Fred Rosenfeld
Bond Counsel

CERTIFICATION

I hereby certify that the foregoing Resolution No. 1991-138 was duly passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on June 18, 1991, and the vote was 4 aye's and 1 nay's and that the Supervisors were present thereat.

Jane S Williams
Clerk, Board of Supervisors of Pima County, Arizona

EXHIBIT A TO BOND RESOLUTION

(Face of Bond)

PIMA COUNTY, ARIZONA
SEWER REVENUE REFUNDING BOND
SERIES 1991

Number:

Denomination:

Interest Rate: Maturity Date: Original Issue Date: CUSIP:

Registered Owner:

Principal Amount:

PIMA COUNTY, ARIZONA, for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain bonds of the series of which this bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth on the reverse of this bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 1992 and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a year comprised of 360 days consisting of twelve (12) months having thirty (30) days each.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest will be paid by check payable in such money payable to the order of and mailed to the registered owner at the address shown on the registration books maintained by the registrar at the close of business on the record date as explained on the reverse hereof. Additionally, payment may also be made by wire transfer to DTC or to any Owner of Bonds (other than DTC) in an aggregate principal amount of at least $1,000,000 upon two (2) days' prior written request delivered to the Paying Agent by such Owner specifying a wire transfer address in the continental United States. The principal and any premium will be paid when due to the registered owner upon surrender of

this bond for payment at the designated office of the paying agent, which on the original issue date is the principal corporate trust office of The Valley National Bank of Arizona, Phoenix, Arizona; provided, however, that no such surrender shall be required if this bond is participating in the book-entry system pursuant to the resolution mentioned in the reverse hereof.

See the reverse side of this bond for additional provisions.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and laws of the State of Arizona to exist, to occur and to be performed precedent to and in the issuance of this bond exist, have occurred and have been performed.

The County has caused this bond to be executed by the Chairman of its Board of Supervisors and attested by its Clerk, which signatures may be facsimile signatures. This bond is not valid or binding upon the County without the manually affixed signature of an authorized representative of the registrar.

PIMA COUNTY, ARIZONA

(Facsimile)
Chairman

ATTEST:

(Facsimile)
Clerk

(SEAL)

DATE OF AUTHENTICATION AND REGISTRATION: _____

AUTHENTICATION CERTIFICATE

This bond is one of the Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1991, described in Resolution No. 1991-___ mentioned on the reverse hereof.

THE VALLEY NATIONAL BANK OF ARIZONA,
as Registrar

By_____
Authorized Representative

(Form of Reverse Side of Bond)

This bond is one of a series of bonds in the aggregate principal amount of $_____ of like date, tenor and effect except as to amount, rate of interest, number and maturity date, issued pursuant to the Constitution and laws of the State of Arizona and Resolution No. 1991-____ adopted by the Board of Supervisors of Pima County on _____, 1991 (the "Bond Resolution"), for the purpose of providing funds with which to advance refund all of the County's outstanding sewer revenue bonds and to pay all legal, financial consultant, engineering and other necessary costs in connection therewith.

This bond and the series of which it is a part are payable as to both principal and interest from and secured by a prior and paramount lien and pledge of the revenues, proceeds and receipts to be derived by the County from the operation of the County's sewer system (the "System"), subject only to the payment of the reasonable and necessary cost of operating and maintaining the System and any payments with respect to prior lien bonds. For purposes of this bond the term "prior lien bond" shall refer to: (i) Pima County, Arizona, Sewer Revenue Bonds, Series 1980, dated February 1, 1980, (ii) Pima County, Arizona, Sewer Revenue Bonds, Series 1984, dated April 1, 1984, (iii) Pima County, Arizona, Sewer Revenue Refunding Bonds, Series 1985, dated December 1, 1985, (iv) Pima County, Arizona, Sewer Revenue Bonds, Project of 1985, dated April 1, 1986, (v) Pima County, Arizona, Sewer Revenue Bonds, Project of 1986, Series A (1986), dated October 1, 1986, and (vi) Pima County, Arizona, Sewer Revenue Bonds, Series of 1988, dated March 1, 1988; which were refunded by the series of which this bond is a part. Reference is made to the Bond Resolution for a more complete statement of the provisions made to secure payment hereof, the revenues from which and conditions under which this bond is payable, statements of the terms under which the Bond Resolution may be modified, and the general covenants and provisions pursuant to which this bond is issued. Said income and revenues are required by the Bond Resolution to be fully sufficient to pay the cost of operating and maintaining the System and to pay the principal of and interest on this Bond promptly as each becomes due and payable. The County has covenanted and does hereby covenant that it will fix and impose such rates and charges for the System's services and will collect and account for sufficient revenues to pay promptly the principal of and interest on this bond and all bonds on a parity with this bond. This bond and the interest hereon are enforceable exclusively from the revenues pledged thereto in the Bond Resolution and no holder hereof shall have the right to compel any exercise of the taxing power of the County to pay this bond or the interest hereon. This bond does not constitute an indebtedness or pledge of the County's general credit within

the meaning of any constitutional, charter or statutory provisions relating to the incurring of indebtedness.

Bonds maturing on or before July 1, 19__, are not subject to call for redemption prior to maturity. Bonds maturing on or after July 1, 19__, are subject to call for redemption prior to maturity, in whole at any time or in part, on July 1, 19__, or on any interest payment date thereafter, at the option of the County, by the payment of a redemption price equal to the principal amount of each bond called for redemption plus accrued interest to the date fixed for redemption plus a premium payable from any source lawfully available therefor, the premium (calculated as a percentage of the principal amount of the bonds to be redeemed) to be computed as follows:

Redemption Dates	Premium
July 1, 19__ through and including January 1, 19__	
July 1, 19__ through and including January 1, 19__	
July 1, 19__ through and including January 1, 19__	
and thereafter without premium.	

The bonds may be redeemed in any order of maturity designated by the County and only in integral multiples of $5,000. If less than all of the bonds outstanding of a single maturity are to be redeemed, the bonds in that maturity to be redeemed shall be selected by lot in such manner as the registrar may determine.

Bonds of the series of which this bond is one maturing on July 1, ____ are subject to mandatory redemption, by lot to be selected by the Paying Agent at a redemption price of par and accrued interest to the date fixed for redemption, without premium on July 1 of the years and in the amounts as follows:

Year	Amount to be Redeemed

Notice of redemption of any bond will be mailed to the registered owner of the bond or bonds being redeemed at the address shown on the bond register maintained by the bond registrar, such mailing to be not more than sixty (60) nor less than thirty (30) days prior to the redemption date. Failure to properly give notice of redemption shall not affect the redemption of any bond for which notice was properly given.

The registrar or paying agent may be changed by the County without notice.

This bond is transferable by the registered owner in person or by attorney duly authorized in writing at the designated office of the registrar, which on the original issue date is the principal corporate trust office of The Valley National Bank of Arizona, Phoenix, Arizona, upon surrender and cancellation of this bond, but only in the manner and subject to the limitation and upon payment of the charges provided in the Bond Resolution. Upon such transfer a new bond or bonds of the same aggregate principal amount, maturity and interest rate will be issued to the transferee in exchange. The registrar may require an owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes required by law. The County has chosen the fifteenth day of the month preceding an interest payment date (or if such day is a Saturday, Sunday or holiday, on the next preceding business day) as the record date for this series of bonds. Should this bond be submitted to the registrar for transfer during the period commencing after the close of business on the record date and continuing to and including the next subsequent interest payment date, ownership will be transferred in the normal manner but the interest payment will be made payable to and mailed to the registered owner as shown on the registrar's books at the close of business on the record date.

The registrar may but need not register the transfer of a bond which has been selected for redemption and need not register the transfer of any bond for a period of fifteen (15) days before a selection of bonds to be redeemed; if the transfer of any bond which has been called or selected for call for redemption in whole or in part is registered, any notice of redemption which has been given to the transferor will be binding upon the transferee and a copy of the notice of redemption will be delivered to the transferee along with the bond or bonds.

Bonds of this issue are issuable only in fully registered form in the denomination of $5,000 each or integral multiples of $5,000.

The County, the registrar and the paying agent may treat the registered owner of this bond as the absolute owner for the purpose of receiving principal, interest and any premium and for all other purposes and none of them shall be affected by any notice to the contrary.

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as

though they were written out in full according to applicable laws or regulations:

TEN COM-as tenants in common
TEN ENT-as tenants by the entireties
JT TEN-as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT/TRANS MIN ACT-
_____Custodian_____
(Cust) (Minor)
under Uniform Gifts/Transfers to Minors Act_____
(State)

Additional abbreviations may also be used though not in list above

FORM OF ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____

_____
(Name and Address of Transferee)

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated _____

_____

Note: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within registered bond in every particular without alteration or enlargement or any change whatsoever

Signature Guaranteed:

_____
Commercial bank, trust company or member of a national securities exchange

Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona }
County of Pima } ss

I, Jane S. Williams, do hereby certify that I am the duly appointed, qualified, and acting Clerk of the Board of Supervisors of Pima County, Arizona.

I further certify that the attached resolution entitled

RESOLUTION NO. 1991-182

RESOLUTION AMENDING RESOLUTION NO. 1991-138 AND RATIFYING THE ADOPTION OF RESOLUTION NO. 1991-138 AS HEREIN AMENDED.

(See attached copy)

is a true and correct copy of a resolution passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on the 6th day of August, 19 91, at which a quorum was present, and that the original resolution is officially of record in my possession.

In Witness Whereof, I have hereunto set my hand and affixed the seal of the Board of Supervisors of Pima County, Arizona, this 23rd day of August, 19 91.

Jane S. Williams
Clerk

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RESOLUTION NO. 1991-132

RESOLUTION AMENDING RESOLUTION NO. 1991-138 AND RATIFYING THE ADOPTION OF RESOLUTION NO. 1991-138 AS HEREIN AMENDED.

WHEREAS, the Board of Supervisors of Pima County, Arizona, has heretofore adopted its Resolution No. 1991-138 authorizing issuance of Pima County Sewer Revenue Refunding Bonds, Series 1991; and

WHEREAS, the County has now been presented with a commitment to purchase a reserve fund guaranty from Financial Guaranty Insurance Company ("FGIC"); and

WHEREAS, in order to purchase the reserve fund guaranty from FGIC, Resolution No. 1991-138 must be amended to conform as a condition to the issuance of a reserve fund guaranty by FGIC;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AS FOLLOWS:

Resolution No. 1991-138 be amended to read as follows (fully capitalized words indicate new matter; strike throughs indicate deleted matter):

A. That Section 9 of Resolution No. 1991-138 be amended to read as follows:

> Section 9. Rate Covenant. The County covenants and agrees with the Owners that it will establish and maintain rates, fees and other charges for all services supplied by the System to provide Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates, to pay all Operating Expenses and produce aggregate Net Revenues in each Fiscal Year equal to at least one hundred twenty percent (120%) of the principal and interest requirements on all Outstanding Bonds for the corresponding Bond Year (treating Variable Rate Obligations as bearing interest at the Assumed Interest Rate and Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates) AND SAID RATES, FEES AND OTHER CHARGES SHALL ALSO BE ESTABLISHED AND MAINTAINED AT RATES SUFFICIENT TO PROVIDE AN AMOUNT OF NET REVENUES FOR THE THEN CURRENT FISCAL YEAR WHICH, NET OF THE AGGREGATE AMOUNTS REQUIRED TO BE DEPOSITED TO THE BOND FUND DURING SUCH FISCAL YEAR, WILL BE SUFFICIENT TO PROVIDE AT LEAST ONE HUNDRED PERCENT (100%) OF THE CITY'S POLICY COSTS DUE AND OWING IN SUCH FISCAL YEAR.

B. That Section 10B(2) be amended to read as follows:

2. Bond Fund. Second, on or before the tenth (10th) day of each month, to the Bond Fund the following amounts in the following manner:

(a) Commencing August SEPTEMBER 10, 1991, through December 10, 1991, one-fifth (1/5) ONE-FOURTH (1/4), and commencing January 10, 1992, one-sixth (1/6) of the interest becoming due on the next interest payment date on all Series 1991 Bonds then Outstanding; and

(b) Commencing August SEPTEMBER 10, 1991, through June 10, 1992, one-eleventh (1/11) ONE-TENTH (1/10), and commencing July 10, 1992, one-twelfth (1/12) of the principal becoming due on the next principal payment date on all Series 1991 Bonds then Outstanding.

The proceedings pertaining to the issuance of Parity Bonds shall provide for additional deposits to the Bond Fund sufficient to satisfy all additional or modified debt service requirements.

The Bond Fund shall be a trust fund used solely to pay principal of and interest on the Bonds. Moneys in the Bond Fund shall be transferred to the Paying Agent as needed to pay punctually all principal and interest as it matures or comes due.

C. That Section 12 be amended to read as follows:

Section 12. Remedies of Owners. Any Owner may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction protect the lien on the Net Revenues, enforce and compel performance of all duties imposed upon the County by the provisions hereof or seek the appointment of a receiver as herein provided.

If any default occurs in the payment of principal of or interest on any Bonds, then upon the filing of suit by an Owner, any court having jurisdiction of the action may appoint a receiver to administer the System for the County with power to charge and collect fees sufficient to pay all Operating Expenses and to make all required payments to the Bond, Reimbursement and Reserve Funds.

FOR ALL PURPOSES OF SECTION 12, EXCEPT THE GIVING OF NOTICE OF DEFAULT TO BONDHOLDERS, THE BOND INSURER SHALL BE DEEMED TO BE THE SOLE HOLDER OF THE BONDS IT HAS INSURED FOR

SO LONG AS IT HAS NOT FAILED TO COMPLY WITH ITS PAYMENT OBLIGATIONS UNDER THE BOND INSURANCE POLICY.

D. That Section 13A(1) be amended to read as follows:

1. The Net Revenues for the completed Fiscal Year immediately preceding the issuance of the Parity Bonds must have been at least equal to one hundred twenty percent (120%) of Maximum Annual Debt Service on all Bonds to be Outstanding immediately after issuance of such Parity Bonds AND SAID NET REVENUES MUST ALSO HAVE BEEN SUFFICIENT TO PROVIDE AN AMOUNT OF NET REVENUES FOR THE THEN CURRENT FISCAL YEAR WHICH, NET OF THE AGGREGATE AMOUNTS REQUIRED TO BE DEPOSITED TO THE BOND FUND DURING SUCH FISCAL YEAR, WILL BE SUFFICIENT TO PROVIDE AT LEAST ONE HUNDRED PERCENT (100%) OF THE CITY'S POLICY COSTS DUE AND OWING IN SUCH FISCAL YEAR as shown by a certificate signed by the Finance Director. For the purposes of the computation required by this subsection, additional amounts may be added to the Net Revenues of the preceding Fiscal Year, as follows: (i) If all or part of the proceeds of the Parity Bonds are to be expended for the acquisition of existing sewer properties, the net revenues which would have been derived from the operation of such acquired sewer properties during the entire immediately preceding Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues, (ii) if during such preceding Fiscal Year the County has acquired existing sewer properties, the net revenues which would have been derived from the operation of such sewer properties during such Fiscal Year had such sewer properties been acquired and operating throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues, and (iii) if during such preceding Fiscal Year the County shall have increased its System rates, fees and charges, the increased amount which would have been received during such Fiscal Year had such increase been in effect throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues;

E. That Section 16 of said Resolution No. 1991-138 be amended by adding a new Section C to read as follows:

C. ANY OTHER PROVISION OF THIS SECTION 16 TO THE CONTRARY NOTWITHSTANDING, NO AMENDMENT TO RESOLUTION NO. 1991-138 SHALL BECOME EFFECTIVE UNLESS AND UNTIL IT IS APPROVED BY ALL BOND INSURERS AND RESERVE FUND GUARANTORS APPLICABLE TO THE BONDS.

F. Section 18 of said Resolution No. 1991-138 is amended to read as follows:

Section 18. Method of Valuation; Frequency. In computing the amount in any fund or account, Permitted Investments shall be valued at their market value EXCLUSIVE OF ACCRUED INTEREST. With respect to all Funds and Accounts, valuation shall occur annually ON THE FIRST BUSINESS DAY OF EACH BOND YEAR and immediately upon a withdrawal from the Reserve Fund.

F. Section 19 of said Resolution No. 1991-138 is amended to read as follows:

Section 19. Prior Redemption of Bonds Being Refunded. The Treasurer is ordered and directed to retain an amount of Series 1991 Bond proceeds and moneys in the redemption funds for the Bonds Being Refunded sufficient to pay on the prior redemption date all principal, interest and redemption premiums on all the Pima County, Arizona, Sewer Revenue Bonds, Series of 1980; which Bonds are called for redemption on September 1, 1991 if the Series 1991 Bonds are issued prior to July 25, 1991. If the Series 1991 Bonds are initially issued after July 25, 1991, the Series 1980 Bonds are called for redemption on a date occurring not more than 60 89 days after such issuance. The Clerk of this Board is directed to publish and mail a notice of redemption of the Series 1980 Bonds in the manner directed by this Board's Resolution No. 1979-185. The Treasurer is ordered and directed to pay the premium, accrued interest to the redemption date only and principal on the Series 1980 Bonds upon presentation and surrender on or after the redemption date.

If the Series 1991 Bonds are issued and the Depository Trust Agreement is fully funded, the remaining Bonds Being Refunded shall be called for redemption in accordance with the following schedule:

Name of Series	Prior Redemption Date
Series 1984	July 1, 1994
Refunding Series 1985	July 1, 1993
Project of 1985	July 1, 1995
Project of 1986	July 1, 1995
Series of 1988	July 1, 1997

Bonds of any of the above-mentioned series maturing on or before the prior redemption date will be paid in the normal manner.

H. In all other respects Resolution No. 1991-138, as laid before this Board on June 18, 1991, shall remain the same. As so amended by this resolution, Resolution No. 1991-138 is hereby ratified. Further, this Board hereby incorporates all unamended provisions of said Resolution No. 1991-138 into this resolution as if set forth and as if adopted as a part hereof.

PASSED, ADOPTED AND APPROVED this 6th day of August, 1991.

Reg Manson
Chairman, Board of Supervisors
AUG 6 1991

ATTEST:

Clerk, Board of Supervisors

APPROVED AS TO FORM:

for: Fred H. Rosenfeld
Bond Counsel

CERTIFICATE

I hereby certify that the foregoing Resolution No. 1991-192 was duly passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on August 6, 1991, and the vote was 3 aye's and 0 nay's and that the Supervisors were present thereat.

Clerk, Board of Supervisors of
Pima County, Arizona

Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona
County of Pima ss

I, Lori Godoshian, do hereby certify that I am the duly appointed, and qualified, Clerk of the Board of Supervisors of Pima County, Arizona.

I further certify that the attached resolution entitled

RESOLUTION NO. 2009-27

(See attached copy)

is a true and correct copy of a resolution passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on the 17th *day of* February, 2009, *at which a quorum was present, and that the original resolution is officially of record in my possession.*

In Witness Whereof, *I have hereunto set my hand and affixed the seal of the Board of Supervisors of Pima County, Arizona, this* 21st *day of* April, 2009.

Robin Brigode, Deputy
Clerk

RESOLUTION NO. 2009 - 27

A RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA ORDERING THE SALE OF NOT TO EXCEED $28,940,000 PRINCIPAL AMOUNT OF PIMA COUNTY, ARIZONA, SEWER REVENUE BONDS.

BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AS FOLLOWS:

Section 1. Pima County, Arizona, Sewer Revenue Bonds, in the principal amount of not to exceed $28,940,000 (the "Bonds") are hereby ordered to be sold in accordance with the Notice Inviting Bids for the Purchase of Sewer Revenue Bonds (the "Notice Inviting Bids") in substantially the form attached hereto as Exhibit A. The Bonds are authorized pursuant to special bond elections held in and for Pima County, Arizona (the "County") on May 20, 1997 and May 18, 2004.

Section 2. The Bonds shall be sold only through an on-line bidding process. Unconditional bids must be submitted electronically as described in the Notice Inviting Bids. Electronic bids for the purchase of the Bonds will be received through the facilities of PARITY® at the office of the Director of Finance of the County, as described in Exhibit A, until the sale date and time specified therein, provided that the sale date and time for the Bonds will be postponed to a later date and time if, on the business day before the sale date, the Director of Finance of the County or his designee shall cause to be filed in the office of the Director of Finance his written statement that, in his opinion, the County would obtain a more favorable net interest cost for the Bonds by delaying the receipt of bids for the Bonds until a later date and time. The opinion of the Director of Finance of the County or his designee expressed in any such statement shall be conclusive for all purposes with respect to the receipt and opening of bids. If the receipt of electronic bids is postponed, notice of such postponement and of the rescheduled date for the receipt of bids shall be given in the manner determined by the Director of Finance of the County or his designee.

Electronic bids will be announced immediately after the deadline for submission of bids in the office of the Director of Finance. The Board of Supervisors will award the Bonds to the bidder whose bid results in the lowest net interest cost to the County, taking into account any premium offered to be paid for the Bonds, or will reject all bids.

Section 3. The Clerk of the Board of Supervisors is authorized and directed to cause the Notice Inviting Bids to be completed, executed and transmitted to RBC Capital Markets Corporation, Financial Advisor to the County, and circulated so as to be made known to potential bidders for the Bonds.

PASSED, ADOPTED AND APPROVED, by the Board of Supervisors of Pima County, Arizona, on February 17, 2009.

PIMA COUNTY, ARIZONA

By:_____
Chairman, Board of Supervisors 2/17/09

ATTEST:

By:_____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE, SANDERS & DEMPSEY L.L.P., Bond Counsel

By:_____
Timothy E. Pickrell

465356

EXHIBIT A

NOTICE INVITING BIDS FOR THE PURCHASE OF SEWER REVENUE BONDS

$_____
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

NOTICE IS HEREBY GIVEN that unconditional bids will be received to and including the hour of ____ A.M., _____ Time (_._.T.), on _____, 2009, only through the facilities of PARITY® ("PARITY") by Pima County, Arizona (the "County"), for the purchase of all, but not less than all, of $_____ aggregate principal amount of its Sewer Revenue Bonds, Series 2009 (the "Sewer Revenue Bonds"), unless the County acting through the Director of Finance of the County or his designee postpones receipt of bids to a later date. A determination to postpone the sale date will be made and announced by ____ A.M., _._.T. on the business day preceding the scheduled sale date. Submission of bids is further discussed below. The Board of Supervisors of the County will meet on that date to consider the bids received and award the Sewer Revenue Bonds to the bidder offering the best bid or reject all bids.

TIME FOR RECEIPT OF BIDS: Bids will be received to and including the hour of ____ a.m., _._.T. The time maintained by PARITY shall constitute the official time.

ELECTRONIC BIDDING PROCEDURES: Bids may be submitted only through the facilities of PARITY. Bids must be submitted on the Official Bid Form that resides on the PARITY system, without alteration or interlineations. Subscription to the Thomson Financial Municipal Group's BIDCOMP Competitive Bidding System is required in order to submit a bid. The County will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. The County is using PARITY as a communications media, and not as the County's agent, to conduct electronic bidding for the Sewer Revenue Bonds.

All bids made through the facilities of PARITY shall be deemed irrevocable offers to purchase the Sewer Revenue Bonds on the terms provided in this Notice Inviting Bids for the Purchase of Sewer Revenue Bonds and shall be binding upon the bidder. Neither the County nor RBC Capital Markets Corporation (the "Financial Advisor"), the County's Financial Advisor, shall be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective buyer.

If any provision of this Notice Inviting Bids for the Purchase of Sewer Revenue Bonds conflicts with information provided by PARITY as the approved provider of electronic bidding services, this Notice Inviting Bids for the Purchase of Sewer Revenue Bonds shall control. Further information about PARITY, including any fee charged, may be obtained from BIDCOMP/PARITY, 1395 Broadway, 2nd Floor, New York, New York, 10018, Attention: Customer Support (212) 849-5021.

For information purposes only, bidders are requested to state in their electronic bids the net interest cost to the Board, as described under "AWARD AND DELIVERY" herein. All electronic bids shall be deemed to incorporate the provisions of this Notice Inviting Bids for the Purchase of Sewer Revenue Bonds and the Official Bid Form.

THE SEWER REVENUE BONDS: The Sewer Revenue Bonds will be dated the date of initial delivery thereof, and will bear interest from such date to the maturity or earlier redemption of each of the Sewer Revenue Bonds at a rate or rates none of which may exceed twelve percent (12%) per annum, payable on _____, 20__, and semiannually thereafter on July 1 and January 1 of each year during the term of each of the Sewer Revenue Bonds. The Sewer Revenue Bonds are to mature on July 1 in the years and in the amounts as follows:

Due July 1	Principal Amount	Due July 1	Principal Amount

PURPOSE: The Sewer Revenue Bonds are being issued pursuant to the Constitution and laws of the State of Arizona, including Chapter 2, Article 4 of Title 11 of the Arizona Revised Statutes, and all amendments thereto, and under the provisions of a resolution adopted by the Board of Supervisors of Pima County on _____, 2009 and a resolution to be adopted by the Board of Supervisors of Pima County on the sale date (collectively, the "Resolution"), and are being issued for the purpose of (1) providing funds for the construction, acquisition, expansion and improvement of the sewer system of the County and (2) paying costs relating to the issuance of the Sewer Revenue Bonds.

OPTIONAL REDEMPTION: The Sewer Revenue Bonds maturing on or before July 1, 20_____ are not subject to call for redemption prior to their respective maturity dates. The Sewer Revenue Bonds maturing on or after July 1, 20_____ are subject to call for redemption on any date on or after July 1, 20_____ at the election of the County, in whole or in part from maturities selected by the County and within any maturity by lot, by the payment of a redemption price equal to the principal amount of each Sewer Revenue Bond called for redemption, plus accrued interest to the date fixed for redemption, without premium.

NOTICE OF REDEMPTION: Notice of redemption will be given by mail to the registered owners of the Sewer Revenue Bonds at the address shown on the bond register maintained by the bond registrar not less than thirty (30) days nor more than sixty (60) days prior to the specified redemption date.

BOOK ENTRY ONLY SYSTEM: The Sewer Revenue Bonds will initially be issued to and registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"), an automated clearinghouse for securities transactions, which will act as securities depository for the Sewer Revenue Bonds. One fully registered Sewer Revenue Bond, in the

aggregate principal amount of each maturity, will initially be registered in the name of and held by Cede & Co., as nominee for DTC.

So long as the book entry only system is in effect, beneficial ownership interests in the Sewer Revenue Bonds will be available in book entry form only through direct or indirect participants in DTC, in the principal amount of $5,000 or any integral multiple thereof. Beneficial owners of the Sewer Revenue Bonds will not receive certificates representing their interests in the Sewer Revenue Bonds and will not be deemed to be registered owners under the Resolution.

So long as the book entry only system is in operation, principal of and interest on the Sewer Revenue Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., as bond registrar and paying agent, to Cede & Co., as nominee of DTC which organization consequently bears sole responsibility for remitting such principal and interest to the DTC participants for subsequent credit or disbursement to the beneficial owners of the Sewer Revenue Bonds.

In the event the County determines not to continue the DTC book entry only system or DTC determines to discontinue providing its services with respect to the Sewer Revenue Bonds and the County does not select another qualified securities depository, the County is required to deliver to DTC for redistribution to beneficial owners of the Sewer Revenue Bonds one or more bond certificates in such principal amount or amounts, in denominations of $5,000 and any integral multiple thereof, and registered in such name or names, as DTC shall designate.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be assigned to the Sewer Revenue Bonds, but no failure to assign such numbers to any Sewer Revenue Bonds, nor any error with respect thereto, shall constitute cause for failure or refusal by the purchaser thereof to accept and pay for the Sewer Revenue Bonds in accordance with the terms of the sale. No CUSIP number shall be deemed to be a part of any Sewer Revenue Bond or of the contract evidenced thereby. The CUSIP Service Bureau charge for the assignment of CUSIP numbers shall be paid by the purchaser of the Sewer Revenue Bonds.

INTEREST RATES AND OFFERING PRICES: Bids for the purchase of the Sewer Revenue Bonds must state the rate or rates of interest to be paid. All Sewer Revenue Bonds of the same maturity must bear the same rate of interest. The difference between the highest interest rate bid for any maturity and the lowest interest rate bid for any other maturity shall not exceed one and one-half percent (1½ %) per annum. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest rates must be expressed in multiples of one-eighth (1/8th) or one-twentieth (1/20th) of one percent (1%). No bid will be considered for less than par on the Sewer Revenue Bonds.

Any interest rate bid which would result in an interest payment amount having fractional cents will be deemed a waiver of the right to payment of such fractional cents. No fractional cents will be paid or accumulated for payment on any Sewer Revenue Bond.

SECURITY: Principal of and interest on the Sewer Revenue Bonds are payable solely from the net revenues derived from the operation of the sewer system of the County. The Sewer Revenue Bonds shall not constitute a debt or obligation of the County within the meaning of any constitutional or statutory debt limitation, nor shall payment of the Sewer Revenue Bonds or interest or redemption premiums thereon be enforceable out of any funds other than the revenues pledged to such payment nor shall any Bond Owner have the right to compel any exercise of the taxing power of the County to make such payment.

BOND INSURANCE: Each bidder may, in making its bid, assume, as a premise, either that the payment of principal of and interest on the Sewer Revenue Bonds will be insured at the bidder's expense, or that the Sewer Revenue Bonds will not be insured, and shall indicate on the bid form the premise on which its bid is based. If the accepted bid is based on an assumption that such a policy will be issued, the successful bidder shall cause the policy to be issued at the bidder's expense.

FORM OF BID AND GOOD FAITH DEPOSIT: The prescribed form of bid for the Sewer Revenue Bonds will be available on the PARITY system and all bids must be submitted on that form. All bids must be covered by a financial surety bond from an insurance company licensed to do business in the State of Arizona and submitted to the County or the Financial Advisor prior to the opening of the bids in an amount of $_____, which is equal to two percent (2%) of the par value of the Sewer Revenue Bonds (the "Deposit"). The financial surety bond must identify each bidder whose bid is guaranteed by such financial surety bond. The bidder to whom the Sewer Revenue Bonds are awarded must submit its Deposit to the County, in the form of a certified check or wire transfer as instructed by the Financial Advisor, not later than ____ A.M., _._.T. on the next business day following the award. If the Deposit is not received by that time, the financial surety bond may be drawn on by the County to satisfy the Deposit requirement. The Deposit of the successful bidder will be applied to the purchase price of the Sewer Revenue Bonds or retained and forfeited as liquidated damages in the event such bidder does not take up and pay for the Sewer Revenue Bonds immediately upon the County's satisfaction of all conditions necessary to their issuance and delivery. No interest will be paid on the Deposit of any bidder.

The Financial Advisor to the County has reserved the right to bid on the Sewer Revenue Bonds.

RIGHT OF REJECTION: The County reserves the right, in its discretion, to reject any and all bids received and to waive any irregularity or informality in the bids, except that the time for receiving bids shall be of the essence.

AWARD AND DELIVERY: Unless all bids are rejected, the Sewer Revenue Bonds will be awarded to the bidder whose bid results in the lowest net interest cost to the County. The net interest cost will be determined by computing the aggregate amount of interest payable on the Sewer Revenue Bonds based upon the total principal amount of Sewer Revenue Bonds offered as scheduled to mature in this Notice from their date to their respective maturities and by deducting therefrom any premium. Delivery of the Sewer Revenue Bonds will be made to the purchaser upon payment in immediately available funds in Tucson, Arizona, or, at the

purchaser's request and expense, at any other place mutually agreeable to both the County and the purchaser.

NOTICE REGARDING STATE CONTRACTS: Arizona law requires that every contract to which the State, its political subdivisions or any of the departments or agencies of the State or its political subdivisions, including the County, is a party include notice that such contract is subject to cancellation, within three (3) years after its execution, by the State, or the political subdivision, including the County, department or agency which is a party to such contract if any person significantly involved in initiating, negotiating, securing, drafting, or creating the contract on behalf of the State, or the political subdivision, including the County, department, or agency is, at any time while the contract is in effect, an employee of any other party to the contract or an agent or consultant of any other party to the contract with respect to the subject matter of the contract.

LEGAL OPINION: The Sewer Revenue Bonds are sold with the understanding that the County will furnish the purchaser with the approving opinion of Squire, Sanders & Dempsey L.L.P. Said attorneys have been retained by the County as Bond Counsel and in such capacity are to render their opinion only upon the legality of the Sewer Revenue Bonds under Arizona law and on the exclusion of the interest on the Sewer Revenue Bonds from the gross income of the owners of the Sewer Revenue Bonds for federal and state of Arizona income tax purposes. Fees of Bond Counsel will be paid from the Sewer Revenue Bond proceeds.

TAX EXEMPT STATUS: The Internal Revenue Code of 1986, as amended (the "Code") prescribes a number of qualifications and conditions which apply to the Sewer Revenue Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Sewer Revenue Bond proceeds and the facilities financed therewith and certain other matters. The County has covenanted to comply with all requirements of the Code that must be satisfied in order for the interest on the Sewer Revenue Bonds to be excludable from gross income. Failure to comply with certain of such covenants could cause interest on the Sewer Revenue Bonds to become includable in gross income retroactive to the date of issuance of the Sewer Revenue Bonds.

Subject to the condition that the County comply with the above-referenced covenants, under present law, in the opinion of Bond Counsel, the Sewer Revenue Bonds are not "private activity bonds" under the Code, and interest on the Sewer Revenue Bonds will not be includable in gross income of the owners thereof for federal or Arizona income tax purposes, and will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. Interest on the Sewer Revenue Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest.

Ownership of the Sewer Revenue Bonds may result in collateral federal income tax consequences to certain taxpayers. Prospective purchasers of the Sewer Revenue Bonds should consult their tax advisors as to applicability of any such collateral consequences. Bond counsel will express no opinion regarding these consequences.

CERTIFICATE TO BE DELIVERED BY SUCCESSFUL BIDDER: Simultaneously with or before delivery of the Sewer Revenue Bonds, the successful bidder shall furnish to the County a certificate acceptable to Bond Counsel to the effect that (i) all of the Sewer Revenue Bonds have been the subject of an initial bona fide offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at the prices shown on such certificate plus accrued interest, if any, (ii) at the time they agreed to purchase the Sewer Revenue Bonds, based upon their assessment of the then prevailing market conditions, they reasonably expected that all Sewer Revenue Bonds would be initially sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of the underwriters or wholesalers) at the prices shown on such certificate, plus accrued interest, if any, and (iii) the prices shown on such certificate for each of the Sewer Revenue Bonds were the fair market value of such Sewer Revenue Bonds as of the sale date.

CERTIFICATES TO BE DELIVERED BY COUNTY: Representatives of the County will deliver certificates to the effect that (i) no litigation is pending affecting the issuance and sale of the Sewer Revenue Bonds and (ii) to their best knowledge, information and belief, the information contained in the Official Statement relating to the Sewer Revenue Bonds is true and correct in all material respects. The County will also deliver a tax compliance certificate covering its reasonable expectations concerning use of the proceeds of the Sewer Revenue Bonds and related matters.

PRELIMINARY OFFICIAL STATEMENT DEEMED FINAL; FINAL OFFICIAL STATEMENT: The County deems the Preliminary Official Statement provided in connection with the sale of the Sewer Revenue Bonds to be final as of its date except for the omission of offering prices, selling compensation, delivery dates, terms to be specified in the winning bidder's bid, ratings, other terms depending on such matters and the identity of the winning bidder.

The winning bidder must provide the County, within twenty-four (24) hours after the award of the Sewer Revenue Bonds, with all necessary offering price information, selling compensation information, all other terms of the sale which are depending on such matters and any underwriter information, all as may be necessary to complete the final Official Statement.

Within seven (7) business days after the award of the Sewer Revenue Bonds, the County will provide the winning bidder with up to two hundred (200) copies of the final Official Statement at no cost. Additional copies of the final Official Statement may be obtained from the County at the winning bidder's expense. The final Official Statement will be in substantially the same form as the Preliminary Official Statement with such additions, deletions or revisions as the County deems necessary.

CONTINUING DISCLOSURE: The County will enter into a continuing disclosure undertaking with respect to the Sewer Revenue Bonds, which undertaking will be described in the Official Statement.

ADDITIONAL INFORMATION: Copies of the prescribed bid form and the Official Statement relating to the Sewer Revenue Bonds will be furnished to any bidder upon request made to RBC Capital Markets Corporation, 2398 East Camelback Road, Suite 700, Phoenix, Arizona 85016, Financial Advisor to the County, telephone number (602) 381-5368.

PIMA COUNTY, ARIZONA

/s/ Lori Godoshian
Clerk, Board of Supervisors

MATURITY DATES, PRINCIPAL AMOUNTS AND BOND YEAR LIFE

$_____
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Maturity Dates (July 1)	Principal Amounts	Bond Years	Cumulative Bond Years

Average Bond Life: _____ Years

465356

NOTICE INVITING BIDS FOR THE PURCHASE OF SEWER REVENUE BONDS

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS,
SERIES 2009

NOTICE IS HEREBY GIVEN that unconditional bids will be received to and including the hour of 9:00 A.M., Pacific Daylight Time (P.D.T) on April 21, 2009, only through the facilities of PARITY® ("PARITY") by Pima County, Arizona (the "County"), for the purchase of all, but not less than all, of $18,940,000 aggregate principal amount of its Sewer Revenue Bonds, Series 2009 (the "Sewer Revenue Bonds"), unless the County, acting through the Director of Finance of the County or his designee, postpones receipt of bids to a later date. A determination to postpone the sale date will be made and announced by 9:00 A.M., P.D.T. on the business day preceding the scheduled sale date. Submission of bids is further discussed below. The Board of Supervisors of the County (the "Board of Supervisors") will meet on that date to consider the bids received and award the Sewer Revenue Bonds to the bidder offering the best bid or reject all bids.

TIME FOR RECEIPT OF BIDS: Bids will be received to and including the hour of 9:00 A.M., P.D.T. The time maintained by PARITY shall constitute the official time.

ELECTRONIC BIDDING PROCEDURES: Bids may be submitted only through the facilities of PARITY. Bids must be submitted on the Official Bid Form that resides on the PARITY system, without alteration or interlineations. Subscription to the Thomson Financial Municipal Group's BIDCOMP Competitive Bidding System is required in order to submit a bid. The County will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. The County is using PARITY as a communications media, and not as the County's agent, to conduct electronic bidding for the Sewer Revenue Bonds.

All bids made through the facilities of PARITY shall be deemed irrevocable offers to purchase the Sewer Revenue Bonds on the terms provided in this Notice Inviting Bids for the Purchase of Sewer Revenue Bonds ("this Notice"), and shall be binding upon the bidder. Neither the County nor RBC Capital Markets Corporation (the "Financial Advisor"), the County's Financial Advisor, shall be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective buyer.

If any provision of this Notice conflicts with information provided by PARITY as the approved provider of electronic bidding services, this Notice shall control. Further information about PARITY, including any fee charged, may be obtained from BIDCOMP/PARITY, 1395 Broadway, 2nd Floor, New York, New York, 10018, attention: Customer Support (212) 849-5021.

For information purposes only, bidders are requested to state in their electronic bids the net interest cost to the County, as described under "AWARD AND DELIVERY" herein. All electronic bids shall be deemed to incorporate the provisions of this Notice.

THE SEWER REVENUE BONDS: The Sewer Revenue Bonds will be dated the date of initial delivery thereof and will bear interest from such date to the maturity or earlier redemption of each of the Sewer Revenue Bonds at a rate or rates, none of which may exceed twelve percent (12%) per annum, payable on January 1, 2010, and semiannually thereafter on January 1 and July 1 of each year during the term of each of the Sewer Revenue Bonds. The Sewer Revenue Bonds are to mature on July 1 in the years and in the amounts as follows:

Due July 1	Principal Amount	Due July 1	Principal Amount
2010	$810,000	2018	$1,325,000
2011	1,015,000	2019	1,395,000
2012	400,000	2020	1,465,000
2013	1,065,000	2021	1,545,000
2014	1,110,000	2022	1,630,000
2015	1,155,000	2023	1,725,000
2016	1,210,000	2024	1,825,000
2017	1,265,000		

PURPOSE: The Sewer Revenue Bonds are being issued pursuant to the Constitution and laws of the State of Arizona, including Title 11, Chapter 2, Article 4, Arizona Revised Statutes and all amendments thereto (the "Act"), and under the provisions of a resolution adopted by the Board of Supervisors on February 17, 2009 and a resolution to be adopted by the Board of Supervisors on the sale date (collectively, the "Resolution"), and are being issued for the purpose of (i) financing the expansion of the County's sewer facilities, and (ii) paying costs relating to the issuance of the Sewer Revenue Bonds.

OPTIONAL REDEMPTION: The Sewer Revenue Bonds maturing on or before July 1, 2019 are not subject to call for redemption prior to their respective maturity dates. The Sewer Revenue Bonds maturing on or after July 1, 2020 are subject to call for redemption on any date on or after July 1, 2019 at the election of the County, in whole or in part from maturities selected by the County and within any maturity by lot, by the payment of a redemption price equal to the principal amount of each Sewer Revenue Bond called for redemption plus accrued interest to the date fixed for redemption, without premium.

NOTICE OF REDEMPTION: Notice of redemption will be given by mail to the registered owners of the Sewer Revenue Bonds at the address shown on the bond register maintained by the bond registrar not less than thirty (30) days nor more than sixty (60) days prior to the specified redemption date.

BOOK ENTRY ONLY SYSTEM: The Sewer Revenue Bonds will initially be issued to and registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"), an automated clearinghouse for securities transactions, which will act as securities depository for the Sewer Revenue Bonds. One fully registered Sewer Revenue Bond, in the aggregate principal amount of each maturity, will initially be registered in the name of and held by Cede & Co., as nominee for DTC.

So long as the book entry only system is in effect, beneficial ownership interests in the Sewer Revenue Bonds will be available in book entry form only through direct or indirect participants in DTC, in the principal amount of $5,000 or any integral multiple thereof. Beneficial owners of the Sewer Revenue Bonds will not receive certificates representing their interests in the Sewer Revenue Bonds and will not be deemed to be registered owners under the Resolution.

So long as the book entry only system is in operation, principal of and interest on the Sewer Revenue Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., as bond registrar and paying agent, to Cede & Co., as nominee of DTC which organization consequently bears sole responsibility for remitting such principal and interest to the DTC participants for subsequent credit or disbursement to the beneficial owners of the Sewer Revenue Bonds.

In the event the County determines not to continue the DTC book entry only system or DTC determines to discontinue providing its services with respect to the Sewer Revenue Bonds and the County does not select another qualified securities depository, the County is required to deliver to DTC for redistribution to beneficial owners of the Sewer Revenue Bonds one or more bond certificates in such principal amount or amounts, in denominations of $5,000 and any integral multiple thereof, and registered in such name or names, as DTC shall designate.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be assigned to the Sewer Revenue Bonds, but no failure to assign such numbers to any Sewer Revenue Bonds, nor any error with respect thereto, shall constitute cause for failure or refusal by the winning bidder to accept and pay for the Sewer Revenue Bonds in accordance with the terms of the sale. No CUSIP number shall be deemed to be a part of any Sewer Revenue Bond or of the contract evidenced thereby. The CUSIP Service Bureau charge for the assignment of CUSIP numbers shall be paid by the winning bidder of the Sewer Revenue Bonds.

SECURITY: The Sewer Revenue Bonds are payable solely from the net revenues derived by the County from the operation of its sewer system after provision has been made for the operation and maintenance of the sewer system, subject to no prior lien granted under the Act. The Sewer Revenue Bonds are issued on parity with the County's outstanding Sewer Improvement and Refunding Revenue Bonds, Series 1998; Sewer Revenue Refunding Bonds, Series 2001; Sewer Revenue Refunding Bonds, Series 2004; Sewer Revenue Bonds, Series 2007; and Sewer Revenue Bonds, Series 2008 and certain Loan Agreements between the Water Infrastructure Finance Authority of Arizona and the County, as borrower, dated March 1, 1996, August 6, 1997, October 27, 2000 and May 11, 2004. After the issuance of the Sewer Revenue Bonds, the aggregate principal amount of outstanding parity debt will be $248,477,247.

BOND INSURANCE AT COUNTY EXPENSE: The County has obtained a commitment from Assured Guaranty Corp. for the issuance of its financial guaranty insurance policy (the "Bond Insurance Policy") concurrently with the delivery of the Sewer Revenue Bonds, insuring the payment of principal of and interest on the Sewer Revenue Bonds when due. The County will pay the premium for the Bond Insurance Policy from proceeds of the sale of the Sewer Revenue Bonds or other legally available monies, and issuance of the Bond Insurance Policy will be a condition for the successful bidder's obligation to take delivery of and pay for the Sewer Revenue Bonds.

INTEREST RATES; MINIMUM BIDDING PRICE: Bids for the purchase of the Sewer Revenue Bonds must state the rate or rates of interest to be paid. All Sewer Revenue Bonds of the same maturity must bear the same rate of interest. The difference between the highest interest rate bid for any maturity and the lowest interest rate bid for any other maturity shall not exceed two percent (2.00 %) per annum. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest rates must be expressed in multiples of one-eighth (1/8th) or one-twentieth (1/20th) of one percent (1%). Any interest rate bid which would result in an interest payment amount having fractional cents will be deemed a waiver of the right to payment of such fractional cents. No fractional cents will be paid or accumulated for payment on any Sewer Revenue Bond.

No bid will be considered for less than one hundred and one and one-half percent (101.5%) of the principal amount of the Sewer Revenue Bonds (i.e. $19,224,100).

FORM OF BID AND GOOD FAITH DEPOSIT: The prescribed form of bid for the Sewer Revenue Bonds will be available on the PARITY system and all bids must be submitted on that form. Bids shall be accompanied by a deposit in the amount of $378,800 (the "Deposit"), in the form of any of the following: (i) a certified or cashier's check payable to the County, or (ii) a wire transfer to the County, or (iii) a financial surety bond (a "Financial Surety Bond") which guarantees such bidder's bid, delivered to the County prior to the time bids will be opened. Each bidder shall be solely responsible for the timely delivery of their Deposit whether by check, wire transfer or Financial Surety Bond. Neither the County nor the Financial Advisor have any liability for delays in the transmission of the Deposit.

Any Deposit made by **certified or cashier's check** should be made payable to the County and delivered to Office of the Director of Finance, 6th Floor, Pima County Administration Building, 130 West Congress Avenue, Tucson, Arizona 85701

Any Deposit sent via **wire** transfer should be sent to the County according to the following instructions:

Bank of America, N.A., 201 East Washington Phoenix, Arizona 85004, Routing Number: 026009593; Account number: 457014061332; Reference: Name of Bidder – PC Sewer Bonds 2009;

Contemporaneously with such wire transfer, the bidder shall send an e-mail to the County Treasurer's Office (email address: cash.management@pima.gov), the County's Finance and Risk Management Department (email addresses: paul.guerrero@pima.gov and michelle.campagne@pima.gov) and to the Financial Advisor (email address: kurt.freund@rbccm.com), including the following information; (i) indication that a wire transfer has been made, (ii) the amount of the wire transfer, (iii) the issue to which it applies, (iv) Federal reference number, if available, and (v) the return wire instructions if such bidder is not awarded the Sewer Revenue Bonds.

Any Deposit made by the successful bidder by check or wire transfer will be retained by the County following the award of the Sewer Revenue Bonds. Any Deposit made by check or wire transfer by an unsuccessful bidder will be returned to such bidder following County action relative to an award of the Sewer Revenue Bonds.

If a **Financial Surety Bond** is used, it must be from an insurance company licensed to issue such a bond in the State of Arizona and pre-approved by the County. Such Financial Surety Bond must be submitted to the County prior to the opening of bids. The Financial Surety Bond must identify each bidder whose bid is guaranteed by such Financial Surety Bond. If the Sewer Revenue Bonds are awarded to a bidder using a Financial Surety Bond, then that bidder is required to submit its Deposit to the County in the form of a certified or cashier's check or wire transfer as instructed by the Financial Advisor not later than 9:00 A.M., Pacific Daylight Time on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the County to satisfy the Deposit requirement.

The Deposit received from the winning bidder, the amount of which will be deducted at settlement, will be deposited by the County and no interest will accrue to the winning bidder. In the event the winning bidder fails to comply with the accepted bid, said amount will be retained by the County.

The Financial Advisor to the County has reserved the right to bid on the Sewer Revenue Bonds.

RIGHT OF REJECTION: The County reserves the right, in its discretion, to reject any and all bids received and to waive any irregularity or informality in the bids, except that the time for receiving bids shall be of the essence.

AWARD AND DELIVERY: Unless all bids are rejected, the Sewer Revenue Bonds will be awarded to the bidder whose bid results in the lowest net interest cost to the County. The net interest cost will be determined by computing the aggregate amount of interest payable on the Sewer Revenue Bonds based upon the total principal amount of Sewer Revenue Bonds offered as scheduled to mature in this Notice from their date to their respective maturities and by deducting therefrom any premium. Delivery of the Sewer Revenue Bonds will be made to the winning bidder upon payment in immediately available funds in Tucson, Arizona, or, at the winning bidder's request and expense, at any other place mutually agreeable to both the County and the winning bidder.

NOTICE REGARDING STATE CONTRACTS: Arizona law requires that every contract to which the State, its political subdivisions or any of the departments or agencies of the State or its political subdivisions, including the County, is a party include notice that such contract is subject to cancellation, within three (3) years after its execution, by the State, or the political subdivision, including the County, department or agency which is a party to such contract if any person significantly involved in initiating, negotiating, securing, drafting, or creating the contract on behalf of the State, or the political subdivision, including the County, department, or agency is, at any time while the contract is in effect, an employee of any other party to the contract or an agent or consultant of any other party to the contract with respect to the subject matter of the contract.

LEGAL OPINION: The Sewer Revenue Bonds are sold with the understanding that the County will furnish the winning bidder with the approving opinion of Squire, Sanders & Dempsey L.L.P. Said attorneys have been retained by the County as Bond Counsel and in such capacity are to render their opinion only upon the legality of the Sewer Revenue Bonds under Arizona law and on the exclusion of the interest on the Sewer Revenue Bonds from the gross income of the owners of the Sewer Revenue Bonds for federal and state of Arizona income tax purposes. Fees of Bond Counsel will be paid from the Sewer Revenue Bond proceeds.

TAX EXEMPT STATUS: The Internal Revenue Code of 1986, as amended (the "Code") prescribes a number of qualifications and conditions which apply to the Sewer Revenue Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Sewer Revenue Bond proceeds and the facilities financed therewith and certain other matters. The County has covenanted to comply with all requirements of the Code that must be satisfied in order for the interest on the Sewer Revenue Bonds to be excludable from gross income. Failure to comply with certain of such covenants could cause interest on the Sewer Revenue Bonds to become includable in gross income retroactive to the date of issuance of the Sewer Revenue Bonds.

Subject to the condition that the County comply with the above-referenced covenants, under present law, in the opinion of Bond Counsel, the Sewer Revenue Bonds are not "private activity bonds" under the Code, and interest on the Sewer Revenue Bonds will not be includable in gross income of the owners thereof for federal or Arizona income tax purposes, and will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. Although a portion of the interest on certain tax-exempt obligations earned by certain corporations may be subject to a federal corporate alternative minimum tax, interest on certain tax-exempt obligations issued in 2009 and 2010, such as the Sewer Revenue Bonds, is excluded from that calculation of federal alternative minimum tax.

Ownership of the Sewer Revenue Bonds may result in collateral federal income tax consequences to certain taxpayers. Prospective purchasers of the Sewer Revenue Bonds should consult their tax advisors as to applicability of any such collateral consequences. Bond Counsel will express no opinion regarding these consequences.

CERTIFICATE TO BE DELIVERED BY SUCCESSFUL BIDDER: Simultaneously with or before delivery of the Sewer Revenue Bonds, the successful bidder shall furnish to the County a certificate acceptable to Bond Counsel to the effect that (i) all of the Sewer Revenue Bonds have been the subject of an initial bona fide offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at the prices shown on such certificate, (ii) at the time they agreed to purchase the Sewer Revenue Bonds, based upon their assessment of the then prevailing market conditions, they reasonably expected that all Sewer Revenue Bonds would be initially sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of the underwriters or wholesalers) at the prices shown on such certificate, and (iii) the prices shown on such certificate for each of the Sewer Revenue Bonds were the fair market value of such Sewer Revenue Bonds as of the sale date.

CERTIFICATES TO BE DELIVERED BY COUNTY: Representatives of the County will deliver certificates to the effect that (i) no litigation is pending affecting the issuance and sale of the Sewer Revenue Bonds and (ii) to their best knowledge, information and belief, the information contained in the Official Statement relating to the Sewer Revenue Bonds is true and correct in all material respects. The County will also deliver a tax compliance certificate covering its reasonable expectations concerning use of the proceeds of the Sewer Revenue Bonds and related matters.

PRELIMINARY OFFICIAL STATEMENT DEEMED FINAL; FINAL OFFICIAL STATEMENT: The County deems the Preliminary Official Statement provided in connection with the sale of the Sewer Revenue Bonds to be final as of its date except for the omission of offering prices, selling compensation, delivery dates, terms to be specified in the winning bidder's bid, ratings, other terms depending on such matters and the identity of the winning bidder.

The winning bidder must provide the County, within twenty-four (24) hours after the award of the Sewer Revenue Bonds, with all necessary offering price information, selling compensation information, all other terms of the sale which are depending on such matters and any underwriter information, all as may be necessary to complete the final Official Statement.

Within seven (7) business days after the award of the Sewer Revenue Bonds, the County will provide the winning bidder with up to two hundred (200) copies of the final Official Statement at no cost. Additional copies of the final Official Statement may be obtained from the County at the winning bidder's expense. The final Official Statement will be in substantially the same form as the Preliminary Official Statement with such additions, deletions or revisions as the County deems necessary.

CONTINUING DISCLOSURE: The County will enter into a continuing disclosure undertaking with respect to the Sewer Revenue Bonds, which undertaking will be described in the Official Statement.

ADDITIONAL INFORMATION: Copies of the Official Statement relating to the Sewer Revenue Bonds will be furnished to any bidder upon request made to RBC Capital Markets Corporation, 2398 East Camelback Road, Suite 700, Phoenix, Arizona 85016, Financial Advisor to the County, telephone number (602) 381-5368.

PIMA COUNTY, ARIZONA

/s/ Lori Godoshian
Clerk, Board of Supervisors

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 9, 2009

NEW ISSUE - BOOK-ENTRY ONLY **RATINGS: See "Ratings" herein**

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Bonds is exempt from Arizona state income tax. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Dated: Date of Initial Delivery **Due: July 1, as shown on next page**

The Sewer Revenue Bonds, Series 2009 (the "Bonds") are being issued by Pima County, Arizona (the "County") in accordance with applicable State of Arizona law. Initially, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry-only form in denominations of $5,000 or any integral multiple thereof.

Interest on the Bonds is payable until maturity or prior redemption semiannually on January 1 and July 1 (each an "Interest Payment Date"), commencing January 1, 2010 and principal of the Bonds will be payable annually in accordance with the schedule set forth below. So long as the Bonds are registered in the name of DTC, or its nominee, payments of the principal and interest on the Bonds will be made directly by the paying agent, initially The Bank of New York Mellon Trust Company, N.A., to DTC which, in turn, is obligated to remit such payments to its participants for subsequent distribution to beneficial owners of the Bonds, as described herein.

The Bonds are subject to redemption prior to their stated maturities as described herein.

The Bonds are being issued for the purpose of providing funds to (i) make various improvements in the County's sewer system (the "System") and (ii) pay costs relating to the issuance of the Bonds.

Principal of and interest on the Bonds is payable solely from and secured by a pledge of the Net Revenues of the System on a parity of lien with certain outstanding sewer revenue debt and additional parity debt that may be issued or incurred in the future under the herein-described Sewer Bond Resolution. The Bonds are not general obligations of the County or a charge against the general credit or taxing power of the County. The County is not liable for the payment of the Bonds from any sources of funds except from the sources and funds described herein. See "THE BONDS - Security and Source of Payment" herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp.

ASSURED GUARANTY®

MATURITY SCHEDULE*

Due July 1	Principal Amount	Interest Rate	Yield	Due July 1	Principal Amount	Interest Rate	Yield
2010	$810,000			2018	$1,325,000		
2011	1,015,000			2019	1,395,000		
2012	400,000			2020	1,465,000		
2013	1,065,000			2021	1,545,000		
2014	1,110,000			2022	1,630,000		
2015	1,155,000			2023	1,725,000		
2016	1,210,000			2024	1,825,000		
2017	1,265,000						

This cover page contains only a brief description of the Bonds and the security therefor. It is not intended to be a summary of material information with respect to the Bonds. Investors should read the entire Official Statement to obtain information necessary to make an informed investment decision.

*The Bonds are offered when, as and if issued by the County subject to the approving opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel as to validity and tax exemption. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about May 6, 2009.**

April__, 2009

SALE DATE AND TIME: APRIL 21, 2009, 9:00 A.M., PACIFIC DAYLIGHT TIME

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other changes without any notice. The securities described herein may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS

Richard Elías, *Chairman*

Sharon Bronson

Ray Carroll

Ann Day

Ramón Valadez

COUNTY ADMINISTRATIVE OFFICIALS

ELECTED OFFICIALS

Bill Staples
County Assessor

Beth Ford
County Treasurer

Barbara La Wall
County Attorney

APPOINTED OFFICIALS

C. H. Huckelberry
County Administrator

Thomas Burke
Finance and Risk Management Director

FINANCIAL ADVISOR

RBC Capital Markets Corporation
Phoenix, Arizona

BOND COUNSEL

Squire, Sanders & Dempsey L.L.P.
Phoenix, Arizona

BOND REGISTRAR AND PAYING AGENT

The Bank of New York Mellon Trust Company, N.A.
Tempe, Arizona

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offering of any security other than the original offering of the Bonds identified on the cover hereof. No person has been authorized by Pima County, Arizona (the "County") to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the County.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show certain historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. All forecasts, projections, assumptions, opinions or estimates are "forward looking statements," which must be read with an abundance of caution and which may not be realized or may not occur in the future. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

The issuance and sale of the Bonds have not been registered under the Federal Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities; nor have the issuance and sale of the Bonds been qualified under the Securities Act of Arizona, in reliance upon various exemptions thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE" and "Appendix I – Specimen Financial Guaranty Insurance Policy."

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$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and the Appendices hereto, has been prepared by Pima County, Arizona (the "County") in connection with the original issuance and sale by the County of its Sewer Revenue Bonds, Series 2009 (the "Bonds") identified on the cover page hereof.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show certain historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

References to provisions of Arizona law, whether codified in the Arizona Revised Statutes or uncodified, or of the Arizona Constitution, are references to those current provisions. Those provisions may be amended, repealed or supplemented.

THE BONDS

Authorization and Use of Funds

The Bonds are issued pursuant to the Constitution and laws of the State of Arizona, including specifically Title 11, Chapter 2, Article 4, Arizona Revised Statutes and all amendments thereto, and more specifically under the provisions of (i) Resolution No. 1991-138 adopted by the County's Board of Supervisors (the "Board") on June 18, 1991, as amended by the Board on August 6, 1991, and (ii) a supplemental authorizing resolution, which supplemental resolution provides for the issuance of the Bonds, to be adopted by the Board on April 21, 2009* (collectively, the "Sewer Bond Resolution"). Excerpts of the Sewer Bond Resolution are presented in Appendix G.

The Bonds offered herein represent a portion of the remaining authorization approved at special bond elections held on May 20, 1997 and May 18, 2004. After the sale and delivery of the Bonds, the County will have $10,002,383 principal amount of authorized but unissued sewer revenue bonds remaining for issuance.

Proceeds of the sale of the Bonds will be used to provide funds to (i) make various improvements in the County's sewer system (the "System") and (ii) pay costs relating to the issuance of the Bonds.

General Description

The Bonds will be dated the date of initial delivery thereof and will be issued in the form of fully registered bonds in denominations of $5,000 or any integral multiple thereof. As described below under the heading "Book-Entry-Only System", the Bonds will be registered in the name of Cede & Co., as registered owner or "Owner" and nominee of The Depository Trust Company ("DTC"), New York, New York. So long as DTC, or its nominee, Cede & Co., is the registered Owner of all of the Bonds, all payments on the Bonds will be made directly to DTC.

The Bonds will bear interest from their dated date, payable semiannually on January 1 and July 1 (each an "Interest Payment Date"), commencing January 1, 2010. Interest on the Bonds will be paid by the paying agent, initially The Bank of New York Mellon Trust Company, N.A. or its successors (the "Paying Agent"), to the Owners thereof as shown on the registration books maintained by the bond registrar, initially The Bank of New York Mellon

*Preliminary, subject to change.

Trust Company, N.A. or its successors (the "Bond Register"), at the close of business on the fifteenth day of the month preceding each Interest Payment Date or if such day is a Saturday, Sunday or holiday on the next preceding business day (the "Record Date"). So long as the Bonds are in DTC's book-entry-only system, and thereafter at the written request and expense of the owners of $1,000,000 or more in aggregate principal amount of Bonds delivered to the Bond Registrar prior to a Record Date, interest and principal will be paid by wire transfer to a bank account in the continental United States.

Security and Source of Payment

Principal and interest on the Bonds are payable solely from the revenues derived by the County from the operation of the System, after provision has been made for the payment of the reasonable and necessary expenses of the operation and maintenance of the System (the "Net Revenues"). The Bonds will be on a parity of lien on such Net Revenues with the County's outstanding Sewer Improvement and Refunding Revenue Bonds, Series 1998; Sewer Revenue Refunding Bonds, Series 2001; Sewer Revenue Refunding Bonds, Series 2004; Sewer Revenue Bonds, Series 2007; and Sewer Revenue Bonds, Series 2008; and certain loan agreements between the Water Infrastructure Finance Authority of Arizona ("WIFA") and the County, as borrower, dated March 1, 1996, August 6, 1997, October 27, 2000 as amended, and May 11, 2004, as amended (collectively, the "Outstanding Parity Bonds") and additional parity bonds that may be issued in the future as provided in the Sewer Bond Resolution (collectively with the Bonds and the Outstanding Parity Bonds, the "Parity Bonds"). The aggregate principal amount of Parity Bonds that will be outstanding after the issuance of the Bonds will be $248,477,247. See "Parity Bonds" below and "SEWER REVENUE BONDS TO BE OUTSTANDING" herein.

Redemption

The Bonds maturing on or before July 1, 2019 are not subject to call for redemption prior to their respective maturity dates. The Bonds maturing on or after July 1, 2020 are subject to call for redemption on any date on or after July 1, 2019 at the election of the County, in whole or in part from maturities selected by the County and within any maturity by lot, by the payment of a redemption price equal to the principal amount of each Bond called for redemption plus accrued interest to the date fixed for redemption, without premium.

Notice of Redemption

Notice of redemption of any Bond will be mailed to the registered owner of the Bond or Bonds being redeemed at the address shown on the Bond Register maintained by the Bond Registrar not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption. Failure to give proper notice of redemption shall not affect the redemption of any Bond for which proper notice was given.

Book-Entry-Only System

THE INFORMATION PROVIDED UNDER THIS SUBHEADING "BOOK-ENTRY-ONLY SYSTEM" HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE COUNTY, BOND COUNSEL, or THE FINANCIAL ADVISOR AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues,

corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond Resolution. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Registrar and Paying Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Bonds will be made by the Paying Agent to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Paying Agent or the County. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

NEITHER THE COUNTY NOR THE BOND REGISTRAR WILL HAVE RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE BOND RESOLUTION; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE BONDS; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF BONDS; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to "Owner" or registered owners of the Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the County or the Paying Agent to DTC only.

Registration and Transfer

The Bonds will be transferable only upon the Bond Register maintained by the Bond Registrar and only upon surrender of the Bond or Bonds to be transferred to the registrar with an appropriate instrument of transfer executed by the transferor.

Reserve Fund

The Sewer Bond Resolution requires that the County maintain a Reserve Fund which secures the payment of all Outstanding Parity Bonds and subsequently issued Parity Bonds without preference or priority of bonds of any series. The Sewer Bond Resolution requires that the Reserve Fund be maintained in an amount equal to the Reserve Requirement, which is equal to average annual debt service on all Outstanding Parity Bonds, or such lesser amount as may be required to preserve the sewer revenue bonds' status as tax-exempt obligations under the Internal Revenue Code. The Sewer Bond Resolution provides that the Reserve Fund be further funded, if necessary in connection with the issuance of the Bonds and adjusted upon the issuance of Parity Bonds by (i) the immediate

deposit of bond proceeds or available moneys of the County into the Reserve Fund or the immediate delivery to the Paying Agent of a Reserve Fund Guaranty, or any combination thereof, in order for the Reserve Fund Value to equal or exceed the Reserve Requirement; or (ii) within five years following the delivery of the Bonds or any Parity Bonds, deposits of Net Revenues to the Reserve Fund in approximately equal monthly installments on the 10th day of each month such that the Reserve Fund Value will equal or exceed the Reserve Requirement not later than the expiration of such five-year period; or (iii) any combination of the methods described in clauses (i) and (ii) above in an aggregate amount equal to the Reserve Requirement.

If the Reserve Fund is funded with cash and investment and any amount thereof is subsequently withdrawn and transferred to the Bond Fund to pay debt service on the Bonds such that the Reserve Fund Value is less than the Reserve Requirement, the County is required to deposit to the Reserve Fund from Net Revenues the amount of any such deficiency in twelve (12) equal monthly installments.

The County has previously delivered for the benefit of the Reserve Fund surety bonds issued by Financial Guaranty Insurance Company ("Financial Guaranty"), AMBAC Indemnity Corporation ("AMBAC Indemnity"), MBIA Insurance Company ("MBIA"), Financial Security Assurance ("FSA"), and Assured Guaranty Corp. ("Assured Guaranty") satisfying the requirements of a Reserve Fund Guaranty under the Sewer Bond Resolution, in an amount equal to the Reserve Requirement for all outstanding sewer revenue bonds.

Upon the issuance of the Bonds, the County intends to satisfy the Reserve Requirement of the Reserve Fund through the delivery of a Reserve Fund Insurance Policy (the "2009 Reserve Fund Insurance Policy") issued by Assured Guaranty Corp. which constitutes a Reserve Fund Guaranty. See "BOND INSURANCE - 2009 Reserve Fund Insurance Policy" herein.

Rate Covenant

The County has covenanted under the Sewer Bond Resolution to establish and maintain rates, fees and charges for services supplied by the System sufficient to pay the maintenance and operation costs of the System and to produce an aggregate amount of Net Revenues in each fiscal year equal to at least 1.20 times the Annual Debt Service Requirement for the corresponding Bond Year on all Outstanding Parity Bonds (treating any variable rate Parity Bonds hereafter issued as bearing interest at the Assumed Interest Rate and Parity Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates) and sufficient to pay any Policy Costs (as defined in the Reserve Fund Guaranty) during such Bond Year.

Parity Bonds

Under the provisions of the Sewer Bond Resolution, the County may issue additional Parity Bonds secured by the Net Revenues, if Net Revenues for the immediately preceding Fiscal Year (as shown by a certificate of the County's Director of Finance and Risk Management) are at least equal to 1.20 times Maximum Annual Debt Service coming due in any Bond Year on all Parity Bonds then outstanding and the proposed Parity Bonds to be issued, and are sufficient to pay any Policy Costs during such Bond Years. Under certain conditions set forth in the Sewer Bond Resolution, additional amounts may be added to Net Revenues for the purpose of calculating the Parity Bonds test. See Appendix G "Summary of Resolution No. 1991-138 (as Amended and Supplemented) Authorizing the Issuance of the Bonds."

BOND INSURANCE

The following information is not complete and reference is made to Appendix I for a specimen of the financial guaranty insurance policy (the "Policy") of Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer").

The Insurance Policy

Assured Guaranty has made a commitment to issue the Policy relating to the Bonds, effective as of the date of issuance of such Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the "Insured Payments"). Insured Payments shall not include any additional amounts owing by the County solely as a result of the failure by the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

"Due for Payment" means, when referring to the principal of the Bonds, the stated maturity date thereof, or the date on which such Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Bonds, means the stated dates for payment of interest.

"Nonpayment" means the failure of the County to have provided sufficient funds to the Paying Agent for payment in full of all principal and interest Due for Payment on the Bonds. It is further understood that the term Nonpayment in respect of a Bond also includes any amount previously distributed to the Holder (as such term is defined in the Policy) of such Bond in respect of any Insured Payment by or on behalf of the County, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Paying Agent to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the Holders of the Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

Assured Guaranty Corp. ("Assured Guaranty") is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is

obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" (stable) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., "AAA" (stable) by Fitch, Inc. and "Aa2" (stable) by Moody's Investors Service, Inc. Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

On November 14, 2008, AGL announced that it had entered into a definitive agreement to purchase Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company Financial Security Assurance, Inc. For more information regarding the proposed acquisition by AGL of FSA, see the Annual Report on Form 10-K filed by AGL with the Securities and Exchange Commission (the "SEC") on February 26, 2009.

Capitalization of Assured Guaranty Corp.

As of December 31, 2008, Assured Guaranty had total admitted assets of $1,803,146,295 (unaudited), total liabilities of $1,425,012,944 (unaudited), total surplus of $378,133,351 (unaudited) and total statutory capital (surplus plus contingency reserves) of $1,090,288,113 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2007, Assured Guaranty had total admitted assets of $1,361,538,502 (audited), total liabilities of $961,967,238 (audited), total surplus of $399,571,264 (audited) and total statutory capital (surplus plus contingency reserves) of $982,045,695 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States in making such determinations.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2008 (which was filed by AGL with the SEC on February 26, 2009); and

- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured

Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE - The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at http://www.sec.gov and at AGL's web site at http://www.assuredguaranty.com, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "Bond Insurance – The Insurance Policy" and "- The Insurer".

2009 Reserve Fund Insurance Policy

Assured Guaranty has made a commitment to issue a financial guaranty insurance policy for the Reserve Fund (the "2009 Reserve Fund Insurance Policy"), effective as of the date of issuance of such Bonds. Under the terms of the 2009 Reserve Fund Insurance Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of the scheduled principal and interest on the Parity Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the County (the "Insured Payments").

Assured Guaranty will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the County to the Paying Agent, as beneficiary of the 2009 Reserve Fund Insurance Policy on behalf of the holders of the Parity Bonds on the later to occur of (i) the date such scheduled principal or interest becomes due for payment or (ii) the business day next following the day on which Assured Guaranty receives a demand for payment therefor in accordance with the terms of the 2009 Reserve Fund Insurance Policy.

No payment shall be made under the 2009 Reserve Fund Insurance Policy in excess of $2,300,000,* (the "2009 Reserve Fund Insurance Policy limit"). Pursuant to the terms of the 2009 Reserve Fund Insurance Policy, the amount available at any particular time to be paid to the Paying Agent shall automatically be reduced to the extent of any payment made by Assured Guaranty under the 2009 Reserve Fund Insurance Policy, provided, that, to the extent of the reimbursement of such payment to Assured Guaranty, the amount available under the 2009 Reserve Fund Insurance Policy shall be reinstated in full or in part, in an amount not to exceed the 2009 Reserve Fund Insurance Policy Limit.

The 2009 Reserve Fund Insurance Policy does not insure against nonpayment caused by the insolvency or negligence of the Paying Agent.

*Preliminary, subject to change.

The 2009 Reserve Fund Insurance Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the County which is recovered by the County from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the County unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may direct and must consent to any remedies that the Paying Agent exercises and the Insurer's consent may be required in connection with amendments to the Sewer Bond Resolution.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received by the Paying Agent pursuant to the Sewer Bond Resolution. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "RATINGS" herein.

Neither the County, Financial Advisor or Bond Counsel have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the County to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

SEWER REVENUE DEBT TO BE OUTSTANDING

The following chart includes the outstanding sewer revenue debt of the County that will be outstanding after the issuance of the Sewer Revenue Bonds, Series 2009.

Date of Issue	Original Amount	Purpose	Remaining Maturity Dates	Balance Outstanding
03-01-96	$11,313,350	Refunding (a)	7-1-97/12	$ 4,775,425
08-06-97	7,500,000	Sewer Improvements (a)	7-1-00/11	1,914,924
05-01-98	29,185,000	Sewer Improvements	7-1-99/15	13,355,000
10-27-00	61,180,286	Sewer Improvements (a)(b)	7-1-02-16	39,644,825
04-01-01	19,440,000	Refunding	7-1-02/15	12,655,000
05-01-04	25,770,000	Refunding	7-1-05/15	18,145,000
05-11-04	19,967,331	Sewer Improvements (a)(c)	7-1-05/24	18,262,073
01-01-07	50,000,000	Sewer Improvements	7-1-07/26	45,785,000
05-01-08	75,000,000	Sewer Improvements	7-1-09/23	75,000,000
Total Sewer Revenue Bonded Debt Outstanding				$229,537,247
Plus: The Bonds offered Herein				18,940,000
Total Sewer Revenue Bonds Outstanding				$248,477,247

(a) Represents funds borrowed under separate Loan Agreements with the Water Infrastructure Finance Authority of Arizona ("WIFA").

(b) On October 27, 2000, the County entered into certain Loan Agreements with WIFA totaling $40,000,000. In December 2001, the County amended those Loan Agreements to borrow an additional $21,180,286.

(c) On May 11, 2004, the County entered into certain Loan Agreements with WIFA totaling $18,015,219. In September 2005, the County amended those Loan Agreements to borrow an additional $1,952,112.

Additional Sewer Revenue Debt

The County anticipates entering into a loan agreement with WIFA in the approximate amount of $10,000,000 to fund additional improvements to the System. The County's obligation under the loan agreement will be on a parity of lien on the Net Revenues with the County's Parity Bonds, including the Bonds offered herein. The County anticipates entering into the loan agreement with WIFA described herein during the first quarter of fiscal year 2009-10.

PIMA COUNTY, ARIZONA
STATEMENT OF NET REVENUES,
DEBT SERVICE REQUIREMENTS
AND PROJECTED COVERAGE

Fiscal Year	Net Revenues Available For Debt Service(a)	Outstanding Debt Service Requirements	Plus: The Bonds* Principal	Plus: The Bonds* Interest (b)	Total Debt Service Requirements*	Current Debt Service Coverage (c)*
2008	$30,743,646	$20,568,537			$20,568,537	1.49
2009	32,348,353	23,422,588			23,422,588	1.38
2010	57,859,534	23,428,517	$ 810,000	$1,125,693	25,364,210	2.28
2011	63,205,300	23,432,287	1,015,000	916,288	25,363,575	2.49
2012	61,267,293	24,086,750	400,000	880,763	25,367,513	2.42
2013		23,425,094	1,065,000	866,763	25,356,857	
2014		23,434,171	1,110,000	824,163	25,368,334	
2015		23,462,344	1,155,000	776,988	25,394,332	
2016		20,983,481	1,210,000	725,013	22,918,494	
2017		21,071,821	1,265,000	667,538	23,004,359	
2018		15,407,202	1,325,000	607,450	17,339,652	
2019		15,509,016	1,395,000	541,200	17,445,216	
2020		15,611,340	1,465,000	467,963	17,544,303	
2021		15,633,556	1,545,000	387,388	17,565,943	
2022		15,741,293	1,630,000	302,413	17,673,706	
2023		15,838,332	1,725,000	208,688	17,772,020	
2024		5,278,591	1,825,000	109,500	7,213,091	
2025		5,275,270			5,275,270	
2026		3,879,200			3,879,200	

(a) Reflects actual Net Revenues of the System for fiscal year 2007-08 as reported by the County and projected Net Revenues for fiscal years 2008-09 through 2011-12 as estimated by the County.

(b) The first Interest Payment Date is January 1, 2010. Interest is estimated at an average interest rate of 5.30%.

(c) Reflects the ratio of Net Revenues Available for Debt Service in the chart to Total Debt Service Requirements for each fiscal year shown. Under the provisions of the Sewer Bond Resolution, the County may issue Parity Bonds secured by the Net Revenues, if Net Revenues for the immediately preceding Fiscal Year are at least equal to 1.20 times Maximum Annual Debt Service coming due in any Bond Year on all Parity Bonds then outstanding. See "THE BONDS - Parity Bonds" herein. This debt service coverage for issuing additional bonds is estimated to be 1.21 times

*Preliminary, subject to change.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds by the County are subject to the approving opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel to the County. Copies of such opinion will be available at the time of delivery of the Bonds. The form of opinion is included as Appendix D to this Official Statement. Fees of Bond Counsel will be paid from Bond proceeds.

TAX MATTERS

General

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law: (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Bonds is exempt from Arizona State income tax. Bond Counsel expresses no opinion as to any other tax consequences regarding the Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the County contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the County's certifications and representations or the continuing compliance with the County's covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the County may cause loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The County has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market prices of the Bonds.

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Although a portion of the interest on certain tax-exempt obligations earned by certain corporations may be subject to a federal corporate alternative minimum tax, interest on certain tax-exempt obligations issued in 2009 and 2010, such as the Bonds, is excluded from that calculation of federal alternative minimum tax. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress, and legislation affecting the exemption of bonds or interest thereon for purposes of State of Arizona taxation may be considered by the Arizona Legislature. Court proceedings may also be filed the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed or clarification of the Code or of Arizona law after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance at the respective prices indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the beneficial owners regarding the tax status of interest on the Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the County as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the Bonds.

Original Issue Discount and Original Issue Premium

Certain of the Bonds ("Discount Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Bonds ("Premium Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium

Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Discount and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

LITIGATION

To the knowledge of the County, no litigation or administrative action or proceeding is pending or threatened to restrain or enjoin, or seeking to restrain or enjoin: the issuance or delivery of the Bonds; the collection or receipt of revenues to pay the principal of, and interest on, the Bonds; contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered; or the validity of the Bonds. The County will deliver a certificate to that effect at the time of the original delivery of the Bonds.

The County has been named as a defendant in several lawsuits for which the County believes either that it has adequate self-insurance or insurance coverage in the event of liability or that such liability would not otherwise materially and adversely affect the financial condition of the County. Litigation involving the System and certain facilities of the System is described in Appendix A.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), are expected to assign their municipal bond ratings of "Aa2" and "AAA", respectively, to the Bonds based upon the issuance of the Policy. The Bonds have also been assigned uninsured ratings of "A2" by Moody's and "A+" by S&P. Such ratings reflect only the view of the rating organizations, and any explanation of the meaning or significance of the ratings may only be obtained from the rating agencies. The County furnished to the rating agencies certain information and materials, some of which may not have been included in this Official Statement relating to the Bonds or the County.

Generally, rating agencies base their ratings on such information and materials and on their own investigations, studies and assumptions. There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency if in their judgment circumstances so warrant. Any lowering or withdrawal of a rating may have an adverse effect on the marketability or market price of the Bonds.

CONTINUING SECONDARY MARKET DISCLOSURE

The County has covenanted for the benefit of holders of the Bonds to provide certain financial information and operating data relating to the County by not later than February 1 in each year commencing February 1, 2010 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material (the "Notice of Material Events"). The Annual Reports, the Notices of Material Events and any other document or information required to be filed by the Continuing Disclosure Undertaking will be filed by the County with each Nationally Recognized Municipal Securities Information Repository ("NRMSIRs") prior to and on June 30, 2009, and after June 30, 2009, with the Municipal Securities Rulemaking Board (the "MSRB") through the MSRB's Electronic Municipal Market Access system, each described in the form of the Continuing Disclosure Undertaking. The specific nature of

the information to be contained in the Annual Report and the Notices of Material Events is set forth in "Appendix D – Continuing Disclosure Undertaking."

These covenants have been made in order to assist the underwriters of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). Pursuant to Arizona law, the ability of the County to provide information pursuant to such covenants is subject to annual appropriation to, among other things, cover the costs of preparing and mailing the Annual Report and the Notices of Material Events to each of the NRMSIRs, prior to and on June 30, 2009, and after June 30, 2009, with the MSRB. A failure by the County to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The County has complied with all existing continuing disclosure undertakings relating to the County in all material respects.

FINANCIAL STATEMENTS

The financial statements of the Pima County Regional Wastewater Reclamation Department and excerpts of the County's Comprehensive Annual Financial Report as of June 30, 2008 and for the fiscal year then ended, which are included as Appendices E and F of this Official Statement, respectively, have been audited by Heinfeld & Meech and the Office of the Auditor General, State of Arizona, respectively, as stated in their respective opinions which appear in Appendices E and F. The County neither requested nor obtained the consent of Heinfeld & Meech or the Office of the Auditor General to include their reports and Heinfeld & Meech and the Office of the Auditor General have performed no procedures subsequent to rendering their opinions on the financial statements.

FINANCIAL ADVISOR

RBC Capital Markets Corporation serves as the Financial Advisor to the County in connection with the issuance of the Bonds. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

ADDITIONAL INFORMATION

Additional information and copies of the Official Statement and the Sewer Bond Resolution may be obtained from RBC Capital Markets Corporation, 2398 East Camelback Road, Suite 700, Phoenix, Arizona 85016 (telephone 602-381-5368), Financial Advisor to the County.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these opinions or estimates have been or will be realized. Information in this Official Statement has been derived by the County from official and other sources and is believed by the County to be accurate and reliable. Information other than that obtained from official records of the County has not been independently confirmed or verified by the County and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been or that may be made orally or in writing is to be construed as a part of a contract with the original purchasers or subsequent owners of the Bonds.

By: _____
Chairman, Board of Supervisors

By: _____
County Administrator

APPENDIX A

PIMA COUNTY, ARIZONA
REGIONAL WASTEWATER RECLAMATION DEPARTMENT

Organization and Administration

The County, through its Regional Wastewater Reclamation Department (the "Department"), operates as a separate enterprise fund (the "Fund") of Pima County, Arizona (the "County"). The County is authorized to operate and maintain the sewer system (the "System") under Title 11, Chapter 2, Article 4 of the Arizona Revised Statutes. The wastewater treatment facilities of the System operate under the National Pollutant Discharge Elimination System where needed. The County provides wastewater collection and treatment service to the Tucson metropolitan area and separate outlying service areas located in the eastern portion of the County. The Roger Road Wastewater Reclamation Facility, the Ina Road Wastewater Reclamation Facility, and the Randolph Park Wastewater Reclamation Facility serve metropolitan Pima County. Together, the three metropolitan facilities have a combined, current treatment capacity of approximately 82 million gallons per day (MGD). The non-metropolitan Pima County areas are served by separate wastewater reclamation facilities: Green Valley, Avra Valley, Corona de Tucson, Arivaca Junction, Marana, Rillito Vista, Mt. Lemmon, KERP, and the Pima County Fairgrounds. These non-metropolitan facilities have a current treatment capacity of approximately 10.5 MGD, for a total capacity for all facilities of approximately 92.5 MGD.

The County Administrator appoints the Director of the Department. The County Board of Supervisors (the "Board") adopts the Department's annual operating budget, establishes wastewater rates and fee structures and provides overall policy direction to the Department through the County Administrator and Deputy County Administrator of Public Works. In addition, the Board has established a thirteen member advisory committee to review, evaluate and make recommendations on short and long-range capital improvement needs and revenue requirements of the Department.

The Department has been under the direction of Michael Gritzuk P.E., since he was appointed as Director in July 2005. During the past 25 years, Mr. Gritzuk has held director positions involving the development and management of major water and wastewater systems in Arizona, Florida, Massachusetts, and New Jersey. In addition, he was an engineering manager with the U.S. Environmental Protection Agency for six years. He served as the Director in the City of Phoenix's Water Services Department for seventeen years. Mr. Gritzuk holds a Bachelor of Engineering degree in Civil Engineering and Master Degrees in Engineering and Environmental Sciences from New York University. He is a professional engineer in the state of Arizona. He is a member as well as the past President of the National Water Reuse Association.

Wastewater Fees and Revenues

The County's structure of rates, fees and other charges for the System is reviewed annually by the Board and may be revised by a resolution adopted by the Board, which has the ultimate responsibility for setting System rates, fees and charges. The principal sources of revenue for the Fund are derived from user fees charged for services provided and a one-time connection fee charged to new users for connecting to the System. The County also receives System revenues from turn-on fees, engineering review and inspection fees, interest earnings and other miscellaneous income.

In recent years, System revenues from connection fees were as much as 42% of total revenues. The County has taken action to shift away from a heavy reliance on connection fees, which tend to be a more volatile source of revenue, towards a greater reliance on the less volatile user fees. In February 2009, the Board adopted several user fee rate increases as described below under "User Fees." The County anticipates that these approved rate increases will increase user fee revenue from $74.6 million received in fiscal year 2007-08 to an estimated $127

million of user fee revenue by fiscal year 2010-11. These recent rate increases essentially shift the reliance on sewer connection fees from a high of 42% to 14% of revenues, with 86% of revenues expected from user fees.

User Fees

The present schedule of user fees includes a monthly service charge and a monthly commodity usage charge. The service charge is a flat fee assessed monthly to each user to offset administrative expenses and certain other fixed costs of the County and is currently set at $8.32. As indicated in the chart, an increase in the service charge to $9.82, effective as of January 1, 2010, was recently adopted by the Board. The commodity usage charge is based on each user's monthly sewage flow contribution to the System.

The monthly sewage flow contribution is equal to a user's monthly-metered water consumption, provided that the monthly consumption figure used in calculating a user's commodity usage charge does not exceed the user's average monthly-metered water consumption for the months of December through February. A user fee rate is then multiplied by the monthly sewage flow contribution to calculate the user's commodity usage charge. Currently, the user fee rate, charged for what is considered to be normal, domestic strength sewage for a residential user, is set at $1.893 per hundred cubic feet (ccf), based on water consumption. The Board recently adopted an increase of the fee to $2.134 effective July 1, 2009, and a further increase to $2.406 effective January 1, 2010. Higher user fee rates are charged to various commercial and industrial users whose sewage flow contributions are determined by the Department to be in excess of normal, domestic strength sewage.

The following table summarizes the monthly service charges and user fee rates for the last ten fiscal years, as well as the rates already approved by the Board for next fiscal year.

SUMMARY OF WASTEWATER USER FEES

Fiscal Year	Date User Fee Charges Adopted[a]	Monthly Service Charge	User Fee Rates ($ per ccf)	
			Residential	Comm/Industrial[b]
1999-00	January 18, 2000	$2.29	$0.91	0.91-3.27
2000-01	February 13, 2001	2.40	0.96	0.96-3.43
2001-02	March 19, 2002	2.49	1.00	1.00-3.63
2002-03	March 11, 2003	2.61	1.05	1.05-3.81
2003-04		2.61	1.05	1.05-3.81
2004-05	April 13, 2004	2.71	1.09	1.09-3.96
2005-06	June 21, 2005	5.72	1.18	1.18-4.27
2006-07	July 11, 2006 [c]	5.72	1.25	1.25-4.54
2006-07	July 11, 2006 [c]	5.72	1.33	1.33-4.81
2006-07	February 13, 2007	5.72	1.41	1.41-5.10
2007-08	December 11, 2007 [d]	6.23	1.53	1.53-5.57
2007-08	December 11, 2007 [d]	6.82	1.68	1.68-6.10
2008-09	February 17, 2009 [e]	8.32	1.89	1.89-6.87
2009-10	February 17, 2009 [e]	8.32	2.13	2.13-7.75
2009-10	February 17, 2009 [e]	9.82	2.41	2.41-8.74

(a) The dates shown reflect the date the User Fee increases were adopted by the Board and does not directly correspond to the effective date of the various increases.
(b) Indicates the range of user fee rates applied to various commercial/industrial users whose sewage flow contributions are in excess of normal, domestic strength sewage.
(c) During the fiscal year 2006-07, two rate increases were approved. The first 6% rate increase was effective on August 11, 2006 and the second 6% rate increase was effective on January 1, 2007.
(d) At the Board of Supervisors meeting on December 11, 2007, two rate increases were approved. The first rate increase of 9% was effective January 1, 2008 and the second rate increase of 9.5% was effective beginning July 1, 2008.

(e) At the Board of Supervisors meeting on February 17, 2009, three rate increases were approved. The first rate increase of $1.50 for the monthly service charge and 12.75% for user fee rates will be effective March 20, 2009; the second rate increase of 12.75% for user fee rates will be effective July 1, 2009; and the third rate increase of $1.50 for the monthly service charge and 12.75% for user fee rates will be effective January 1, 2010.

Source: Pima County User Fee Ordinance for the applicable year.

Based on the residential user fee rates adopted by the Board, the following table summarizes the fiscal year percentage changes in user fee rates.

SUMMARY OF PERCENTAGE INCREASES IN RESIDENTIAL USER FEE RATES

Fiscal Year	User Fee Percentage Rate Increases
1997-98	4.30%
1998-99	0.00
1999-00	5.30
2000-01	5.00
2001-02	3.80
2002-03	5.00
2003-04	0.00
2004-05	4.00
2005-06	8.00
2006-07[a]	12.00
2007-08[b]	15.00
2008-09[c]	22.25
2009-10[d]	25.50

(a) The 12% rate increase represents two 6% rate increases that occurred during the fiscal year.
(b) The 15% rate increase represents two rate increases that occurred during the fiscal year. The first on July 1, 2007 for 6% and the second on January 1, 2008 for 9%.
(c) The 22.25% rate increase represents two rate increases that occurred during the fiscal year. The first on July 1, 2008 for 9.5% and the second on March 20, 2009 for 12.75%.
(d) The 25.50% rate increase represents two rate increases that occurred during the fiscal year. The first to occur on July 1, 2009 for 12.75% and the second to occur on January 1, 2010 for 12.75%.

Source: Pima County User Fee Ordinance for the applicable year

The following table shows the revenues derived by the Department from user fees for the past ten fiscal years, broken down between residential users and commercial/industrial users.

SUMMARY OF USER FEE REVENUES

Fiscal Year	Billed User Fee Revenue			Percent of User Fee Revenue		Percent User Fee Revenue Increase (*)
	Residential	Comm./Indl.	Total	Residential	Comm./Indl.	
1998-99	$20,766,974	$13,635,035	$34,402,009	60.4%	39.6%	4.7%
1999-00	23,854,489	14,620,493	38,474,982	62.0	38.0	11.8
2000-01	24,624,900	16,212,414	40,837,314	60.3	39.7	6.1
2001-02	24,561,202	16,374,134	40,935,336	60.0	40.0	0.2
2002-03	26,570,168	18,748,573	45,318,741	58.6	41.4	10.7
2003-04	30,280,270	17,405,195	47,685,465	63.5	36.5	5.2
2004-05	32,402,896	17,990,410	50,393,306	64.3	35.7	5.7
2005-06	37,781,910	23,953,237	61,735,147	61.2	38.8	22.5
2006-07	46,565,701	22,728,497	69,294,198	67.2	32.8	12.2
2007-08	49,859,517	24,776,838	74,636,355	66.8	33.2	7.7

* Changes in Total Billed User Fee Revenue.

Source: Pima County Regional Wastewater Reclamation Department

Connection Fees

Connection fees are charged for each new connection made to the System as a condition of service to the property. Two user classes are delineated for connection fee purposes: residential and commercial/industrial. The construction of a qualifying public sewer improvement qualifies a developer for a discount against the connection fee otherwise due per dwelling unit or per ten commercial fixture units. The amount of discount from each eligible connection fee is currently $1,100 for the construction of a qualifying public sewer collection improvement and $250 for the construction of a qualifying public sewer treatment improvement. The aggregate discounts received may not exceed the net construction cost of the qualifying public sewer improvements.

The connection fee charged to a user is based on the number of fixture units in the building or structure connecting to the System. On July 1, 2008, the residential connection fee was increased to $233.30 and the commercial and industrial connection fee was increased to $466.71.

The following table summarizes connection fee revenues received by the Department for the past ten fiscal years.

CONNECTION FEE REVENUES

Fiscal Year	Revenues
1998-99	$14,533,434
1999-00	16,669,833
2000-01	16,768,587
2001-02	17,479,914
2002-03	20,279,607
2003-04	29,404,130
2004-05	36,906,421
2005-06	42,219,962
2006-07	30,756,891
2007-08	31,036,931

Source: Pima County Regional Wastewater Reclamation Department

Other Fees and Charges

The Department receives additional revenue from various other fees and charges. These fees and charges include turn-on fees, engineering review and inspection fees, interest earnings and miscellaneous other income. A summary of the revenues received by the Department from these sources in recent fiscal years follows:

REVENUES FROM OTHER FEES AND CHARGES

Fiscal Year	Engineering Review and Inspection Fees	Interest Earnings [a]	Other Revenues [b]	Total
1998-99	$370,992	$3,645,214	$ 672,833	$4,689,039
1999-00	414,618	3,888,599	1,029,165	5,332,382
2000-01	15,064	4,493,386	1,025,713	5,534,163
2001-02	61,564	1,631,580	543,727	2,236,871
2002-03	245,820	977,985	911,057	2,134,862
2003-04	104,062	213,288	1,199,727	1,517,077
2004-05	70,754	498,130	1,397,749	1,966,633
2005-06	29,005	1,783,873	456,248	2,269,126
2006-07	80,912	3,683,552	406,717	4,171,181
2007-08	65,769	3,759,650	131,550	3,956,969

(a) Under the terms of the Sewer Resolution (Pima County Resolution 1991-138), interest earnings on deposits to the System Development Fund will be included in the definition of Net Revenues only if, and to the extent, they are transferred to and deposited in the Revenue Fund.
(b) Other revenues include licenses, permits and fines, sanitation fees, and other miscellaneous income.

Source: Pima County Regional Wastewater Reclamation Department

Accounting and Billing

The Regional Wastewater Reclamation Department is accounted for as an enterprise fund of the County and the ultimate financial accountability for this fund remains with the County. For the fiscal year ended June 30, 2008, the Department's financial statements were audited by Heinfeld, Meech & Co., P.C.

Billing and collection services for user fees and turn-on fees are primarily provided by the City of Tucson, through its agency Tucson Water, the Metropolitan Domestic Water Improvement District (MDWID), Oro Valley Water Utility, and the Town of Marana. As of June 30, 2008 billing through Tucson Water comprises most of the Department's accounts, amounting to approximately 223,955 customers. MDWID bills approximately 16,164 customers, Oro Valley bills approximately 16,295 customers, and Marana bills approximately 3,593 customers. The Department directly bills those sewer customers served by the numerous smaller water companies and private wells in the other parts of the County.

Delinquent user accounts are managed by Tucson Water, MDWID, Oro Valley, Marana or the Department, depending on the source of water for the user. An account becomes delinquent when payment has not been received within 30 days of the "service to" date on the bill. For the water companies listed above, a notice is mailed advising that water service will be terminated, unless payment is received. If the user does not respond during this period, the service is discontinued and the account remains in a delinquent status. The account is then held as a delinquent account until it is collected or written off.

For users receiving water utility service from either a private water company or a private well, the Department handles the delinquencies. Delinquency billing notices are sent at 30, 60 and 90 days. If the user fails to respond, a certified letter is mailed advising that the account is being referred to the County Collection Division for further processing. The percentage of delinquent accounts for the system is estimated to be 0.8 percent of annually billed user fee revenue.

Department records show that the number of customers to the sanitary sewer system has increased every year in at least the last ten. Since fiscal year 1998-99, the average number of customers being served by the System has been:

Fiscal Year	Customers	% Increase
1998-99	191,140	2.2%
1999-00	199,090	4.2
2000-01	207,840	4.4
2001-02	218,995	5.4
2002-03	226,772	3.6
2003-04	228,459	0.7
2004-05	240,306	5.2
2005-06	246,821	2.7
2006-07	255,555	3.5
2007-08	260,007	1.7

Source: Pima County Regional Wastewater Reclamation Department

Listed below are the top ten user accounts for the System for calendar year 2008 based on revenues paid to the System, and their usage for such year.

MAJOR SYSTEM USERS*
CALENDAR YEAR 2008

Customer Name	2008 Total Usage**
University of Arizona	327,532
Davis Monthan Air Force Base	217,632
Tucson Electric Power Generating Station	162,977
Arizona State Prison-Tucson	161,875
Federal Corrections	148,242
Tucson Medical Center	130,729
Raytheon Missile Systems	93,509
Carondelet Health Network	107,040
Texas Instruments	49,902
Arizona Canning Company	20,823

* Reflects the usage for calendar year 2008 of the top ten users of the System by revenue.
** In hundred cubic feet (CCF).

Source: Pima County Regional Wastewater Reclamation Department

Litigation and Administrative Actions

On October 17, 2007, the Town of Marana, Arizona (the "Town"), filed a lawsuit against the County after negotiations over the transfer to the Town of the sewer treatment facilities and conveyance system within the Town failed to produce an agreement. The Town later rescinded a 1979 agreement with the County to operate and supply sewer services to the Town. On June 11, 2008, the Superior Court of Maricopa County, Arizona ruled in part that, as a result of the rescission of the 1979 agreement, the Town has the right to own and operate the non-flow-through portion of the sewer system within the Town that serves its residents. The Court also determined that the County does not have the right to provide sewer service within the Town without the Town's permission. The Court made no determination with regard to the ownership of the Marana Wastewater Reclamation Facility which remains under the control of the County. The liability and future outcome of this litigation is unknown at this time. However, the sewer treatment facilities which are the subject of the dispute currently constitute only 700,000 gallons per day capacity, which represents approximately 0.8% of the entire System. Therefore, the impact of the lawsuit on System revenues is not expected to be significant.

Capital Improvements

The Department maintains a Capital Improvement Program (CIP), originally based on a 20-year Metropolitan Area Facility Plan Update (Facility Plan) which was adopted by the Board in 1990. The Facility Plan has been revised and it was approved by the Board of Supervisors on March 21, 2006. The Facility Plan forecasts when capital expenditures would be required for treatment plant expansions and interceptor construction. The Department's CIP has been revised each year to reflect changes in anticipated needs and project priority. CIP projects include System expansions that are determined by the County to be necessary to meet the sewage needs of projected population growth and planned future development, as well as needed rehabilitations.

The Department also completed a Regional Optimization Master Planning (ROMP) effort in November 2007 related to the reduction of nutrients (ammonia and nitrogen) from the effluent discharged into the Santa Cruz River from two of its metropolitan Wastewater Facilities, Ina and Roger Roads. This effort will require significant upgrades, modifications and treatment capacity increases at the Ina Road Facility, a new wastewater reclamation

campus in the vicinity of the present Roger Road Wastewater Treatment site and a plant inter-connect adjoining the two.

The Department has budgeted approximately $84 million for the CIP for fiscal year 2008-09 and has a 5-year plan totaling $814 million. Highlights of the CIP projects under construction and planning efforts underway in fiscal year 2008-09 include:

- Avra Valley Wastewater Reclamation Facility – The Biological Nutrient Reduction Oxidation Ditch (BNROD) expansion will increase capacity to 4.0 MGD. Construction is underway and is anticipated to be completed in the summer of 2009.

- Marana Wastewater Reclamation Facility – The BNROD design for the 1.5 MGD expansion is expected to be completed in 2009. Litigation with the Town of Marana may impact the ownership of the facility (see Litigation and Administrative Actions)

- Santa Cruz Interceptor, Phase III – The 500 linear feet of Phase III is anticipated to be completed by June 2011. The Department is reviewing a value engineering proposal from the contractor that would potentially reduce the overall construction cost by approximately $1.4 million with a 50% split between the County and contractor.

- Plant Interconnect (Santa Cruz Interceptor Phase IV) – A Construction Manager at Risk (CMAR) has been chosen for the project and a notice to proceed was issued in December 2007. Design is currently underway and completion of this phase is scheduled for December 2010.

- A ROMP Program Management service contract was awarded to Greeley and Hansen/Parson in February 2008 to oversee the programs' adherence to scope, schedule and budget. The program includes the modification and upgrade of the Ina Road facility, the new Water Reclamation Campus, and the Plant Conveyance Interconnect projects. The contract has a three-year duration with a value of $4.5 million and provides the Department two, three-year renewals at $4.5 million each and was awarded in January 2008.

- Ina Road ROMP Project design was awarded in February 2008 for $18 million. MWH Constructors was selected as the construction firm for this project with a contract value of $4.4 million for the CMAR pre-construction services with the potential of receiving the construction contract estimated to be $238 million, including contingencies, if a guaranteed maximum price (GMP) can be agreed upon. The CMAR process is a joint effort between the designer, contractor, and Department, designed to provide the most cost effective product which will meet both effluent standards, and equipment and structures life cycle criteria.

- The ROMP Water Reclamation Campus Project's construction and operation delivery method is presently under evaluation. This includes traditional design, bid, build-owner operate, CMAR-owner operate, and design, build, contract operate.

- The ROMP Plant Interconnect project design was awarded in June 2007 to Brown and Caldwell with the CMAR pre-construction and optional construction contract dependent upon the GMP awarded in April 2008.

Financial Data

The following table depicts audited financial information for the past five fiscal years, and projected information provided by the County for fiscal year 2008-09.

Pima County Regional Wastewater Reclamation Department
Comparative Statements of System Gross Revenues, Operation and Maintenance Expenditures and Net Revenues Available for Debt Service

	2003-2004 [b]	2004-2005	2005-2006	2006-2007	2007-2008	Projected[c] 2008-09
REVENUES:						
Sewer Utility Service	$ 47,685,465	$ 50,393,306	$ 61,735,147	$ 69,294,198	$ 74,636,355	$ 88,099,424
Sewer Connection Revenue	29,404,130	36,906,421	42,219,962	30,756,891	31,036,931	20,975,464
Engineering Review & Inspection Fees	104,062	70,754	29,005	80,912	65,769	110,000
Other Income [a]	2,334,645	2,154,886	1,843,295	3,826,947	3,525,367	1,503,000
Gross Revenues	79,528,302	89,525,367	105,827,409	103,958,948	109,264,422	110,687,888
MAINTENANCE AND OPERATIONS COSTS:						
Employees Compensation	25,367,949	24,639,951	27,541,776	29,627,566	34,526,659	36,011,736
Consultants and Outside Services	2,510,706	2,652,106	5,113,446	6,788,680	9,515,947	8,700,141
Treatment Supplies and Chemicals	6,375,637	6,230,226	7,616,054	10,221,597	9,789,655	9,882,810
Repairs & Maintenance	1,430,383	2,747,503	4,291,962	5,610,027	3,877,604	5,522,021
General and Administrative	8,749,542	10,202,490	11,735,333	14,943,334	18,123,891	15,745,327
Capital Expenses	132,247	322,314	1,072,669	2,405,380	2,687,020	2,477,500
Maintenance and Operations Cost	44,566,464	46,794,590	57,371,240	69,596,584	78,520,776	78,339,535
Net Revenues	34,961,838	42,730,777	48,456,169	34,362,364	30,743,646	32,348,353
REVENUE BONDED DEBT SERVICE:						
Principal	7,979,721	4,705,000	9,500,734	13,737,957	13,071,589	13,844,466
Interest	5,377,763	4,471,844	5,709,880	6,409,007	7,314,555	9,578,122
Total Debt Service Payments	13,357,484	9,176,844	15,210,614	20,146,964	20,386,144	23,422,588
Debt Service Coverage	2.62X	4.66X	3.19X	1.71X	1.51X	1.38X
Net Revenue Remaining After Debt Service	$ 21,604,354	$ 33,553,933	$ 33,245,555	$ 14,215,400	$ 10,357,502	$ 8,925,765

(a) Other income includes revenues generated from licenses, permits and fines, sanitation fees, net interest income, and other miscellaneous income.
(b) See Note 2 to the Financial Statements for the Fiscal Year Ending June 30, 2005 regarding a restatement of the prior year's Net Assets.
(c) As estimated by the County based on actual revenues and expenses through January 31, 2009.

Source: Annual audited financial statements for the Pima County Regional Wastewater Reclamation Department, excluding all grant activity, for fiscal years 2004 through 2008. Amounts shown for fiscal year 2009 are as estimated by the County based on actual revenues and expenses through January 31, 2009.

APPENDIX B

PIMA COUNTY, ARIZONA
General Economic and Demographic Information

General Information

Pima County, Arizona (the "County") is located in the southern portion of the State of Arizona ("Arizona" or the "State"), with a section of its southern boundary bordering Mexico. The boundaries of the County encompass an area of approximately 9,184 square miles. Organized in 1864 by the Arizona Territorial Legislature as one of the State's four original counties, the County is today the second most populous county in Arizona with an estimated 2008 population of 1,014,023. Approximately 54% of the County's population resides in the City of Tucson, Arizona ("Tucson"), the County seat of government and southern Arizona's largest city.

TABLE 1
Population Statistics For Pima County, the City of Tucson and the State of Arizona

	Pima County	City of Tucson	State of Arizona
2008 Estimate (a)	1,014,023	543,959	6,629,455
2000 Census	843,746	486,699	5,130,632
1990 Census	666,880	405,390	3,665,228
1980 Census	531,443	330,537	2,716,546
1970 Census	351,667	262,933	1,775,399
1960 Census	265,660	212,892	1,302,161

(a) Population estimate as of July 1, 2008.

Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Commerce, Population Statistics.

Organization

The County is governed by a five-member Board, each of whom is elected for a four-year term to represent one of the designated districts within the County. The chair is selected by the Board from among its members. The Board is responsible for establishing the policies of the various County departments and approving the annual budgets of these departments. The Board appoints a County Administrator who is responsible for the general administration and overall operations of the various departments of the County.

Mr. Charles H. Huckelberry was appointed County Administrator in December 1993. From 1987 to 1993, Mr. Huckelberry served as an Assistant County Manager with responsibility for the administration of public works. He served as the Director of Pima County's Department of Transportation and the Flood Control District (the "District") from 1979 to 1987; as Deputy Director of the Department from 1976 to 1979; and as the Department's Manager of Field Engineering from 1974 to 1976. He was self employed as a civil engineering and land surveying consultant for one year. From 1972 to 1973, Mr. Huckelberry was employed as a Research and Development Engineer for the Shell Oil Company. He holds both a Bachelor of Science Degree in Mining Engineering and a Master of Science Degree in Civil Engineering from the University of Arizona and is a registered professional engineer and land surveyor as well as a member of numerous professional organizations.

Mr. Thomas Burke was appointed Finance and Risk Management Director in January 2005 and had served as Deputy Director of Finance from May 2004. Prior to his move to Finance, Mr. Burke served as Deputy Director of Pima County's Department of Natural Resources, Parks and Recreation from 2003 to 2004. From 2000 to 2003,

he was a Deputy County Attorney representing various Pima County departments including the County Assessor, County Treasurer and Public Works departments. From 1989 to 1998, Mr. Burke served as the Manager of Pima County's Real Property Services and from 1994 to 1998 also served as the County's Superintendent of Streets overseeing special taxing districts. During 1998 to 2000, he was a partner in an Arizona law firm representing local governments. Prior to his work with Pima County, Mr. Burke was an attorney with a Tucson law firm from 1983 to 1989 and was a Certified Public Accountant with Ernst & Whinney from 1976 to 1980. Mr. Burke holds a Bachelor of Science in Business Administration with a major in Accounting and a Juris Doctor, both from the University of Arizona, and is licensed as an attorney in the State of Arizona.

Transportation

Tucson is the economic and transportation center of the County, as well as southern Arizona. Tucson is traversed by Interstates 10 and 19, as well as State Highways 77, 83, 85 and 86. Interstate 10 passes through Tucson and connects Tucson with the City of Phoenix, Arizona, to the north and Los Angeles, California, to the west and New Mexico and Texas to the east. Interstate 19 provides access to the City of Nogales, Arizona and Mexico to the south, while U.S. Highway 86 connects with a direct route to the Gulf of California vacation areas. The main line of the Union Pacific Railroad extends across Tucson to the eastern portion of the County. Tucson International Airport, located approximately 20 minutes from Tucson's downtown business area, provides local, regional, national and international air service through several airlines. The airport has an 11,000-ft. lighted, paved primary runway, a 9,100-ft. paved secondary runway and a 7,000-ft paved runway, all of which can accommodate all major types of carriers. The County is also served by Greyhound bus lines and Amtrak.

Economy

The economy of the County is based largely on a variety of service industries, trade, and government employment. Figures from the Arizona Department of Commerce indicate that 381,000 persons were employed, on average (not including the agricultural industry), in the County in 2008. The following table presents the County's average annual total employment by industry for the years indicated:

TABLE 2

Pima County
Average Annual Employment
Number of Persons Employed 2004-2008

Industry	2004	2005	2006	2007	2008
Goods Producing					
Natural Resources and Mining	1,300	1,400	1,600	1,800	1,900
Construction	24,000	25,700	27,900	26,400	22,600
Manufacturing	28,400	28,300	28,100	27,500	27,300
Service Producing					
Trade, Transportation and Utilities	57,900	59,600	62,700	63,900	61,800
Information	7,600	7,200	6,800	6,000	5,100
Financial Activities	15,900	16,500	17,600	17,800	17,200
Professional and Business Services	43,400	45,900	49,700	52,300	51,700
Education and Health Services	47,800	50,500	52,600	54,200	57,100
Leisure and Hospitality	39,100	39,800	40,600	39,800	40,000
Other Services	14,700	14,700	15,800	15,500	15,700
Government	76,900	77,100	76,300	77,900	80,600
Total Wage & Salary Employment	357,000	366,700	379,700	383,100	381,000

Source: Arizona Department of Commerce.

The average unemployment rate for the County in 2008 was 4.9%. The average annual unemployment rate for 2007 and 2006 was 3.7% and 3.9%, respectively. The table below shows comparative unemployment rates for the County, the State and the United States.

TABLE 3

Pima County
Comparative Employment Statistics

Calendar Year	Pima County		Unemployment Rate		
	Average Employment	Average Unemployment	Pima County	Arizona	U.S.
2008	442,092	22,726	4.9%	5.1%	5.8%
2007	440,336	16,765	3.7%	3.8%	4.6%
2006	431,485	17,555	3.9%	4.1%	4.6%
2005	419,908	19,502	4.4%	4.6%	5.1%
2004	417,856	20,125	4.6%	4.9%	5.5%

Source: Arizona Department of Commerce.

The following table indicates the major employers in southern Arizona, which includes Pima County, as reported in March, 2008.

TABLE 4

Southern Arizona
Major Employers

Company	Type of Business	Approximate Number of Full-Time Equivalents
Raytheon Missile Systems	Missile Manufacturing	11,539
University of Arizona	Education	10,575
State of Arizona	Government	9,329
Davis-Monthan Air Force Base	Military	7,509
Tucson Unified School District	Education	7,227
Wal-Mart Stores Inc.	Retail	6,715
U.S. Army Intelligence Center & Fort Huachuca	Military	6,463
Pima County	Government	6,235
Freeport-McMoRan Copper & Gold Inc.	Mining	5,987
City of Tucson	Government	5,635
Carondelet Health Network	Health Care	4,570
Tohono O'Odham Nation	Tribal Government	4,553
University Medical Center Corp.	Health Care	3,552
U.S. Border Patrol	Government	3,468
TMC HealthCare	Health Care	3,184
Asarco LLC	Mining	2,575
Corrections Corp. of America	Detention Centers	2,468
Pinal County	Government	2,450
Citi	Financial Services	2,400
Sunnyside Unified School District	Education	2,358

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2009).

Services

From 2004 to 2008, the goods producing and service producing industries in the County expanded by 20,300 jobs or 7.2%. The average annual employment in the service-providing industry in 2008 was 248,600. It is anticipated that as the County continues to grow in population and economic activity, the service-providing industry will continue to be a significant contributor. As detailed above, Health Care and Education were a dominating force in the service-providing industry.

Government

Government employment plays an important role in the County with Federal, State and local government employees numbering approximately 80,600 in 2008. This sector expanded by 3,700 jobs from 2004 to 2008. The State of Arizona and the Davis-Monthan Air Force Base are significant contributors to government employment in the County (see "Pima County - Major Employers" listed in the above table). The Davis-Monthan Air Force Base is a major training ground for active duty members on the A-10 "Warthog" aircraft. The facility is also responsible for the education of tactical missile crews. Its storage capacity of 2,500 aircraft is the largest in the world. In the past, Davis-Monthan Air Force Base has been included reportedly on lists of installations considered for closure or realignment by the Defense Base Closure and Realignment Commission. There can be no assurances that Davis-Monthan Air Force Base will not be included on similar lists in the future. Any such closure or realignment would most likely be subject to review and approval by, among others, the Department of Defense and the President of the United States and would have a negative but unquantifiable effect on the County.

Manufacturing

The manufacturing sector continues to be dominated by the high technology industries of aerospace and electronics. Raytheon Missile Systems, the largest manufacturing company in the County, is a major supplier of advanced munitions. Civilian aviation products and services are provided by Bombardier, which has an aircraft maintenance facility in Tucson, and Universal Avionics Systems Corp., which builds and installs advanced instrumentation, communication and navigation systems for civil aircrafts. Texas Instruments manufactures electronic circuitry and data storage devices. Ventana Medical Systems provides computerized medical laboratory equipment.

Average annual employment in the manufacturing sector within the County in 2008 was 27,300, representing 7.2% of the County's total wage and salary employment base. Manufacturing employment during 2007 and 2006 averaged 27,500 and 28,100, respectively.

The following table presents the major manufacturers in the County and Tucson metropolitan area:

TABLE 5
Southern Arizona
Major Manufacturers

Company	Type of Business	Approximate 2009 Employment
Raytheon Missile Systems	Missile Manufacturing	11,539
IBM	Business & Technology Products	1,432
Northrop Grumman Corp.	Military Aircraft Modification	1,000
Ventana Medical Systems Inc.	Medical Equipment	788
Honeywell Aerospace	Aircraft Electronic Systems	754
Texas Instruments	Operation Amplifiers	620
Bombardier Aerospace	Aircraft Maintenance	591
B/E Aerospace	Aircraft Passenger Cabin Interior Products	387
NewTec	Manufacturing and Research	340
Universal Avionics Systems Corp.	Avionics Systems	260

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2009).

The County's proximity to Mexico makes twin plant "maquiladora" operations practical. Components are manufactured in Tucson and transported duty-free to Nogales, Sonora, Mexico, 65 miles south of Tucson, for assembly. Among the companies operating "twin plants" in Tucson and Nogales are General Electric, Samsonite, Motorola, Acco, Moen Faucets and Masterlock. These manufacturers contribute to the County's economy in many ways including the support of numerous suppliers and peripheral industries. The proximity of the Mexican border is more significant to manufacturing concerns given the existence of the North American Free Trade Agreement between Canada, the United States and Mexico. However, the uncertainty of the U.S. and Mexican economies may negatively impact the growth of the previously described manufacturing concerns.

Tourism

Tourism is an important economic mainstay in the County and the Tucson area. The County's climate, historical and cultural sites, location and proximity to vacation areas in California, Mexico, and other Southwest destinations attract vacationers, conventioneers and other visitors. The Metropolitan Tucson Convention and Visitors Bureau estimates that over 757 convention bookings with 264,988 convention delegates visited the Tucson area in fiscal year 2007-08. In the Tucson area, the Bureau estimates that there are approximately 189 hotels and resorts with 15,923 rooms. Points of interest, recreational sites and sight-seeing attractions include the Arizona-Sonora Desert Museum, Kitt Peak National Observatory, Pima Air and Space Museum, Titan Missile Museum, Saguaro National Monument, Mission San Xavier del Bac, Mount Lemmon, Sabino Canyon, Biosphere 2, and numerous resorts and golf courses. In addition, the Tucson metropolitan area is the home of spring training for Major League Baseball's Arizona Diamondbacks and Colorado Rockies.

According to the Arizona Hospitality Research & Resource Center, nearly $2.0 billion was spent by tourists in the County in 2007. These figures include the estimated tourist portion of amusement, bar and restaurant, hotel and motel, and retail gross sales. Shown below are tourist dollars expended in the County and State economies between 2003 and 2008.

Total Tourist Expenditures
($ in billions)

Year	Pima County	State of Arizona
2008 (a)	$1,732	$11,705
2007	1,979	13,383
2006	1,530	10,440
2005	1,440	9,680
2004	1,280	8,520
2003	1,190	7,810

(a) Data collected through November, 2008.

Source: Arizona Hospitality Research & Resources Center.

Education

The University of Arizona (the "University") provides approximately 10,575 jobs to the area and is an important link to the economic growth of the County. Its presence as a research university has assisted in attracting new business enterprises. The academic organization of the University is comprised of ten undergraduate colleges, five graduate colleges and a number of interdisciplinary programs. Enrollment figures for the fall semester of 2008 were estimated at 38,057 undergraduate and graduate full-time students. This enrollment includes students in continuing education programs, interns and residents, post-doctoral programs and on-campus non-credit students.

Pima County Community College offers two-year programs in vocational and technical education. Total student enrollment for Pima County Community College for 2007-08 was estimated at 73,740 students.

Source: The University of Arizona and Pima County Community College.

Wholesale and Retail Trade

Wholesale and retail trade includes restaurants, hotels, taverns, service stations, automobile repair shops, shopping malls and wholesale dealers. The largest individual employers in the retail sector (companies with more than 1,000 employees) are Wal-Mart Stores, Bashas' Inc., Safeway Stores Inc., Fry's Food and Drug Stores, Walgreen Co., Home Depot, Albertsons-Osco and Crosstown Traders.

The retail sales figures set forth below are based on the sales tax collections within the County excluding penalties, late charges and nontaxable items. The sales tax rate levied by the State on retail sales within the County is 5.6%. In addition, cities and towns within Pima County generally levy a 2% to 4% sales tax. The Pima County Regional Transportation Authority levies a county-wide 0.5% sales tax.

The following table sets forth retail sales figures in the County for the past five full years.

TABLE 6

Pima County Retail Sales (a)

Year	Amount	% Change
2008	$7,263,583,414	(7.14%)
2007	7,822,497,932	1.05%
2006	7,740,869,293	7.49%
2005	7,201,701,654	9.21%
2004	6,594,312,765	6.08%

(a) Excludes food and gasoline sales.

Source: Arizona Department of Revenue.

Financial Institutions

The Federal Deposit Insurance Corporation (FDIC) collects deposit balances for commercial and savings banks as of June 30 of each year. The following table illustrates the summary of bank deposits of all FDIC-insured institutions within the County for the past five fiscal years. As of June 30, 2008, there were 22 institutions with 194 offices in the County, with a deposit balance of $11,215 million.

TABLE 7

Pima County
Bank Deposits

Year	Amount
2008	$11,215,000,000
2007	11,643,000,000
2006	11,151,000,000
2005	10,250,000,000
2004	8,941,000,000

Source: Federal Deposit Insurance Corporation.

Mining

According to the Arizona Mining Association, Arizona leads the nation in copper production, accounting for 65% of the total U.S. mine production. However, the cyclical nature of this industry has caused some consolidation of its resources to improve production. In the early 1980's, the Arizona copper industry's direct economic impact on the Arizona economy regularly exceeded $1.0 billion, peaking in 1981 at approximately $1.612 billion when the industry employed roughly 25,000 persons. Since that time, employment in this sector has significantly decreased, with employment in the mining industry within the County being approximately 1,900 in 2008, 1,800 in 2007 and 1,600 in 2006.

Agriculture

Agriculture plays a less significant role in the economy of the County as a whole, but a small portion of the County relies on agriculture as its leading economic source. Principal crops harvested are cotton, wheat and hay, as well as vegetables. The following table sets forth the total cash receipts for all crops and livestock products in the County for the most recent five years for which reports are available.

TABLE 8

Cash Receipts From Agricultural Marketing
(Total Crops and Livestock)
Pima County

Year	Receipts
2007	$91,797,000
2006	78,083,000
2005	84,452,000
2004	80,103,000
2003	68,694,000

Source: *Arizona Agricultural Statistics Bulletin,* September 2008.

Building Permits

The following tables were compiled from *Arizona Construction Report*, a publication of Arizona Real Estate Center, L. William Seidman Research Institute, College of Business, Arizona State University. The Center obtains its data from county and municipal divisions which issue such permits. Construction is valued on the basis of estimated cost of a project, not on market price or the value of construction at the time the permit is issued. The date at which the permit is issued should not be construed as the date of construction.

TABLE 9

Pima County
Value of Building Permits

Year	Residential	Commercial	Industrial	Other	Total
2008	$ 598,774,000	$290,225,000	$17,799,000	$114,784,000	$1,021,582,000
2007	864,602,000	420,297,000	18,580,000	89,391,000	1,392,870,000
2006	1,562,755,000	199,629,000	16,736,000	129,928,000	1,909,048,000
2005	2,180,381,000	315,946,000	8,546,000	150,686,000	2,655,559,000
2004	1,680,800,000	284,275,000	16,206,000	117,220,000	2,098,501,000

Source: Arizona Real Estate Center, ASU Polytechnic Campus, Arizona State University.

TABLE 10

Pima County
New Housing Starts

Year	Total Housing Units Permitted
2008	3,207
2007	4,629
2006	9,082
2005	12,272
2004	11,452

Source: Arizona Real Estate Center, ASU Polytechnic Campus, Arizona State University.

Counties are required to adopt a Comprehensive Plan, and cities and towns a General Plan, under Arizona laws adopted in 1998 and 2000. All subsequent rezoning activity must conform to the plan. Most cities and towns and each of the larger counties, including Pima, are required to plan for growth areas and identify the means to provide necessary public services in the future. In addition to environmental and infrastructure elements, an analysis of available water is also required. Pima County's Comprehensive Plan was updated and adopted in 2001. State law requires that every 10 years the plan be redone or updated and approved by the voters. Also, as a result of these laws, counties have broader authority to adopt development impact fees and review lot splitting. Pima County has been implementing the policies of the Comprehensive Plan since its adoption.

APPENDIX C

PIMA COUNTY, ARIZONA
Financial Information

Introduction

The fiscal year for the County is from July 1 through June 30. The County's budget process is an ongoing function. Each fiscal year's process starts with the issuance in December of guidelines to all departments within which budgets must be developed. Department budget requests are submitted in February. A review process then takes place culminating with the County Administrator's submission of a proposed budget to the Board in time for budget hearings in mid-June. State statutes require that a tentative budget be adopted by the Board no later than the third Monday in July. At the time the final budget is adopted, which can be no later than the first Monday in August of each year, the Board of Supervisors holds a public hearing and meeting to determine the tax levy needed to support the budget. Taxes are then assessed and levied no later than the third Monday in August.

Expenditure Limitation

Beginning in fiscal year 1981-82, the County became subject to an annual expenditure limitation which is set by the Arizona Economic Estimates Commission. This limitation is based on the County's annual expenditures for fiscal year 1979-80, with this base adjusted to reflect interim population, cost of living and boundary changes. Certain expenditures are specifically exempt from the limit, including expenditures made from federal funds and bond sale proceeds, as well as debt service payments. The limitations can be exceeded for certain emergency expenditures or if approved by the voters. The Constitution provisions which relate to the expenditure limitation provide three processes to exceed the spending limit: a permanent base adjustment, a one-time override, and a capital project accumulation.

The County's expenditure limitation for the 2007-08 fiscal year was $464,592,697. The County's expenditures for the 2007-08 fiscal year were under the limit. The County's 2008-09 fiscal year expenditure limitation is $489,886,802.

Ad Valorem Taxes

General

Arizona (the "State" or "Arizona") property taxes are divided into two systems, primary and secondary. Secondary property taxes are those taxes imposed for payment of bonded indebtedness, for exceeding a budget, expenditure or tax limitation pursuant to voter approval and for operating and maintaining certain special districts. Primary property taxes are all ad valorem taxes other than secondary property taxes.

Under the primary system, the full cash value of locally-assessed real property (consisting primarily of residential, commercial, industrial, agricultural and unimproved property) cannot increase by more than 10% per year, except under certain circumstances. This limitation does not apply to mines, utilities and railroads which are assessed by the State. Annual tax levies under the primary system are based on the nature of the property taxed and the taxing authority. Primary taxes levied on residential property only are limited to 1% of the limited full cash value of such property. In addition, primary taxes levied on all types of property by counties, cities, towns and community college districts are limited to a maximum increase of 2% over the prior year's levy plus any amount directly attributable to new construction and annexation. The 2% limitation does not apply to primary taxes levied for local school districts. The County does not currently levy its primary tax levy to the maximum allowed under the law.

Secondary assessed valuation represents the value used in determining property tax levies for the payment of principal and interest on bonds, school district voter-approved budget overrides and special district taxes and the calculation of maximum bonded indebtedness allowed under the State's Constitutional debt limit. See "Debt

Limitation" herein. Under the secondary system, there is no limitation on annual increases in full cash value of any property. In addition, annual tax levies for voter-approved bonded indebtedness, overrides and special district taxes are, except as they are otherwise described herein under the subheading "The Bonds – Security and Source of Payment", unlimited.

Arizona law provides for a property valuation "freeze" for certain residential property owners sixty-five years of age and older. Owners of residential property may obtain such freeze against valuation increases (the "Property Valuation Protection Option") if the owner's total income from all sources does not exceed 400% (500% for two or more owners of the same property) of the "Social Security Income Benefit Rate." The Property Valuation Protection Option must be renewed every three years. If the property is sold to a person who does not qualify, the valuation reverts to its current full cash value. Any freeze on increases in full cash value will translate to the secondary assessed value of the affected property as hereinafter described.

Additionally, all property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) which is multiplied by the limited or full cash values of the property to obtain the assessed valuations.

Tax Procedures

The tax year in Arizona is defined as the calendar year, although tax procedures begin prior to January 1 of each tax year and continue through May of the succeeding calendar year. The first step in the tax process, for taxing entities other than certain special districts, is the determination of the full cash value of each individually-owned parcel of land within the State. Property valuations are established on most property by the individual county assessors, with the State Department of Revenue determining the valuation of centrally assessed properties such as gas, water and electrical utilities, railroads, mines and pipelines. The appropriate property classification assessment ratio is then applied to the full cash value to determine the assessed valuation for such parcel. The assessment ratios utilized over the five-year period 2004-05 through 2008-09 for each class of property are set forth below.

Property Tax Assessment Ratios
2004-05 through 2008-09

Classification (a)	2004-05	2005-06	2006-07	2007-08	2008-09
Mining, Utility, Commercial and Industrial (b)(c)	25%	25%	24.5%	24%	23%
Agriculture and Vacant Land (c)	16%	16%	16%	16%	16%
Owner Occupied Residential	10%	10%	10%	10%	10%
Leased or Rented Residential	10%	10%	10%	10%	10%
Railroad, Private Car Company and Airline Flight Property (d)	21%	21%	22%	21%	(d)

(a) Additional classes of property exist, but seldom amount to a significant portion of a governmental entity's total valuation.

(b) The first $63,242 of full cash value of commercial, industrial and agricultural personal property is exempt from tax for fiscal year 2008-09. This amount is indexed annually for inflation. Any portion of the full cash value in excess of those amounts will be assessed at 24% or 16% as applicable.

(c) Effective January 1, 2007, the assessment ratio for Mining, Utility, Commercial and Industrial property was decreased to 24%. Additionally, this rate will be decreased by one percent annually through 2010, resulting in an assessment ratio of 20% after December 31, 2010.

(d) This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial, and military reuse zone properties and agricultural personal property to (ii) the total full cash (market) value of such properties.

From time to time, bills have been introduced in the Arizona Legislature to reduce the property tax assessment ratios on utility, commercial and/or industrial property and such bills may be introduced in the current or future legislative sessions. The County cannot determine whether any such measures will become law or how they might affect property tax collections for the County.

Delinquent Tax Procedures

The property taxes due to the County are billed, along with State and other taxes, ordinarily in September of the calendar tax year and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of the month unless the full year's taxes are paid by December 31. After the close of the tax collection period, the County Treasurer prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the tax lien is reoffered for sale from time to time until such time as the taxes, penalties and interest put on the lien is sold, subject to redemption, for an amount sufficient to cover all delinquent and current taxes.

It should be noted that in the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can be attached against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly noninterest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect ad valorem taxes on a property of a taxpayer within the County. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on the property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy would be stayed pursuant to the Bankruptcy Code. While the stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of a bankruptcy court. It is reasonable to conclude that "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of post bankruptcy petition tax collections becomes uncertain.

It cannot be determined what impact any deterioration of the financial condition of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. Neither the County nor their respective agents or consultants have undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

Property Valuations

The following table lists the various property valuations for the County for the current year.

Valuations for Fiscal Year 2008-09	
Estimated Actual Valuation (a)	$79,245,821,370
Net Secondary Assessed Valuation	9,594,861,519
Net Primary Assessed Valuation	8,230,966,534

Valuations for Fiscal Year 2009-10 (b)	
Net Secondary Assessed Valuation	$9,840,619,641
Net Primary Assessed Valuation	8,986,316,666

(a) Actual full cash value net of estimated value of property exempt from taxation.

(b) Estimated valuations for Fiscal Year 2009-10, provided by the Pima County Assessor. Valuations for Fiscal Year 2009-10 are not official until approved by the Board on the third Monday in August for the following fiscal year. Although the final official valuations are not expected to differ materially from the estimated valuations, they are subject to positive or negative adjustments until approved by the Board.

Source: *Abstract of the Assessment Roll*, Arizona Department of Revenue; *Property Rates and Assessed Values*, Arizona Tax Research Association.

Net Secondary Assessed Valuation Comparisons and Trends

The information set forth below is shown to indicate the ratio between assessed values and estimated actual values for the County, as well as changes in the secondary assessed valuations of the County and overlapping municipal units on a comparative basis. The basis of property assessment for these years is shown under "Ad Valorem Taxes - Tax Procedures".

Net Secondary Assessed Value and Estimated Actual Cash Value Comparison

Fiscal Year	Net Secondary Assessed Valuation	Estimated Actual Valuation*	Net Secondary Assessed Valuation as a Percentage of the Estimated Actual Valuation
2008-09	$9,594,861,519	$79,245,821,370	12.11%
2007-08	8,220,395,835	66,494,590,856	12.36%
2006-07	6,869,955,457	59,890,228,997	11.47%
2005-06	6,050,950,040	47,971,147,096	12.61%
2004-05	5,620,156,274	43,778,402,824	12.84%

Source: *Abstract of the Assessment Roll*, Arizona Department of Revenue; *Property Rates and Assessed Values*, Arizona Tax Research Association.

* Actual full cash value net of estimated value of property exempt from taxation.

Net Secondary Assessed Valuation Comparisons

Fiscal Year	City of Tucson	Percent Change	Pima County	Percent Change	State of Arizona	Percent Change
2008-09	$3,895,581,900	11.80%	$9,594,861,519	16.72%	$86,090,579,647	19.84%
2007-08	3,484,462,013	15.52%	8,220,395,835	19.66%	71,837,099,233	31.96%
2006-07	3,016,230,759	10.77%	6,869,955,457	13.54%	54,436,547,031	11.25%
2005-06	2,722,915,853	6.44%	6,050,950,040	7.67%	48,931,946,145	10.05%
2004-05	2,558,231,181	5.40%	5,620,156,274	7.64%	44,461,738,026	8.87%

Source: *Abstract of the Assessment Roll*, Arizona Department of Revenue; *Property Rates and Assessed Values*, Arizona Tax Research Association.

Net Secondary Assessed Valuations of Major Taxpayers

Shown below are the major property taxpayers located within the County, an estimate of their current assessed value and their relative proportion of the County's net secondary assessed value.

Taxpayer (a)	Estimated 2008-09 Net Secondary Assessed Valuation	As Percent of County's 2008-09 Net Secondary Assessed Valuation
Phelps Dodge Sierrita Inc.	$198,694,126	2.07%
Unisource Energy Corporation	158,314,724	1.65%
Qwest Corporation	74,646,811	0.78%
Southwest Gas	64,774,927	0.68%
Asarco Inc., Mission Mine	60,280,033	0.63%
Raytheon Company	33,286,437	0.35%
Arizona Portland Cement Co.	25,556,792	0.27%
Trico Electric Co-Op Inc.	21,029,447	0.22%
Asarco LLC, Silverbell Mine	22,586,993	0.24%
Starr Pass Resort Developments LLC	19,383,738	0.20%
	$678,554,028	7.07%

(a) Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of the Filings can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR data base at http://www.sec.gov. Neither the County, its Financial Advisor nor its Bond Counsel has examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.

Source: Pima County Assessor's office.

Record of Real and Secured Personal Property Taxes Levied and Collected

Property taxes are levied and collected on all taxable property within the County and are certified to by the County Treasurer. The following table sets forth the real and secured personal property tax collection of the County for the current and past five fiscal years.

Fiscal Year	Real and Secured Personal Property Tax Levy	Fiscal Year Collections (a)		Total Collections (b)	
		Amount	Percent of Tax Levy	Amount	Percent of Tax Levy
2008-09	$379,673,888	(c)	(c)	$214,439,562	56.48%
2007-08	362,534,617	$348,740,659	96.20%	360,154,020	99.34%
2006-07	330,240,186	318,519,807	96.45%	329,833,264	99.88%
2005-06	302,126,724	292,019,235	96.65%	302,002,992	99.96%
2004-05	281,171,502	271,480,760	96.55%	280,662,472	99.82%
2003-04	260,569,500	250,928,829	96.30%	260,557,776	100.00%
2002-03	241,415,870	231,618,482	95.94%	241,381,652	99.99%

(a) Reflects collections made through June 30th, the end of the fiscal year, on such year's levy. Property taxes are payable in two installments. The first installment is due the first day of October and becomes delinquent on November 1, but is waived if the full tax year's taxes are paid in full by December 31. The second installment becomes due the first day of March and is delinquent on May 1. Interest at the rate of 16% per annum attaches on first and second installments following their delinquent dates. Penalties for delinquent payments are not included in the above collection figures.
(b) Reflects collections made through February 28, 2009 against the current and prior levies.
(c) In the process of collection.

Source: Pima County Treasurer's Office.

Tax Rate Data

The tax rates provided below reflect the total property tax rate levied by the County. As such, the rates are the sum of the primary tax rate, which is levied against the primary assessed value within the County, and the secondary tax rate for debt service payments, the County Library District, the County Fire District Assistance Tax and the County Flood Control District, all of which are levied against the County's secondary assessed value (except in the case of the Flood Control District, which is levied against the District's secondary assessed value which excludes the value of personal property).

Fiscal Year	Primary Tax Rate	Secondary Tax Rate	Total Tax Rate
2008-09	$3.3913	$1.2789	$4.6702
2007-08	3.6020	1.4654	5.0674
2006-07	3.8420	1.4986	5.3406
2005-06	4.0720	1.3891	5.4611
2004-05	4.0720	1.4247	5.4967

Source: *Property Tax Rates and Assessed Values,* The Arizona Tax Research Foundation and Pima County Finance and Risk Management Department.

Debt Limitation

Pursuant to the Arizona Constitution, outstanding general obligation debt for County purposes may not exceed 15% of a County's net secondary assessed valuation. The following indicates the County's current bonding capacity after the issuance of the Bonds.

Net Secondary Assessed Valuation (FY 2008-09)	**$9,594,861,519**
15% Constitutional Limitation	1,439,229,228
Net Direct General Obligation Bonds Outstanding	423,335,000
Unused 15% Limitation	$1,015,894,228

General Obligation Bonded Debt Outstanding

The following chart lists the outstanding general obligation bonded debt of the County that will be outstanding after the issuance of the General Obligation, Series 2009 being issued concurrently with the Bonds under a separate Official Statement.

Date of Issue	Original Amount	Original Purpose	Maturity Dates	Average Int. Rates	Remaining Balance Outstanding
05-01-98	$42,420,000	Various Improvements	7-1-99/13	4.620%	$ 11,720,000
10-01-99	50,000,000	Various Improvements	7-1-00/10	5.040%	6,615,000
08-01-00	50,000,000	Various Improvements	7-1-01/14	4.760%	18,000,000
07-01-01	17,835,000	Refunding	7-1-03/09	4.410%	375,000
01-01-02	20,000,000	Various Improvements	7-1-02/16	4.000%	7,000,000
01-15-03	50,000,000	Various Improvements	7-1-03/17	3.900%	33,850,000
06-01-04	65,000,000	Various Improvements	7-1-05/19	4.207%	47,145,000
05-01-05	65,000,000	Various Improvements	7-1-06/20	4.016%	49,265,000
01-01-07	95,000,000	Various Improvements	7-1-07/21	4.028%	84,365,000
02-15-08	100,000,000	Various Improvements	7-1-08/22	3.934%	90,000,000
Total General Obligation Bonded Debt Outstanding					$348,335,000
Plus: The General Obligation Bonds, Series 2009 (a)					75,000,000
Total General Obligation Bonded Debt to be Outstanding					$423,335,000

(a) Being offered under a separate official statement simultaneously with the Bonds.

Annual Debt Service Requirements of General Obligation Bonded Debt Outstanding

The following chart lists the general obligation debt service requirement of the County that will be outstanding after the issuance of the General Obligation Bonds, Series 2009 being issued concurrently with the Bonds under a separate Official Statement.

Fiscal Year June 30	Existing General Obligation Bonded Debt Outstanding		Series 2009 Bonds		Total Debt Service Requirements*
	Principal	Interest	Principal	Interest (a)	
2009	$33,660,000	$14,350,530	$9,000,000	$937,500	$57,948,030
2010	28,580,000	12,953,480	17,000,000	3,300,000	61,833,480
2011	26,240,000	11,723,450	9,000,000	2,450,000	49,413,450
2012	27,105,000	10,599,100	2,000,000	2,000,000	41,704,100
2013	28,005,000	9,423,800	1,025,000	1,900,000	40,353,800
2014	26,610,000	8,217,200	790,000	1,848,750	37,465,950
2015	24,515,000	7,053,675	2,000,000	1,809,250	35,377,925
2016	25,105,000	5,988,806	2,000,000	1,709,250	34,803,056
2017	25,940,000	4,925,300	2,000,000	1,609,250	34,474,550
2018	23,160,000	3,853,100	2,000,000	1,509,250	30,522,350
2019	26,035,000	2,968,088	2,000,000	1,409,250	32,412,338
2020	21,785,000	1,984,750	4,000,000	1,309,250	29,079,000
2021	16,595,000	1,225,350	5,000,000	1,109,250	23,929,600
2022	15,000,000	600,000	7,500,000	859,250	23,959,250
2023			9,685,000	484,250	10,169,250

(a) The first interest payment date on the Bonds is July 1, 2009. Interest on the Bonds is estimated at an average rate of 5.00%.

*Preliminary, subject to change.

Net Direct and Overlapping General Obligation Bonded Debt

Overlapping bonded debt figures were compiled from information obtained from the County Treasurer's Office and individual jurisdictions. A breakdown of each overlapping jurisdiction's applicable general obligation bonded debt, net secondary assessed valuation and combined tax rate per $100 assessed valuation follows.

Jurisdiction	2008-09 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding (a)(f)	Portion Applicable to the County		Combined Tax Rate Per $100 Assessed Valuation (e)
			Percent	Net Debt Amount	
State of Arizona	$86,090,579,647	None	100%	None	$0.0000
Pima County	**9,594,861,519**	**$423,335,000**	**100%**	**$423,335,000**	**4.4767 (b)**
Pima County Flood Control District (c)	8,684,571,743	725,000	100%	725,000	0.2935
Elementary School Districts	441,830,429	1,905,000	100%	1,905,000	2.1897 (d)
Unified School Districts	9,138,571,039	577,030,000	100%	577,030,000	6.0064 (d)
Cities and Towns	5,359,780,485	269,420,610	100%	269,420,610	0.6989 (d)
Pima County Community College District	9,594,861,519	39,905,000	100%	39,905,000	1.1355
Total				$1,312,320,61	

Jurisdiction	2008-09 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding (a)(f)	Combined Tax Rate Per $100 Assessed Valuation (e)
State of Arizona	$86,090,579,647	None	None
Pima County	9,594,861,519	$423,335,000	$4.4767
Pima County Flood Control District (c)	8,684,571,743	725,000	0.2935
Pima County Community College District	9,594,861,519	39,905,000	1.1355
Elementary School Districts:			
San Fernando ESD #35	1,118,849	None	3.7920
Empire ESD #37	6,945,410	None	4.9021
Continental ESD #39	390,323,217	1,905,000	1.7343
Redington ESD #44	1,541,258	None	7.4720
Altar Valley ESD #51	41,901,695	None	5.7451
Unified School Districts:			
Tucson USD #1	3,866,798,844	325,955,000	6.5659
Marana USD #6	952,444,232	52,725,000	5.4815
Flowing Wells USD #8	234,266,869	8,390,000	6.2665
Amphitheater USD #10	1,714,181,348	61,990,000	4.8589
Sunnyside USD #12	488,676,057	31,090,000	7.8009
Tanque Verde USD #13	238,433,926	2,270,000	4.3682
Ajo USD #15	18,351,185	None	4.5964
Catalina Foothills USD #16	717,980,579	33,970,000	6.1053
Vail USD #20	521,676,519	33,220,000	5.5360
Sahuarita USD #30	384,175,980	27,420,000	5.9176
Indian Oasis USD #40	1,585,500	None	0.0000
Cities and Towns:			
City of Tucson	3,895,581,900	269,420,610	0.9601
City of South Tucson	26,758,193	None	0.2143
Town of Marana	528,295,400	None	0.0000
Town of Oro Valley	686,707,506	None	0.0000
Town of Sahuarita	222,437,486	None	0.0000

(a) Includes general obligation bonds outstanding. Does not include outstanding principal amount of various cities and towns improvement districts' bonded debt and outstanding principal amount of various County improvement districts' bonded debt, as the indebtedness of these districts is presently being paid from special assessments levied against property owners residing within the various improvement districts. Also does not include various fire districts.

Also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States of America, Department of the Interior, for repayment of certain capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April of 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at $1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the $1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be

fixed for the entire 50-year repayment period, which commenced October 1, 1993. Effectiveness of the agreement is subject to a number of conditions including settlement of certain Indian community water claims and other water claims and will require certain State legislation. Federal authorizing legislation was enacted in 2004. If the conditions are not met by May 9, 2012, and the parties do not amend the agreement, the agreement will terminate and litigation will resume. If it appears prior to May 9, 2012, that the conditions will not be met by the deadline, the parties can amend the agreement or either party may petition the U.S. District Court to terminate the agreement and resume litigation. It is not possible to predict whether the agreement will become finally effective, be amended, or terminate, or whether litigation will resume. If litigation resumes, it is not possible to predict the outcome of such litigation. CAWCD is a water conservation district having boundaries coterminous with the exterior boundaries of Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to fourteen cents per $100 of secondary assessed valuation, of which twelve cents is being currently levied. (See Arizona Revised Statutes, Sections 48-3715 and 48-3715.02.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

(b) The County's total tax rate shown includes the County's primary and secondary debt service tax rates, the $0.3393 tax rate of the Free Library District, the $0.1000 tax rate of the Central Arizona Project and the $0.0411 tax rate of the Fire District Assistance Tax.

(c) The boundaries of the Pima County Flood Control District are coterminous with those of Pima County; however, the Flood Control District only levies taxes on real property.

(d) The tax rate shown is a weighted average based on each jurisdiction's proportionate amount of secondary assessed valuation.

(e) The combined tax rate includes the tax rate for debt service payments, which is based on the secondary assessed valuation of the entity, and the tax rate for all other purposes such as maintenance and operation and capital outlay, which is based on the primary assessed valuation of the municipality or school district.

(f) The following table lists general obligation bonds authorized but unissued for the County and jurisdictions within the County after the issuance of the County's Bonds.

Jurisdiction (g)	**Authorized But Unissued General Obligation Bonds**
Pima County	$303,681,000
Tucson Unified School District No. 1	74,000,000
City of Tucson	None**
Indian Oasis Unified School District No. 40	500,000

** Does not include the $5,600,000 aggregate principal amount of general obligation bond authorization from the 1984 bond election which can be sold only to establish capitalize reserve funds.

(g) Additional general obligation bonds may be authorized by these and other jurisdictions within the County at future elections.

Net Direct and Overlapping General Obligation Bonded Debt Ratios

The County's direct and overlapping general obligation bonded debt is shown below on a per capita basis and as a percent of the County's net secondary assessed valuation and estimated actual valuation.

		As Percent of County's 2008-09	
	Per Capita Net Debt (Pop. @ 1,014,023) (a)	**Secondary Assessed Valuation ($9,594,861,519)**	**Est. Actual Valuation ($79,245,821,370)**
Net Direct General Obligation Bonded Debt ($423,335,000) (b)	$ 417.48	4.41%	0.53%
Net Direct and Overlapping General Obligation Bonded Debt ($1,312,320,610)	$1,294.17	13.68%	1.66%

(a) Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Commerce, Population Statistics, July 2008.

(b) Reflects the Net General Obligation Bonds Outstanding after the issuance of the General Obligation Bonds, Series 2009.

Street and Highway Revenue Bonded Debt Outstanding (a)

The following chart indicates the outstanding street and highway bonds of the County.

Date of Issue	Original Amount	Purpose	Original Maturity Dates	Remaining Balance Outstanding
1-01-02	55,000,000	Street & Highway Improvements	7-1-03/12	$24,855,000
1-15-03	35,000,000	Street & Highway Improvements	7-1-04/18	27,600,000
5-01-05	51,200,000	Street & Highway Improvements	7-1-09/20	51,200,000
1-01-07	21,000,000	Street & Highway Improvements	7-1-09/22	21,000,000
2-15-08	25,000,000	Street & Highway Improvements	7-1-09/22	25,000,000
Total Street and Highway Revenue Bonds to be Outstanding				$149,655,000

(a) In 2006, the County received a loan through the Highway Expansion and Extension Loan Program (HELP) of the Arizona Department of Transportation totaling $4.8 million. This loan from the HELP program allowed the County to accelerate by several years the completion of one project that was scheduled to be funded from Federal aid highway revenues in future years. Final payment on this loan which is currently outstanding in the aggregate principal amount of $3.7 million is due in June 2009. HELP loans are payable solely from revenues received by the County from the Arizona Highway User Revenue Fund on a basis junior and subordinate to amounts due on the bonds shown above and all parity bonds. This loan is in addition to the debt listed in this table.

Sewer Revenue Debt Outstanding

The following chart lists the outstanding sewer revenue bonds of the County that will be outstanding after the issuance of the Bonds.

Date of Issue	Original Amount	Purpose	Remaining Maturity Dates	Balance Outstanding
03-01-96	$11,313,350	Refunding (a)	7-1-97/12	$ 4,775,425
08-06-97	7,500,000	Sewer Improvements (a)	7-1-00/11	1,914,924
05-01-98	29,185,000	Sewer Improvements	7-1-99/15	13,355,000
10-27-00	61,180,286	Sewer Improvements (a)(b)	7-1-02-16	39,644,825
04-01-01	19,440,000	Refunding	7-1-02/15	12,655,000
05-01-04	25,770,000	Refunding	7-1-05/15	18,145,000
05-11-04	19,967,331	Sewer Improvements (a)(c)	7-1-05/24	18,262,073
01-01-07	50,000,000	Sewer Improvements	7-1-07/26	45,785,000
05-01-08	75,000,000	Sewer Improvements	7-1-09/23	75,000,000
Total Sewer Revenue Bonds Currently Outstanding				$229,537,247
Plus: The Bonds offered herein				18,940,000
Total Sewer Revenue Bonds to be Outstanding				$248,477,247

(a) Represents funds borrowed under separate Loan Agreements with the Water Infrastructure Finance Authority of Arizona ("WIFA").
(b) On October 27, 2000, the County entered into certain Loan Agreements with WIFA totaling $40,000,000. In December 2001, the County amended those Loan Agreements and added an additional $21,180,286.
(c) May 11, 2004, the County entered into certain Loan Agreements with WIFA totaling $18,015,219. In September 2005, the County amended those Loan Agreements and added an additional $1,952,112.

Lease, Lease-Purchase and Purchase Agreements

The County has various lease purchase agreements outstanding. A list of the County departments benefited by these agreements and the scheduled payments on these agreements over the past four fiscal years appears below.

	Fiscal Year (in Thousands)			
County Department	**2004-05**	**2005-06**	**2006-07**	**2007-08**
Clerk of Superior Court	$147	$31	$ 82	$ 82
Juvenile Court				
Public Works Building				
Sheriff	42	42	21	0
Fiscal Year Total	$189	$74	$103	$82

Source: Pima County Finance and Risk Management Department.

Certificates of Participation

The following chart indicates the outstanding certificates of participation of the County that will be outstanding after the proposed issuance of the Certificates of Participation Obligations, Series 2009.

Date of Issue	Original Amount	Purpose	Original Maturity Dates	Remaining Balance Outstanding
09-01-99	$ 4,875,000	Refunding	1-1-13/14	$ 4,000,000
10-01-03	27,525,000	Refunding	1-1-05/18	20,680,000
05-01-07	30,320,000	New Money	7-1-08/22	29,075,000
06-26-08	50,000,000	New Money	6-1-09/11	50,000,000
Total Certificates of Participation Obligations Outstanding				$103,755,000
Plus: The Proposed Certificates of Participation, Series 2009 (a)				35,000,000
Total Certificates of Participation to be Outstanding				$138,755,000

(a) The Certificates of Participation, Series 2009 are expected to be issued in June, 2009. The principal amount shown is preliminary and subject to change. Prior to the issuance of the Certificates of Participation, Series 2009, the County expects to pay and defease, at or prior to maturity, $40 million of the Outstanding Certificates issued on June 26, 2008.

Retirement Plans

A brief description of the various retirement programs in which County employees participate is located in Footnote 9 in the excerpts from the County's Comprehensive Annual Financial Report in Appendix E.

Other Post Employment Benefits

Beginning with the fiscal year that commenced on July 1, 2007, the County implemented Government Accounting Standards Board Statement Number 45, *Accounting by Employers for Post-Employment Benefits Other than Pensions* ("GASB 45"), which requires reporting the actuarially accrued cost of post-employment benefits, other than pension benefits ("OPEB"), such as health and life insurance for current and future retirees. GASB 45 requires that such benefits be recognized as current costs over the working lifetime of employees, and to the extent such costs are not pre-funded, GASB 45 will require the reporting of such costs as a financial statement liability.

The County currently offers its retired employees, their spouses and survivors continuing access to health care insurance through the County's health plan. However, participating retirees must pay 100% of applicable health care insurance premiums. Participating retirees, their spouses and survivors may also be eligible for certain retiree health care benefits under health care programs provided by the State. Employees on long-term disability and their spouses may also qualify for retiree health care benefits through the State. It is expected that substantially all the County employees that reach normal or early retirement age while working for the County will become eligible for such benefits. The County makes no payments for OPEB costs for such retirees, but there is an implicit rate subsidy incurred by the County and described in Note 10 of the Comprehensive Annual Financial Report.

Management Commentary on Financial Condition

The County's revenues for Fiscal Year 2008-09 and 2009-10 are expected to be less than the budgeted or forecasted amounts for such periods, largely due to lower revenues from residential building permits and State-shared tax revenues. In addition, the State of Arizona had anticipated a budget deficit for Fiscal Year 2008-09 of approximately $1.6 billion and an expected deficit for 2009-10 of approximately $3.0 billion because of lower than expected revenues. In January 2009, the State approved a plan designed to eliminate the State's Fiscal Year 2008-09 deficit; depending on State revenue receipts, additional measures may be enacted by the Legislature for Fiscal Year 2008-09. The Legislature is also currently addressing the projected deficit for 2009-10. Although no specific

proposals have been adopted for Fiscal Year 2009-10 to address projected deficits, in past years when the State was facing budget difficulties, the State has shifted some of its costs to local jurisdictions either by charging cities, towns and counties additional mandatory payments or by reducing the share of State-shared revenues distributed to the cities, towns and counties. The County cannot determine whether any such provisions will be enacted or how they may affect the County or its financial position. The County is required by statute to adopt a balanced budget each year and has implemented cost-cutting measures for the current fiscal year and will be incorporating similar measures in its budget for the 2009-10 fiscal year to address the anticipated reduction in State-shared revenues and any potential increased cost shifting from the State to cities, towns and counties. The County has budgeted for an ending General Fund balance for Fiscal Year 2008-09 of at least five percent of annual General Fund revenues.

In 2004, the County closed the County-operated Kino Community Hospital and leased the hospital ground and buildings to University Physicians Healthcare (UPH), a nonprofit corporation, which opened a privately owned and operated hospital on the site. The original lease agreement between the County and UPH required $127 million of fees to be paid to UPH by the County over the first 10 years of the lease, in decreasing amounts, for the transition to a new hospital. At the request of UPH, the County amended its contract with UPH in Fiscal Year 2006-07 to accelerate, but not increase, the payments required by the lease. UPH is continuing efforts to make the hospital financially self sufficient. To date, the County has paid UPH $110 million of the total $127 million pledged. UPH has requested the County to provide additional long-term funding for its operations. The County has not taken action on this matter. Any future decision by the County to alter the agreement with UPH would be made with full consideration of the impact it would have on other operations of the County and the need for the County to continue to maintain a balanced budget.

Based on actual revenues and expenditures through January 31, 2009, the County is projecting the decrease in State revenues to have a minimal impact on the General Fund this Fiscal Year. The County expects the General Fund ending fund balance to be $29.6 million, which is $5.6 million more than $24.0 million budgeted and representing 6.2% of budgeted General Fund revenues. During the current Fiscal year, Pima County has been experiencing actual decreases in State shared revenues greater than the budgeted decreases. As a result, the County implemented a hiring freeze and called for all departments to reduce expenditures by a minimum of an additional 2.5% of budget. Although General Fund revenues and transfers are expected to be $7.9 million less than budgeted, expenditures are expected to be $5.8 million less than budgeted during the current Fiscal Year. Additionally, due to cost saving measures taken by the County in the last part of Fiscal Year 2007-08, the County's actual expenditures for last year were less than anticipated, resulting in the actual beginning fund balance being $7.7 million more than anticipated at the time of the budget preparation.

PIMA COUNTY, ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF ALL GOVERNMENTAL FUND TYPES
(In $000)

	Actual				
	2003-04	2004-05	2005-06	2006-07	2007-08
Revenues by Source:					
Taxes	$279,527	$300,972	$321,474	$348,700	$381,862
Special Assessments	505	244	215	521	556
Licenses and Permits	6,566	7,265	7,452	7,132	7,710
Intergovernmental	273,225	278,414	291,059	303,392	312,634
Charges for Services	43,505	53,568	63,582	63,508	58,890
Fines and Forfeits	5,010	5,967	6,014	6,550	6,480
Interest Income	2,656	5,181	11,379	13,988	14,218
Miscellaneous	11,918	14,806	13,165	17,544	21,752
Total Revenues	622,912	666,417	714,340	761,335	804,102
Expenditures by Fund:					
General	323,591	372,899	402,811	421,486	460,537
Special Revenues	161,150	160,407	170,562	199,498	218,307
Debt Service	61,394	56,274	66,963	69,689	76,764
Capital Projects	103,167	127,632	121,007	202,659	139,539
Total Expenditures	649,302	717,212	761,343	893,332	895,147
Excess of Revenues Over (Under) Expenditures	(26,390)	(50,795)	(47,003)	(131,997)	(91,045)
Other Financing Sources (Uses):					
Premium on bonds	0	0	0	1,429	1,964
Proceeds of Long-Term Debt	65,148	116,450	4,836	146,320	175,000
Proceeds of Refunding Bonds	6,880	0	0	0	0
Payment to Refunded Bond Escrow Agent	(6,846)	0	0	0	0
Gain on Investment	0	0	3	0	312
Operating Transfers In (Out)	(21,333)	3,046	3,685	(599)	714
Capital Leases	0	0	231	0	0
Sale of General Fixed Assets	406	27	416	1,426	27
Total Other Financing Sources (Uses)	44,255	119,523	9,171	148,576	178,017
Extraordinary item. Loss From State Treasurer's Local Government Investment Pool	0	0	0	0	
Net Change in Fund Balance	17,865	68,728	(37,832)	16,579	86,972
Beginning Fund Balance, as restated	165,395	182,894	252,007	214,292	230,660
Changes in Reserve for Inventory	(379)	398	(188)	(209)	(55)
Changes in Reserve for Prepaids	13	(13)	11	(2)	0
Ending Fund Balance	$182,894	$252,007	$213,998	$230,660	$317,577

Source: Pima County Finance and Risk Management Department. This table has not been the subject to any separate audit procedures.

PIMA COUNTY, ARIZONA
STATEMENT OF FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
(In $000)

	Actual				
	2003-04	**2004-05**	**2005-06**	**2006-07**	**2007-08**
General					
Reserved	$ 7,068	$ 4,056	$ 5,152	$ 8,889	$ 5,415
Unreserved	25,628	33,171	46,423	48,671	35,438
Designated	0	0	0	0	29,536
	32,696	**37,227**	**51,575**	**57,560**	**70,389**
Special Revenue					
Reserved	3,399	2,742	5,111	5,933	4,699
Unreserved	45,325	54,232	64,961	69,773	77,451
Designated	0	0	1,044	0	0
	48,724	**56,974**	**71,116**	**75,706**	**82,150**
Debt Service					
Reserved	4,202	10,004	6,673	7,946	12,395
Unreserved	0	152	162	0	0
	4,202	**10,156**	**6,835**	**7,946**	**12,395**
Capital Projects					
Reserved	2	0	0	120	0
Unreserved	97,270	147,650	84,472	89,328	152,643
	97,272	**147,650**	**84,472**	**89,448**	**152,643**
Total Fund Balance	$182,894	$252,007	$213,998	$230,660	$317,577

Source: Pima County Finance and Risk Management Department. This table has not been the subject of any separate audit procedures.

PIMA COUNTY, ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCE
(In $000)

	Actual				
	2003-04	2004-05	2005-06	2006-07	2007-08
Revenues by Source:					
Taxes	$209,672	$225,959	$242,948	$252,350	$268,493
Licenses and Permits	2,166	2,350	2,536	2,795	2,971
Intergovernmental	120,058	125,203	143,982	152,271	148,158
Charges for Services	24,133	24,905	27,102	33,604	32,307
Fines and Forfeits	4,023	5,035	5,786	5,526	5,020
Interest Income	530	1357	2,491	3,321	3,343
Miscellaneous	2,132	4,435	4,935	6,828	8,314
Total Revenues	362,174	389,244	429,780	456,695	468,606
Expenditures:					
Current					
General Government	120,755	160,378	168,394	181,329	192,839
Public Safety	100,650	84,694	96,687	106,825	118,623
Sanitation	0	0	0	0	0
Health	2,898	2,189	2,401	2,526	2,906
Welfare	76,619	96,996	102,496	96,684	106,502
Culture & Recreation	14,448	11,236	13,104	14,694	16,325
Education & Econ. Opport.	5,578	14,637	16,682	16,407	17,418
Debt Service:					
Principal	1,610	1,440	1,750	1,785	3,115
Interest	1,030	1,324	1,292	1,230	2,805
Miscellaneous	3	5	5	6	4
Total Expenditures	323,591	372,899	402,811	421,486	460,537
Excess of Revenues Over (Under) Expenditures	39,123	16,345	26,969	35,209	8,069
Other Financing Sources (Uses):					
Proceeds of Long-Term Debt	0	0	0	0	0
Sale of General Fixed Assets	2	8	22	0	0
Operating Transfers In (Out)	(39,977)	(11,822)	(12,643)	(29,224)	4,760
Total Other Financing Sources (Uses):	(39,975)	(11,814)	(12,621)	(29,224)	4,760
Extraordinary item:					
Loss from State Treasurer's Local Government Investment Pool	0	0	0	0	0
Net Change in Fund Balance	(852)	4,531	14,348	5,985	12,829
Beginning Fund Balance, as restated	33,548	32,696	37,227	51,575	57,560
Ending Fund Balance	$32,696	$37,227	$51,575	$57,560	$70,389

Source: Pima County Finance and Risk Management Department. This table has not been the subject of any separate audit procedures.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Pima County, Arizona
Tucson, Arizona

Ladies and Gentlemen:

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by Pima County, Arizona (the "County") of its $18,940,000 aggregate principal amount of bonds designated the Pima County, Arizona, Sewer Revenue Bonds, Series 2009 (the "Bonds"). The Bonds are issued pursuant to Title 11, Chapter 2, Article 4 of the Arizona Revised Statutes, as amended (the "Act"), and under the provisions of an authorizing resolution adopted by the Board of Supervisors of the County on June 18, 1991, as supplemented and amended, including a supplemental resolution adopted by the Board of Supervisors of the County on April 21, 2009* (the "Bond Resolution"). The documents in the Transcript include a certified copy of the Bond Resolution. All capitalized terms not defined herein shall have the meanings set forth in the Bond Resolution. We have also examined a conformed copy of a Bond.

Based on this examination, we are of the opinion that, under existing law:

1. The Bonds are valid, legal and binding special obligations of the County which, together with other bonds and obligations issued on a parity therewith and subject to bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion, are to be paid solely from, and secured by a pledge of the revenues derived by the County from the operation of its sewer system, after provision has been made for the expenses of operation and maintenance of the sewer system (the "Net Revenues"), subject to no other liens granted under the Act. The Bonds are issued on a parity with the County's outstanding Sewer Improvement and Refunding Revenue Bonds, Series 1998, Sewer Revenue Refunding Bonds, Series 2001, Sewer Revenue Refunding Bonds, Series 2004, Sewer Revenue Bonds, Series 2007 and Sewer Revenue Bonds, Series 2008, and those certain Loan Agreements between the County, as borrower, and the Water Infrastructure Finance Authority of Arizona, dated March 1, 1996, August 6, 1997, October 27, 2000, as amended, and May 11, 2004, as amended. The Bonds and the payment of principal thereof and interest thereon are not secured by an obligation or pledge of any moneys or property of the County other than the Net Revenues, and the Bonds do not represent or constitute a general obligation or a pledge of the full faith and credit of the County or the State of Arizona.

2. The interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 as amended (the "Code"), and is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. The interest on the Bonds is exempt from Arizona state income tax. We express no opinion as to any other tax consequences regarding the Bonds.

In giving the foregoing opinion with respect to the treatment of the interest on the Bonds under the tax laws, we have assumed and relied upon compliance with the covenants of the County and the accuracy, which we have not independently verified, of the representations and certifications of the County, contained in the Transcript. The accuracy

*Preliminary, subject to change.

of those representations and certifications, and the County's compliance with those covenants, may be necessary for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain of those covenants subsequent to issuance of the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Under the Code, interest on the Bonds is excluded from the calculation of a corporation's adjusted current earnings for purposes of the corporate alternative minimum tax, but interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

The opinions expressed in this letter are based on the law in effect on the date hereof and may be affected by actions taken or omitted or events occurring after the date hereof, and we assume no obligations to revise or supplement this opinion should such law be changed by legislative action, judicial decision, or otherwise, or to determine or to inform any person whether any such actions are taken or omitted or any such events occur.

Respectfully submitted,

APPENDIX E

AUDITED FINANCIAL STATEMENTS OF THE PIMA COUNTY REGIONAL WASTEWATER RECLAMATION DEPARTMENT FOR FISCAL YEAR ENDED JUNE 30, 2008

Regional Wastewater Reclamation Department

Enterprise Fund

For the Fiscal Year Ended June 30, 2008

Pima County, Arizona

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Department - Enterprise Fund
Report on Audit of Financial Statements
June 30, 2008

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Supervisors
of Pima County, Arizona

We have audited the accompanying financial statements of the Regional Wastewater Reclamation Department – Enterprise Fund, an enterprise fund of Pima County, Arizona, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the management of the Regional Wastewater Reclamation Department – Enterprise Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Regional Wastewater Reclamation Department – Enterprise Fund are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities and the major fund of Pima County, Arizona that is attributable to the Regional Wastewater Reclamation Department – Enterprise Fund, an enterprise fund of Pima County, Arizona. They do not purport to, and do not, present fairly the financial position of Pima County, Arizona, as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Regional Wastewater Reclamation Department – Enterprise Fund, an enterprise fund of Pima County, Arizona, as of June 30, 2008, and the respective changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

TUCSON • PHOENIX • FLAGSTAFF
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As described in Note 1, Wastewater Reclamation Department – Enterprise Fund implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2008, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2008 on our consideration of the Regional Wastewater Reclamation Department – Enterprise Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 20, 2008

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Department - Enterprise Fund
Statement of Net Assets
June 30, 2008

Assets

Current assets:	
Cash and cash equivalents	$ 56,850,583
Restricted cash and cash equivalents	53,073,803
Interest receivable	285,697
Accounts receivable, net	9,860,450
Due from other Pima County funds	1,988,284
Due from other governments	28,038
Inventory of materials and supplies	3,619,622
Prepaid expenses	178,484
Total current assets	125,884,961
Noncurrent assets:	
Restricted cash and cash equivalents:	
Held in escrow as construction contract retentions	492,372
Capital assets, net of accumulated depreciation where applicable:	
Land and other improvements	8,735,249
Conveyance systems, net	369,513,635
Treatment facilities, net	229,090,138
Equipment, net	27,224,213
Construction in progress	72,060,008
Total capital assets, net	706,623,243
Deferred financing costs	2,400,466
Total noncurrent assets	709,516,081
Total assets	$ 835,401,042

(Continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Department - Enterprise Fund
Statement of Net Assets
June 30, 2008

(continued)

Liabilities

Current liabilities:	
Accounts payable	$ 16,009,542
Accrued payroll and employee benefits	3,979,633
Due to other Pima County funds	3,943,436
Due to other governments	88,014
Interest payable	1,265,097
Current portion of sewer revenue bonds payable	7,870,000
Current portion of wastewater loans payable	5,955,046
Deferred revenue	1,406,869
Total current liabilities	40,517,637
Noncurrent liabilities:	
Construction contract retentions payable	5,842,091
Other postemployment healthcare benefits	718,732
Sewer revenue bonds payable, less current portion	157,070,000
Wastewater loans payable, less current portion	64,616,667
Deferred interest expense and bond discount	(1,385,021)
Total noncurrent liabilities	226,862,469
Total liabilities	267,380,106

Net Assets

Invested in capital assets, net of related debt	474,897,017
Restricted for:	
Debt service	790,848
Capital Projects	37,924,725
Operation and maintenance	5,955,866
Unrestricted	48,452,480
Total net assets	$ 568,020,936

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Department - Enterprise Fund
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Year Ended June 30, 2008

Operating revenues:	
Sewer utility service	$ 74,636,355
Engineering review and inspection fees	65,769
Permits and fines	26,436
Other income	105,114
Total operating revenues	74,833,674
Operating expenses:	
Employee compensation	34,526,659
Operating supplies	8,187,422
Utilities	6,939,725
Sludge and refuse disposal	1,602,233
Repairs and maintenance	3,877,604
General and administrative	11,184,166
Consultants and professional services	9,515,947
Depreciation	24,453,618
Total operating expenses	100,287,374
Operating loss	(25,453,700)
Nonoperating revenues (expenses):	
Intergovernmental revenue	791,630
Interest income	3,759,650
Sewer connection revenue	31,036,931
Loss on disposal of equipment	(538,753)
Interest expense	(6,560,266)
Amortization of deferred charges	(136,318)
Total nonoperating revenues (expenses)	28,352,874
Income before capital contributions and transfers	2,899,174
Capital contributions	23,437,793
Transfers in	6,995,558
Transfers out	(7,632,365)
Increase in net assets	25,700,160
Net assets—July 1, 2007 (as restated)	542,320,776
Net assets—June 30, 2008	$ 568,020,936

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Department
Statement of Cash Flows
Year Ended June 30, 2008

Cash flows from operating activities:	
Receipts from customers	$ 76,214,969
Miscellaneous receipts	105,114
Payments to suppliers for goods and services	(34,322,809)
Payments to other Pima County Funds for goods and services	(8,869,105)
Payments to employees	(33,017,777)
Net cash provided by operating activities	110,392
Cash flows from noncapital financing activities:	
Intergovernmental receipts	82,969
Repayment of interfund borrowings	1,113,745
Net cash provided by noncapital financing activities	1,196,714
Cash flows from capital and related financing activities:	
Sewer connection receipts from customers	30,207,247
Intergovernmental contract receipts	1,066,865
Purchase and construction of capital assets	(67,321,904)
Proceeds from issuance of sewer revenue bonds	75,000,000
Principal payments on revenue bonds and loans	(13,071,589)
Interest payments on revenue bonds and loans	(6,351,490)
Net cash provided by capital and related financing activities	19,529,129
Cash flows from investing activities:	
Interest received on investments	3,881,707
Net cash provided by investing activities	3,881,707
Net increase in cash and cash equivalents	24,717,942
Cash and cash equivalents, July 1, 2007	85,698,816
Cash and cash equivalents, June 30, 2008	$ 110,416,758

(Continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Department - Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2008
(continued)

Reconciliation of operating loss to net cash provided by operating activities:

Operating loss	$	(25,453,700)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		24,453,618
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable		(650,326)
Due from other governments		2,136,735
Inventory of materials and supplies		(507,799)
Prepaid expenses		10,334
Increase (decrease) in liabilities:		
Accounts payable		(1,393,864)
Due to other governments		6,512
Accrued payroll and employee benefits		1,508,882
Net cash provided by operating activities	$	110,392

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2008:

Developers conveyed capital assets with an estimated fair value of $23,667,176. This transaction was recorded as capital contributions.

Pima County Board of Supervisors approved Connection Fee Flow-Through Sewer Credit Agreements totaling $829,684. This transaction was recorded as an increase to deferred revenue and a decrease in capital contributions.

The Fund disposed of capital assets with a net book value of $538,752.

The Fund received capital assets in the amount of $600,301 from the County's general government capital assets. This transaction was recorded as capital contributions.

See accompanying notes to financial statements

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Pima County (County) and its Regional Wastewater Reclamation Department Enterprise Fund (Fund), formerly known as the Wastewater Management Enterprise Fund, conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the regulatory requirements of the State of Arizona. A summary of the County's significant accounting policies affecting the Fund follows.

During the year ended June 30, 2008, the Fund implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. GASB 45 requires systematic measurement and recognition of other postemployment benefits' (OPEB) cost over employees' years of service and provides information about actuarial accrued liabilities associated with OPEB. Although OPEB is not required to be funded, whether and to what extent progress is being made in funding the liabilities must be disclosed. GASB 45 requires prospective application upon adoption and as a result, the Fund has recorded a net OPEB obligation offset by OPEB expense in the accompanying financial statements, related to the post-employment healthcare benefit participation by Fund retirees and their beneficiaries in Pima County's healthcare benefit plan. Further information regarding this measurement and disclosure is available in Note 12. The Fund has implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* for the fiscal year ended June 30, 2008.

A. Reporting Entity

The Fund is accounted for as an enterprise fund of Pima County, Arizona, and the ultimate financial accountability for the Fund remains with Pima County. The Fund's management is responsible for operating all wastewater conveyance and treatment systems and water pollution control programs throughout Pima County.

The financial statements present only the Regional Wastewater Reclamation Department Enterprise Fund as one of the enterprise funds of Pima County and are not intended to present the balances and activity of Pima County and its entirety.

B. Fund Accounting

The Fund's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the Fund's available resources are observed. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with the activities or objectives specified for those resources. Each fund is considered a separate accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses.

The Fund's financial transactions are recorded and reported as an enterprise fund because its operations are financed and operated in a manner similar to private business enterprises. It is the intent of the Board of Supervisors that the costs (expenses, including depreciation) of goods or services provided by the Fund on a continuing basis be financed or recovered primarily through user charges.

C. Basis of Accounting

Basis of accounting relates to the timing of the measurements made and determines when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of the Fund are reported using the economic resources measurement focus and are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. When both restricted and unrestricted net assets are available to finance Fund expenses, restricted resources are used before unrestricted resources. Interfund transactions that would be treated as revenues or expenses if they involved parties external to the County are recorded in the appropriate revenue or expense accounts. Intrafund transactions within the fund are eliminated for the consolidated financial statement presentation.

Note 1 – Summary of Significant Accounting Policies (continued)

Unless in conflict with GASB pronouncements, the Fund follows Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research bulletins. The Fund has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

D. Basis of Presentation

The financial statements include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows. A statement of net assets provides information about the assets, liabilities, and net assets of the Fund at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external restrictions or availability of assets to satisfy the Fund's obligations. Invested in capital assets net of related debt represents the cost of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Restricted net assets represent grants, contracts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in fund net assets provides information about the Fund's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions and transfers. Generally charges for services and fees generated from providing waste services and sewer utility service fees are considered to be operating. Other revenues, such as sewer connection revenues and interest income, are not generated from operations and are considered to be nonoperating revenues. Operating expenses include the costs of providing sewer services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense on debt, are considered to be nonoperating expenses.

A statement of cash flows provides information about the Fund's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital and related financing, or investing.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash and investments held by the Pima County Treasurer, investments with the State Treasurer, and deposits held in escrow accounts from both restricted and unrestricted sources. Unrestricted cash and cash equivalents consist of cash on hand, cash and investments held by the Pima County Treasurer in an investment pool, and investments with the State Treasurer. Restricted cash and cash equivalents consist of cash and investments held by the Pima County Treasurer in an investment pool, and deposits held in escrow accounts. All investments are stated at fair value.

F. Accounts Receivable

Accounts receivable consist primarily of amount due from customers for services provided. These balances are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through charge to earnings and credit to a valuations allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Note 1 – Summary of Significant Accounting Policies (continued)

G. Inventory

Inventories consist of operating supplies and are recorded as assets when purchased and expensed when consumed. These inventories are stated at the lower of cost or market. Cost is determined using the moving average method.

H. Capital Assets

Purchased capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received. The Fund capitalizes all land and developer contributions regardless of cost, sewage conveyance system, buildings and improvements, and infrastructure costing $100,000 or more, and equipment costing $5,000 or more. Costs for internally constructed capital assets include material, direct labor, engineering, interest, and allocated portions of other indirect costs related to the construction projects. Depreciation of such assets is charged as an expense against operations. All assets other than land and construction in-progress are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Treatment facilities and equipment	4 to 30 years
Conveyance systems	50 years

I. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending upon years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate a limited number of sick leave (1,920) hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees; however employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability.

J. Construction Contract Retentions

The Fund has numerous construction projects in process. The Fund retains a percentage of each progress payment until the project's successful completion. In some instances, contract retentions are deposited in escrow accounts so contractors may earn interest during the construction period.

K. Deferred Interest Expense

For advance refundings resulting in defeasance of debt, the difference between the reacquisition price and net carrying amount of the old debt is deferred and amortized as a component of interest expense over the life of the refunded debt or the refunding debt, whichever is shorter. This deferred amount is reported as a deduction from the new debt liability on the statement of net assets.

Note 1 – Summary of Significant Accounting Policies (continued)

L. Revenues

Sewer utility billings are based on the content and volume of wastewater discharged and a minimum service charge.

Land developers contribute capital and aid in the construction of certain portions of the conveyance systems. Contributions are recorded as contributed capital at their estimated fair value. In those instances when a developer makes enhancements that exceed the requirements for the conveyance systems, the Fund establishes reduced fees and credits that can be used to offset future fees charged to developers for each new connection to the conveyance systems. These credits are recorded as deferred sewer connection revenue and recognized as income when connection permits are issued.

Sewer connection fees are assessed to land developers based on the type and number of fixtures attached to the conveyance systems. Fees are established at a level to provide for the recovery of the Fund's operating expenses that are not recovered by the sewer utility service fees. Accordingly, fees collected are classified as nonoperating revenues.

Note 2 – Net Assets Beginning Balance Restated

The beginning net asset balance was restated due to the restructuring of the Fund's sewer conveyance assets. The following summarizes the restatement of net assets:

Net assets - June 30, 2007, as previously reported	$ 543,027,755
Adjustment	(706,979)
Net assets - July 1, 2007, as restated	$ 542,320,776

Note 3 – Cash and Investments

Cash and cash equivalents consisted of the following amounts:

Current	
Cash on hand	$ 2,600
Cash and cash equivalents	56,847,983
Restricted cash and cash equivalents:	
Construction	37,924,725
Debt service	9,193,212
Operation and maintenance	5,955,866
Total restricted cash	53,073,803
Total current cash and cash equivalents	109,924,386
Noncurrent	
Restricted cash and cash equivalents:	
Deposits held in escrow accounts	492,372
Total cash and cash equivalents	$ 110,416,758

Note 3 – Cash and Investments (continued)

Current restricted cash and cash equivalents represents cash received for capital projects, anticipated debt service payments, and an estimated one-twelfth of annual operating expenses. In prior years, only one-twelfth of the annual debt principal and interest was restricted. However, because the Water Infrastructure Finance Authority debt payment is paid July 1, the entire amount of the payment is now included as restricted cash for debt service. Noncurrent restricted cash and cash equivalents are deposits held in escrow pending completion of capital projects.

The Fund's cash and investments in the Pima County Treasurer's investment pool represent a portion of the County Treasurer's investment pool portfolio. There is no oversight provided for the County Treasurer's investment pool, and the pool's structure does not provide for shares. The Fund's portion in the pool is not identified with specific investments and is not subject to custodial credit risk.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk. The Pima County Treasurer's investment pool is unrated.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal investment policy with respect to interest rate risk. The Pima County Treasurer's investment pool had a weighted average maturity of 262 days at June 30, 2008.

Legal Provisions – Arizona Revised Statutes authorize counties to invest public monies in the State Treasurer's investment pool: obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; interest earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; and specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk - Statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's investors' service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors' service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk - Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk - Statutes do not include any requirements for concentration of credit risk.

Interest rate risk - Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk - Statutes do not allow foreign investments.

Note 4 – Capital Asset Activity

Capital asset activity for the year ended June 30, 2008, is presented in the following schedule:

	Balance July 1, 2007 (as restated)	Increases	Decreases	Balance June 30, 2008
Capital assets not being depreciated:				
Land and other improvements	$ 7,833,896	$ 901,353		$ 8,735,249
Construction in progress	35,618,504	56,720,129	$ 20,278,625	72,060,008
Total capital assets not being depreciated	43,452,400	57,621,482	20,278,625	80,795,257
Capital assets being depreciated:				
Conveyance systems	548,573,623	32,083,297	560,540	580,096,380
Treatment facitlites	341,638,602	6,415,043	206,585	347,847,060
Equipment	17,466,967	18,776,404	629,274	35,614,097
Total capital assets being depreciated	907,679,192	57,274,744	1,396,399	963,557,537
Less accumulated depreciation for:				
Conveyance systems	199,825,319	11,015,616	258,190	210,582,745
Treatment facilities	107,529,783	11,310,670	83,531	118,756,922
Equipment	6,778,478	2,127,332	515,926	8,389,884
Total accumulated depreciation	314,133,580	24,453,618	857,647	337,729,551
Total capital assets being depreciated, net	593,545,612	32,821,126	538,752	625,827,986
Capital assets, net	$ 636,998,012	$ 90,442,608	$ 20,817,377	$ 706,623,243

Note 5 – Claims, Judgments, and Risk Management

The Fund is a participant in Pima County's self-insurance program. The County's self-insurance program covers the Fund for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In the opinion of the Fund's management, any unfavorable outcomes from these types of risks would be covered by that self-insurance program. Accordingly, the Fund has no risk of loss beyond adjustments to future years' premium payments to Pima County's self-insurance program. All estimated losses for unsettled claims and actions of Pima County are determined on an actuarial basis and are included in the *Pima County Comprehensive Annual Financial Report.*

Risks of loss arising from contractual breaches are not covered by the County's self-insurance program or commercial insurance. The Fund's management does not believe that these types of losses would be material to the financial statements; therefore, no accrual of losses has been reported in the financial statements. At June 30, 2008, there were no material lawsuits related to contractual breaches.

Note 6 – Long-Term Liabilities

The following schedule details the Fund's long-term liability and obligation activity for the year ended June 30, 2008:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Due Within 1 year
Sewer revenue bonds	$ 97,290,000	$ 75,000,000	$ 7,350,000	$164,940,000	$ 7,870,000
Less unamortized deferred amounts	2,933,485	1,280,341	413,851	1,239,293	
Total sewer revenue bonds payable	94,356,515			163,700,707	7,870,000
Wastewater loans payable	76,293,302		5,721,589	70,571,713	5,955,046
Less unamortized deferred amounts	182,162		36,433	145,729	
Total wastewater loans payable	76,111,140			70,425,984	5,955,046
Construction contract retention payable	5,279,895	1,411,992	849,796	5,842,091	
Total long-term liabilities	$ 175,747,550	$ 77,692,333	$ 13,471,101	$239,968,782	$ 13,825,046

Sewer Revenue Bonds Payable—The Fund has issued several series of sewer revenue bonds (Series 1998, Refunding 2001, Refunding 2004, Series 2007, and Series 2008) to provide funds for the defeasance of prior sewer revenue bonds, the construction of a utility plant, and the construction of improvements to the sewer system. The bonds are callable at various prices depending on the date of call. Interest on the bonds is payable semiannually. Of the total amount originally authorized, $706,000 from the May 20, 1997, and $28,237,000 from the May 18, 2004 bond election remain unissued.

Wastewater Loans Payable—The Fund has entered into four loan agreements with the Water Infrastructure Financing Authority of Arizona (1996, 1997, 2000, and 2004 loans payable) to provide funds for the defeasance of prior sewer revenue bonds and the construction and improvement of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding.

In May 2008, the County issued for the Fund $75,000,000 in Sewer Revenue Bonds Series 2008. The net proceeds of the issuance were used to provide monies for the construction and improvements of the County's wastewater conveyance systems and treatment facilities.

Debt Covenants—All revenue bonds were issued and the loan agreements were executed with a first lien on the first pledge of the Fund's net revenues and have restrictive covenants, primarily related to minimum utility rates and limitations on future bond issues. The bond covenants also require the Fund to either maintain a surety bond guaranteeing the payment of annual debt service or to maintain in the Bond Reserve Account monies equal to the average annual debt service payment. At June 30, 2008, the Fund had a surety bond to meet the requirements of the debt covenants. The County is also authorized to issue for the Fund additional parity bonds if certain conditions are met, primarily that net revenues for the fiscal year immediately preceding issuance of the parity bonds exceed 120 percent of the maximum annual debt service requirements immediately after such issuance.

Note 6 – Long-Term Liabilities (continued)

Bonds and loans outstanding at June 30, 2008, were as follows:

Description	Interest Rates	Maturity Dates	Outstanding Principal
Series 1998	4.5-5.5%	2009-15	$ 13,355,000
Refunding 2001	4.0-5.4%	2009-15	12,655,000
Refunding 2004	2.63-5.5%	2009-15	18,145,000
Series 2007	4.0-5.0%	2009-26	45,785,000
Series 2008	4.0-5.0%	2009-24	75,000,000
Total sewer revenue bonds payable			$ 164,940,000
1996 loan payable	3.19%	2008-12	$ 5,975,636
1997 loan payable	2.95%	2008-11	2,517,029
2000 loan payable	2.20%	2008-16	42,940,913
2004 loan payable	1.81%	2008-24	19,138,135
Total wastewater loans payable			$ 70,571,713

Revenue bond debt service and loan payment requirements to maturity, are as follows:

	Revenue Bond Debt Service		Loan Payment Requirements	
	Principal	Interest	Principal	Interest
Year ending June 30,				
2009	$ 7,870,000	$ 7,175,358	$ 5,955,046	$ 2,422,506
2010	8,090,000	6,821,420	6,316,650	2,200,458
2011	7,410,000	6,469,720	7,604,514	1,948,065
2012	8,395,000	6,133,883	7,891,095	1,666,783
2013	9,340,000	5,751,425	6,936,540	1,397,140
2014-2018	52,335,000	21,741,737	26,691,540	3,590,807
2019-2023	60,835,000	10,152,931	6,337,797	1,007,886
2024-2027	10,665,000	867,000	2,838,531	94,720
Total	$ 164,940,000	$ 65,113,474	$ 70,571,713	$ 14,328,365

Construction Contract Retentions Payable—State laws and regulations require the Fund to withhold a portion of progress payments made on construction contracts until the successful completion of the construction project.

Note 7 – Due To Other Pima County Funds

Due to other Pima County funds represents payables for goods or services. At June 30, 2008, the payables included $2,038,729 due to the General Fund, $11,792 due to the Environmental Quality Fund-Solid Waste Management, $9,950 due to the Self Insurance Trust Fund, and $1,882,965 due to the Capital Projects Fund.

Note 8 – Related Party Transactions

Administrative and Fiscal Services—The Fund incurred expenses from Pima County for a variety of administrative and fiscal services, including $2,079,545 for the allocation of overhead; $1,638,621 for self-insurance premiums; $1,426,419 for interdepartmental supplies and services charges; $1,809,796 for motor pool charges; $196,273 for professional charges; $918,948 for repair and maintenance charges; $110,616 for printing charges; and $480,166 for miscellaneous other charges.

Public Works Center—The Fund occupies a portion of the Public Works Center and pays rent based on a pro rata share of the building expenses incurred by the Pima County Facilities Management department. The Fund's rent totaled $208,721 for the year ended June 30, 2008.

Note 9 – Construction and Other Significant Commitments

At June 30, 2008, the Fund had construction contractual commitments of $28,524,935 and other contractual commitments related to service contracts of $3,863,826. Funding for these expenditures will be primarily from Sewer Revenue Bonds and related fees.

Note 10 – Intergovernmental Agreement

The City of Tucson, Metropolitan Domestic Water Improvement District (MDWID), Town of Marana Water, and Oro Valley Water provide sewer utility billing and collection services, certain computer services, accounting information, and statistical data to the Fund. During the year ended June 30, 2008, the Fund paid fees totaling $2,250,521, $137,716, $27,828, and $138,836, respectively, for such services. As part of its agreement, the City of Tucson invests cash collected from utility customers and held for remittance to the Fund. Interest earnings on such investments are remitted to the Fund. The MDWID, Town of Marana Water and Oro Valley Water submit cash receipts to the Fund regularly. However, cash collections are not invested, and therefore, MDWID, Town of Marana Water, and Oro Valley Water do not remit interest to the Fund.

Note 11 – Retirement Plan

Plan Description—The Fund contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (ASRS) that covers general employees of the Fund. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statutes Title 38, Chapter 5, Article 2.

Note 11 – Retirement Plan (continued)

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910, by calling (602) 240-2000 or on-line at http://www.ASRS.state.az.us/web/Aboutus.do.

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the Fund's contribution rates. For the year ended June 30, 2008, active plan members and the Fund were each required by statute to contribute at the actuarially determined rate of 9.60 percent (9.10 percent retirement and 0.50 percent long-term disability) of the members' annual covered payroll. The Fund's contributions to the ASRS for the years ended June 30, 2008, 2007, and 2006, were $2,374,127, $2,024,877, and $1,528,578, respectively, which were equal to the required contributions for the year.

Note 12 – Postemployment Healthcare Benefits

In compliance with GASB Statement No, 45; the Fund reported an accrued actuarial liability or *Net OPEB obligation* and related OPEB expense at June 30, 2008. The short-term portion is reported with accrued employee compensation. The long-term portion is reported separately.

Retiree Insurance Program
Employees retiring from Pima County service, who receive monthly income from one of the Arizona State Retirement Plans, are eligible to continue medical and dental insurance coverage at group rates through the County (the Program). It is a single-employer plan and the benefits and premium rates are approved by the Board of Supervisors on an annual basis for active and retired members. Although Pima County does not explicitly pay a portion of the retiree's premiums, because of the inclusion of this risk class in the insured pool, there is an implicit rate subsidy or "premium rate differential" that is incurred by the County. No separate report is provided for the Program.

Funding Policy
The Program is currently funded on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation
The Fund's annual healthcare pension cost and net pension obligation as of and for the fiscal year ended June 30, 2008 were as follows:

Annual healthcare pension contribution	$ 1,056,148
Interest on net pension obligation	40,614
Annual pension cost	1,096,762
Contributions made	(136,603)
Increase in net pension obligation	960,159
Net pension obligation at beginning of year	
Net pension obligation at end of year	$ 960,159
Current portion	(241,427)
Non-current portion	$ 718,732

Note 12 – Postemployment Healthcare Benefits (continued)

Actuarial Methods and Assumptions

The more significant actuarial assumptions and methods used in the calculation of employer contributions to the Retiree Insurance Program for the fiscal year ended June 30, 2008 are as follows:

Valuation date	July 1, 2007
Actuarial cost method	Entry age normal cost method
Amortization method for actuarial accrued liabilities	Level percentage of payroll
Remaining amortization period	30 Years open
Actuarial cost method	Projected unit credit
Investment rate of return	4.50%
Medicare coverage age	65
Retirement and disability age	Based on EORP, CORP, ASRS, and PSRS pension valuations
Salary increases	2.50%
Payroll growth	2.50%
Active members	472
LTD/Retiree and spouses currently receiving benefits	14

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Supervisors
of Pima County, Arizona

Members of the Board:

We have audited the financial statements of the Regional Wastewater Reclamation Department -- Enterprise Fund, an enterprise fund of Pima County, Arizona as of and for the year ended June 30, 2008, and have issued our report thereon dated October 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Regional Wastewater Reclamation Department -- Enterprise Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Regional Wastewater Reclamation Department -- Enterprise Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Regional Wastewater Reclamation Department – Enterprise Fund's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Regional Wastewater Reclamation Department – Enterprise Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, Board of Supervisors, others within the entity and governmental agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 20, 2008

APPENDIX F

EXCERPTS FROM PIMA COUNTY, ARIZONA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The following are excerpts from the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. The County has not requested the State of Arizona Auditor General to perform any review of the County's Comprehensive Annual Financial Report subsequent to June 30, 2008. These are the most recent audited financial statements available to the County and may not represent the current financial position of the County.

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, two major funds, and the component unit, which account for the following percentages of the assets, liabilities, revenues, and expenses or expenditures of the opinion units affected:

Opinion Unit/Department	Assets	Liabilities	Revenues	Expenses/ Expenditures
Government-Wide Statements				
Governmental Activities:				
Stadium District	0.09%	0.04%	0.42%	0.42%
School Reserve Fund	0.15%	0.05%	0.51%	0.51%
Self Insurance Trust	2.39%	4.19%	0.25%	0.11%
Business-Type Activities:				
Regional Wastewater Reclamation Department	92.16%	86.05%	24.82%	25.67%
Pima Health System & Services	6.17%	13.34%	67.45%	70.59%
Development Services	0.67%	0.48%	2.19%	3.56%
Self Insurance Trust	0.00%	0.00%	0.00%	0.06%
Component Unit—Southwestern Fair Commission	100.00%	100.00%	100.00%	100.00%

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Opinion Unit/Department	Assets	Liabilities	Revenues	Expenses/ Expenditures
Fund Statements				
Major Funds:				
Regional Wastewater Reclamation Department	100.00%	100.00%	100.00%	100.00%
Pima Health System & Services	100.00%	100.00%	100.00%	100.00%
Aggregate Remaining Fund Information:				
Stadium District	0.28%	0.19%	0.96%	0.92%
School Reserve Fund	0.46%	0.26%	1.16%	1.13%
Development Services	1.41%	0.98%	2.69%	4.24%
Self Insurance Trust	7.28%	21.25%	5.91%	5.25%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the County implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement Nos. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions;* 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues;* 49, *Accounting and Financial Reporting for Pollution Remediation Obligations;* and 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27),* for the year ended June 30, 2008, which represent changes in accounting principles.

The Management's Discussion and Analysis on pages 13 through 29, the Budgetary Comparison Schedules on pages 79 and 80, and the Schedule of Retirement Plans' Funding Progress on pages 81 and 82 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

December 19, 2008

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Management's Discussion and Analysis

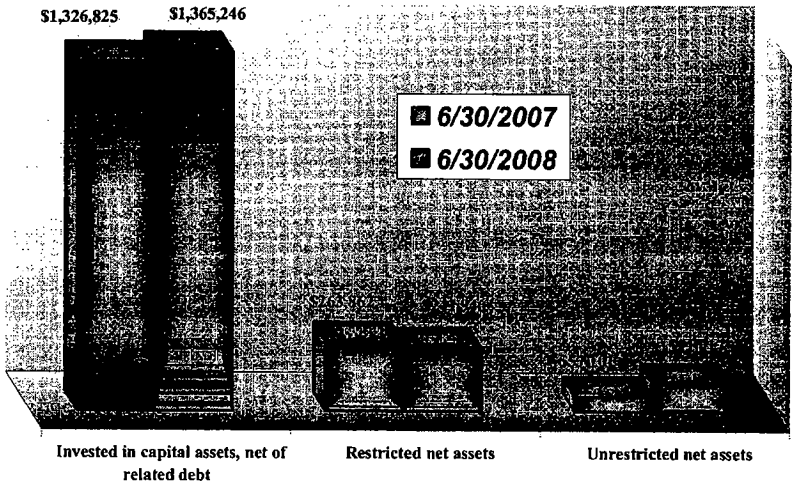
Management's Discussion & Analysis

This section of Pima County's comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the year ended June 30, 2008, and should be read in conjunction with the County's basic financial statements in the following sections. All dollar amounts are expressed in thousands (000's) unless otherwise noted.

FINANCIAL HIGHLIGHTS

- At June 30, 2008, the County's combined assets exceeded combined liabilities (*net* assets) by $1,717,367, an increase of 4.2% from the prior year. Of this amount, $110,175 is available for general government expenses (*unrestricted net assets)*, $241,946 is restricted for specific purposes (*restricted net assets)*, and $1,365,246 is invested in capital assets, net of related debt and accumulated depreciation.

Comparative Composition of Pima County Net Assets



- Of the total fund balances of the County's governmental funds, total fund balance increased $86,917 to $317,577, with $295,068 of this amount available for expenditure. The amount available for expenditure is comprised of $64,974 for the General Fund, $152,643 for the Capital Projects Fund and $77,451 for the County's other governmental funds.

- The General Fund unreserved, undesignated fund balance decreased $13,233 from the previous year to $35,438. This balance represents approximately 7.7% of the County's General fund expenditures and 4.0% of total governmental funds expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation or sick leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include Pima Health System & Services, Regional Wastewater Reclamation Department, Development Services and the County's downtown parking garages.

A discretely presented component unit is included in the basic financial statements and consists of a legally separate entity for which the County is financially accountable. The County reports the Southwestern Fair Commission, which operates the County Fairgrounds and the annual Pima County Fair, as a discretely presented component unit.

The government-wide financial statements can be found on pages 31 - 33 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance with applicable State statutes and federal Office of Management and Budget (OMB) budgeting guidelines. All of the funds can be divided into three categories: (1) *governmental funds,* (2) *proprietary funds,* and (3) *fiduciary funds.*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General and Capital Projects funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental fund financial statements can be found on pages 34 - 37 of this report.

Proprietary funds are maintained in two ways. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The County uses enterprise funds to account for certain health care services, including medical and long-term health care, sewer systems maintenance and operation, real estate-related development services, and parking garage operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for risk management, automotive fleet maintenance and operations, printing services, telecommunications, wireless and IT network infrastructure. Because these services predominantly benefit governmental rather than business-type functions, the assets and liabilities of these services have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Regional Wastewater Reclamation Department and Pima Health System & Services operations are considered to be major funds of the County. Data from the other enterprise funds are combined into a single, aggregated presentation. Similarly, the County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the other enterprise and internal service funds are provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages 38 - 41 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs.

The fiduciary fund financial statements can be found on pages 42 - 43 of this report.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 44 -78 of this report.

Required Supplementary Information (RSI) is presented concerning the County's General Fund budgetary schedule and the Schedule of Retirement Plans' funding progress. Required supplementary information can be found on pages 79 - 82 of this report.

Combining Statements and Other Schedules referred to earlier provide information for non-major governmental, enterprise, internal service and fiduciary funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 84 - 114 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. County assets exceeded liabilities by $1,717,367 at June 30, 2008. The following table shows condensed information for the Schedule of Assets, Liabilities, and Net Assets:

Table 1
Schedule of Assets, Liabilities, and Net Assets
At June 30, 2008

	Governmental Activities Fiscal Year		Business-type Activities Fiscal Year		Total Fiscal Year	
	2007-2008	2006-2007*	2007-2008	2006-2007*	2007-2008	2006-2007*
Current and other assets	$ 460,995	$ 369,780	$ 189,217	$ 153,227	$ 650,212	$ 523,007
Capital assets:						
Land, buildings, equipment, infrastructure & other	1,413,881	1,335,344	714,548	645,602	2,128,429	1,980,946
Total assets	1,874,876	1,705,124	903,765	798,829	2,778,641	2,503,953
Current and other liabilities	87,975	90,562	63,919	51,327	151,894	141,889
Long-term liabilities	667,157	538,529	242,223	175,747	909,380	714,276
Total liabilities	755,132	629,091	306,142	227,074	1,061,274	856,165
Net assets :						
Invested in capital assets, net of related debt	882,424	850,582	482,822	476,243	1,365,246	1,326,825
Restricted	183,542	179,195	58,404	84,667	241,946	263,862
Unrestricted	53,778	46,256	56,397	10,845	110,175	57,101
Total net assets	$ 1,119,744	$ 1,076,033	$ 597,623	$ 571,755	$ 1,717,367	$ 1,647,788

*As restated - See Note 2 in notes to the financial statements

The largest portion of the County's net assets reflects its investment in capital assets (i.e. land, buildings, infrastructure and equipment), less any related outstanding debt used to acquire those assets. As of June 30, 2008, investment in capital assets totaled $1,365,246, comprising approximately 79.5% of total net assets. The County uses a portion of these capital assets to provide services to its citizens, with the other portion available to its citizens for use; consequently, these assets are *not* available for future spending. The $38,421 increase in capital assets, net of related debt, is primarily due to the significant amount of capital project activity that has been completed and capitalized over the past year. Although the County's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. As of June 30, 2008, restricted net assets totaled $241,946 and comprised approximately 14.1% of total net assets. This represents a $21,916 decrease in restricted net assets from the $263,862 balance of fiscal year 2006-07.

The remaining balance of the County's net assets represents *unrestricted net assets*, which may be used to meet the County's ongoing obligations to citizens and creditors. As of June 30, 2008, unrestricted net assets totaled $110,175 and comprised approximately 6.4% of total net assets.

Governmental activities

The change in net assets for governmental activities was $43,711, an increase of $3,907 from the prior year. The following table shows details of the changes in net assets for governmental activities:

Table 2
Governmental Activities
Schedule of Changes in Net Assets
For the Years Ended June 30, 2008 and 2007

	Fiscal Year		Variance	
	2007-2008	2006-2007*	Amount	Percent
Program revenues:				
Charges for services	$ 64,010	$ 66,898	$ (2,888)	-4.3%
Operating grants and contributions	144,479	139,324	5,155	3.7%
Capital grants and contributions	48,672	15,085	33,587	222.7%
Total program revenues	257,161	221,307	35,854	16.2%
General revenues:				
Property taxes	377,809	343,525	34,284	10.0%
State-shared taxes	130,337	133,952	(3,615)	-2.7%
Investment earnings	16,326	16,439	(113)	-0.7%
Other general revenues	39,657	41,525	(1,868)	-4.5%
Total general revenues	564,129	535,441	28,688	5.4%
Total revenues	821,290	756,748	64,542	8.5%
Expenses:				
General government	239,398	223,266	16,132	7.2%
Public safety	165,715	148,831	16,884	11.3%
Highways and streets	88,488	92,985	(4,497)	-4.8%
Sanitation	9,658	9,623	35	0.4%
Health	36,977	33,800	3,177	9.4%
Welfare	106,546	97,154	9,392	9.7%
Culture and recreation	60,616	55,482	5,134	9.3%
Education and economic opportunity	47,296	42,483	4,813	11.3%
Amortization	138	168	(30)	-17.9%
Interest on long-term debt	22,860	18,924	3,936	20.8%
Total expenses	777,692	722,716	54,976	7.6%
Excess before contributions and transfers	43,598	34,032	9,566	28.1%
Contributions		5,051	(5,051)	-100.0%
Transfers in	113	721	(608)	-84.3%
Change in net assets	43,711	39,804	3,907	9.8%
Ending net assets (as restated)	$ 1,119,744	$ 1,076,033	$ 43,711	4.2%

*As restated - See Note 2 in notes to the financial statements

Key elements of the change in net assets from governmental activities include:

- Revenue from capital grants and contributions increased by $33,587. $23,597 of the increase is due to a change in reporting from fiscal year 2006-07, from "Contributions", a general revenue, to "Capital grants and contributions", a program revenue. The $23,597 change was comprised of $14,708 received from developers for roadways and $8,889 in land contributions. In addition, there was a $4,701 increase in Regional Transportation Authority (RTA) funding, a $1,982 increase in outside contributions to Transportation capital improvement projects for utility infrastructure relocation and a $1,392 increase from the Pima Association of Governments (PAG) HURF funds to repay the HELP loan on a roadway project.

- Property taxes increased by $34,284 as a result of an increase in property valuations for primary and secondary taxes that was partially offset by a decrease in the primary tax rate.

- General government expenses increased by $16,132, of which $11,510 were increases in the General Fund that reflect a 45% increase in personal services, 30% increases in utilities and repair & maintenance, and a 25% increase due to the state-wide Qwest property lawsuit settlement. In addition, there was $3,013 of other postemployment benefits (OPEB) expenses not reported in the prior fiscal year.

- Public Safety expenses increased by $16,884 due to a $14,578 increase within the General Fund as a result of a $9,000 increase in personal services for the Sheriff's department and the addition of $2,047 for OPEB expenses not reported in the prior fiscal year.

- Welfare expenses increased by $9,392 due to an increase in the payments to University Physicians, Inc. from approximately $14,800 to $25,000.

Business-type activities

Business-type activities added $25,868, or 37.2%, of the County's $69,579 change in total net assets for the year ended June 30, 2008. The following table shows changes in net assets for business-type activities:

Table 3
Business-type Activities
Schedule of Changes in Net Assets
For the Years Ended June 30, 2008 and 2007

	Fiscal Year		Variance	
	2007-2008	2006-2007*	Amount	Percent
Program revenues:				
Charges for services	$ 409,140	$ 376,195	$ 32,945	8.8%
Operating grants and contributions	4,806	5,174	(368)	-7.1%
Capital grants and contributions	22,952	803	22,149	2758.3%
Total program revenues	436,898	382,172	54,726	14.3%
General revenues:				
Investment earnings	6,721	5,510	1,211	22.0%
Other general revenues	1,286	1,522	(236)	-15.5%
Total general revenues	8,007	7,032	975	13.9%
Total revenues	444,905	389,204	55,701	14.3%
Expenses:				
Wastewater Management	106,803	98,222	8,581	8.7%
Pima Health System & Services	295,494	261,859	33,635	12.8%
Development Services	14,750	15,400	(650)	-4.2%
Parking Garages	1,877	1,579	298	18.9%
Total expenses	418,924	377,060	41,864	11.1%
Excess before contributions and transfers	25,981	12,144	13,837	113.9%
Contributions		25,217	(25,217)	-100.0%
Transfers in (out)	(113)	(721)	608	84.3%
Change in net assets	25,868	36,640	(10,772)	-29.4%
Ending net assets (as restated)	$ 597,623	$ 571,755	$ 25,868	4.5%

*As restated - See Note 2 in notes to financial statements

Key elements of the change in net assets from business-type activities include:

- Charges for services revenue increased by $32,945 due primarily to a $30,712 increase in capitation revenue associated with the AHCCCS/ALTCS program for Pima Health System & Services fund. Both the contractual rate and number of members increased for both programs for fiscal year 2007-08 compared to the prior year. This increase was partially offset by a decrease in revenue for Development Services due to a decline in the number of permits issued.

- Capital grants and contributions increased by $22,149 as a result of a change in reporting from the prior year. In fiscal year 2006-07, outside contributions of assets were reported as "Contributions", a general revenue. In the current fiscal year, contributions of $22,910 are reported under "Capital grants and contributions", a program revenue.

- Investment earnings increased by 22%, or $1,211, due to higher cash balances generated from capitation revenue within Pima Health System & Services. Capitation revenue is advanced prior to the payment of related expenses during the fiscal year.

- Expenses for Regional Wastewater Reclamation Department increased by $8,581 due primarily to increased costs for operations, such as employee compensation ($4,846), general and administrative ($2,707) and consultants and professional services ($2,371).

- Expenses for Pima Health System & Services increased by $33,635 due to higher expenses for medical claims that were based on increased member enrollment and rates paid to providers for both the AHCCCS and ALTCS programs.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The County's general government functions are accounted for in the General, Special Revenue, Debt Service, and Capital Project funds. Included in these funds are special districts governed by the Board of Supervisors (i.e. Flood Control, Library and Stadium Districts). The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Major Governmental Funds

General Fund
The General Fund is the chief operating fund of the County. At June 30, 2008, unreserved, undesignated fund balance of the general fund was $35,438 while total fund balance was $70,389. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 7.7% of total General Fund expenditures, while total fund balance represents 15.3% of that same amount.

Total fund balance for the General Fund increased $12,829 compared to the prior fiscal year. Revenue increased by $11,911 and reflects the following changes:

- An increase of $16,143 for property taxes was primarily due to higher assessed property valuations that were partially offset by lower tax rates.

- Intergovernmental revenue declined by $4,113 as a result of decreases of $3,000 in State Sales Tax and $789 in Hotel/Motel Tax revenues.

- Charges for services declined by $1,297, as the prior year reported a one-time receipt of $1,235 for the RTA special election.

Expenditures increased by $39,051 as a result of the following changes:

- $11,510 for general government expenditures due to higher personal services reflecting increased rates for salaries and retirement contributions, increased utility costs based on occupation of newly-added County facilities such as the Abrams Public Health Center, higher costs for motor pool charges due to the rising cost of fuel and the settlement of the state-wide Qwest property tax lawsuit.

- $11,798 for public safety expenditures that also reflect higher costs for personal services related to salaries, medical/dental and retirement benefits costs and increased motor pool costs associated with the higher cost of fuel.

- $9,818 for welfare expenditures related to increased payments to University Physicians, Inc. and their management of the Kino Campus.

The excess of revenues over expenditures was $8,069, which is further increased by net operating transfers in of $4,760. During fiscal year 2007-08, funds to be used for the repayment of the 2008 COPs issue were transferred into the General Fund.

Budget to Actual Comparison for the General Fund

Overall, actual revenues were less than budgeted revenues by $611 and actual expenditures were less than budgeted expenditures by $28,233. No variances between the budget to actual amounts were significant enough to affect the County's ability to provide future services.

Capital Projects Fund
Total fund balance for the Capital Projects Fund increased $63,195 compared to the prior fiscal year. Revenue increased by $4,821 and reflects the following changes:

- Intergovernmental revenue increased by $5,996 due to the construction on a larger number of RTA-funded roadway projects and also because of funding from the City of Tucson for utility relocation work on several roadway projects.

- Charges for services revenue is predominately a reflection of developer fees collected for a number of benefit areas. Fiscal year 2007-08 marks the second straight year that this revenue source has declined, dropping $3,578 during the year, as home construction activity continues to be depressed, especially for the Mountain View, San Xavier and Avra Valley benefit areas.

- Miscellaneous revenue increased $2,904 due to the following changes:

    - $237 from the Tucson Unified School District for the Arroyo Chico Detention Basin project to alleviate flooding problems along the High School Wash.

    - $300 from the Continental Family Medical Center for the Continental Health Clinic project for building construction.

    - $768 from Kinder Morgan for the Thomas Jay Park Improvements project to compensate for environmental impact resulting from construction of a new oil pipeline.

    - $1,705 from several companies, such as Tucson Electric Power Co., Southwest Gas, Comcast and Cox Communications, for utility relocation work on several roadway projects.

Capital project expenditures decreased by $63,120 in fiscal year 2007-08 compared to the prior year. The following events identify significant portions of the decrease:

- Building acquisitions decreased significantly relative to the prior year, as the Bank of America building ($25,000) and new emergency communications center ($6,258) were acquired last fiscal year.

- Acquisitions under the Open Space Preservation program decreased by $8,201. In fiscal year 2006-07, significant open space acquisitions totaled $18,768, compared to the following acquisitions totaling $9,920 that occurred in the current fiscal year:

    - Brown property for $4,614

    - Cochie Canyon property for $2,929

    - Tang property for $2,377

- Spending on park improvement projects declined by $5,283 due to the completion of the Flowing Wells Community Center, Curtis Park improvements, Brandi Fenton Park improvements and Picture Rocks Pool.

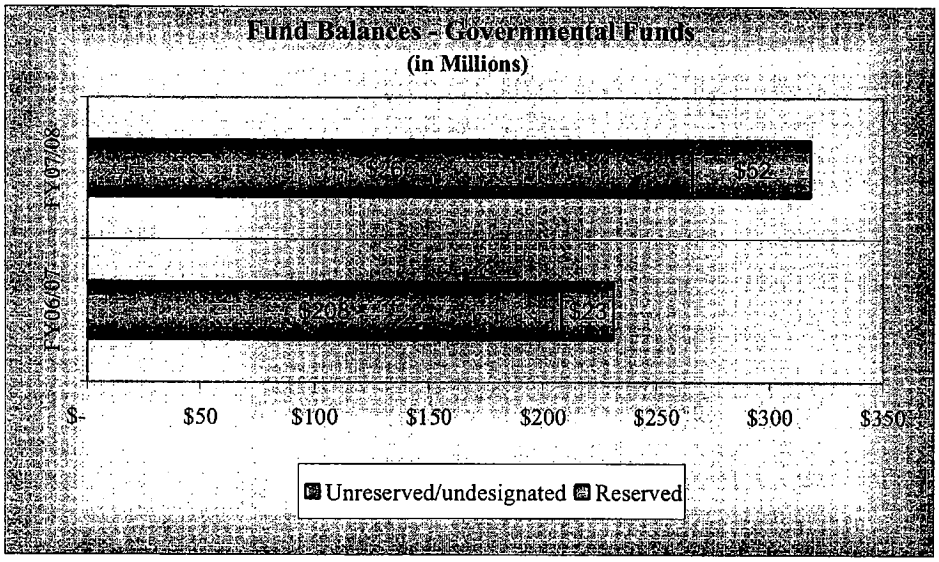
- The Sahuarita landfill expansion project was completed last fiscal year with spending of $6,356 and minimal costs in the current year.

- Spending in the Transportation program decreased by $17,614 due to the completion of several projects last fiscal year. In fiscal year 2006-07, there were 12 roadway projects that expended more than $1,000 compared to 5 in the current year.

The deficiency of revenues under expenditures was $105,698. Other financing sources during the year were the issuance of general obligation bonds of $100,000, transportation bonds of $25,000, and certificates of participation of $50,000, resulting in a net change in fund balance for the Capital Projects Fund of $63,195.

Overview of all governmental funds

At June 30, 2008, the County's governmental funds reported combined fund balances of $317,577, an increase of $86,917 from the prior year. Approximately 84% of the combined fund balances, or $265,532, constitutes unreserved and undesignated fund balance, which is available to meet the County's current and future needs.



The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has been committed to the following:

- $29,536 for debt service specifically for the 2008 Certificates of Participation (COPs)
- $12,395 for debt service on various bond and other debt instruments
- $5,985 to reflect inventories and prepaid amounts
- $2,766 for specified programs
- $1,264 to reflect a loan receivable
- $99 for capital repairs and refurbishments

Revenues for governmental functions totaled approximately $804,102 in fiscal year 2007-08, which represents an increase of $42,767 (5.6%) from the previous year.

The following table presents the amount of revenues from various sources and increases or (decreases) from the prior year.

Table 4
Governmental Funds
Revenues Classified by Source

	Fiscal Year					
	2007-2008		2006-2007		Variance	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenues by source:						
Taxes	$ 381,862	47.5%	$ 348,700	45.8%	$ 33,162	9.5%
Special assessments	556	0.1%	521	0.1%	35	6.7%
Licenses and permits	7,710	0.9%	7,132	0.9%	578	8.1%
Intergovernmental	312,634	38.9%	303,392	39.9%	9,242	3.1%
Charges for services	58,890	7.3%	63,508	8.3%	(4,618)	-7.3%
Fines and forfeits	6,480	0.8%	6,550	0.9%	(70)	-1.1%
Interest	14,218	1.8%	13,988	1.8%	230	1.6%
Miscellaneous	21,752	2.7%	17,544	2.3%	4,208	24.0%
Total revenues	$ 804,102	100.0%	$ 761,335	100.0%	$ 42,767	5.6%

The following provides an explanation of revenues by source that changed significantly over the prior year:

- Taxes Revenues from property taxes increased $33,162 reflecting higher primary tax revenues of $16,143 and secondary tax revenues of $17,019. Increased property tax revenue resulted from higher property valuations that were partially offset by a decrease in the primary tax rate.
- Intergovernmental The $9,242 increase in intergovernmental revenue was due primarily to a $5,996 increase within the Capital Projects Fund previously discussed. In addition, there was a $4,804 increase in grant funding reimbursements for pass-through expenditures in Sheriff Department grants, $1,500 for the Homeland Security grant and $757 from the Arizona DPS Border Crimes grants.
- Charges for services The $4,618 decrease in charges for services revenue resulted from a drop in permits issued and no revenue from RTA for special elections, as previously discussed, for both the General and Capital Projects Funds. In addition, there was a $1,812 decrease in contributions compared to the prior year. However, the Solid Waste Fund reported an increase of $1,096 due to the re-opening of the Sahuarita landfill to commercial traffic.

The following table presents expenditures by function compared to prior year amounts:

Table 5
Governmental Funds
Expenditures by Function

Government Function	Fiscal Year 2007-2008 Amount	Percent	2006-2007 Amount	Percent	Variance Amount	Percent
General government	$ 237,640	26.6%	$ 222,434	24.9%	$ 15,206	6.8%
Public safety	149,475	16.7%	132,930	14.9%	16,545	12.4%
Highways and streets	43,741	4.9%	42,683	4.8%	1,058	2.5%
Sanitation	8,310	0.9%	6,766	0.8%	1,544	22.8%
Health	34,352	3.8%	32,311	3.6%	2,041	6.3%
Welfare	106,607	11.9%	97,168	10.9%	9,439	9.7%
Culture and recreation	50,509	5.7%	45,197	5.1%	5,312	11.8%
Education and economic opportunity	42,286	4.7%	38,474	4.3%	3,812	9.9%
Capital outlay	139,539	15.6%	202,659	22.7%	(63,120)	-31.1%
Debt service:						
- Principal	59,719	6.7%	53,733	5.9%	5,986	11.1%
- Interest	22,639	2.5%	18,965	2.1%	3,674	19.4%
- Miscellaneous	330	0.0%	12	0.0%	318	2650.0%
Total expenditures	$ 895,147	100.0%	$ 893,332	100.0%	$ 1,815	0.2%

Total expenditures in governmental funds increased during fiscal year 2007-08 by $1,815.

- General government expenditures increased by $15,206. Of this amount, 75.7% occurred within the General Fund, which has been previously discussed. Within the Recorder's office, there was an increase of $1,958 due to the conversion from a PC-based to a mainframe system for document storage and retrieval. In addition, the County Attorney's anti-racketeering program had increased costs of $424.

- Public safety expenditures increased by $16,545 primarily due to a $9,000 increase in personal services for the Sheriff's Department that was based on a $1,100 increase in step pay, range adjustments and new positions, a $2,400 pay increase for commissioned & corrections officers, an $1,800 pay increase for civilian positions and a $1,500 and $650 increase in retirement contributions and medical/dental insurance costs, respectively. In addition, there was a $2,000 increase in motor pool charges over last fiscal year.

- Welfare expenditures increased by $9,439 for payments to University Physicians, Inc., as previously discussed under the General Fund section.

- Capital outlay expenditures decreased by $63,120 as previously discussed under the Capital Projects Fund section.

- Debt service principal and interest costs increased $5,986 and $3,674, respectively. The most significant changes were as a result of the issuance of general obligation bonds with increases in both principal and interest of $4,535 and $1,832, respectively.

Proprietary funds

The County's proprietary fund functions are contained in the enterprise and internal service funds. The enterprise funds of the County are Pima Health System and Services, Regional Wastewater Reclamation Department, Development Services and Parking Garages. These business-type activities are accounted for in a similar fashion to private-sector businesses, and the costs for services provided are expected to be covered either fully or in part by current revenues generated, which include fees charged to external users.

The following table presents a comparison of this year's enterprise fund activities with the prior year:

Table 6
Enterprise Funds
Schedule of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years ended June 30, 2008 and 2007

	Fiscal Year		Variance	
	2007-2008	2006-2007	Amount	Percent
Operating revenues:				
Net patient services	$ 289,651	$ 255,275	$ 34,376	13.5%
Charges for services	87,770	84,106	3,664	4.4%
Other	1,302	1,526	(224)	-14.7%
Total net operating revenues	378,723	340,907	37,816	11.1%
Operating expenses:				
Employee compensation	85,298	77,627	7,671	9.9%
Medical claims	237,926	208,122	29,804	14.3%
Operating supplies & services	10,078	11,140	(1,062)	-9.5%
Utilities	7,737	7,253	484	6.7%
Sludge and refuse disposal	1,602	1,649	(47)	-2.9%
Repair and maintenance	4,498	6,441	(1,943)	-30.2%
General and administrative	22,466	18,761	3,705	19.8%
Consultants and professional services	11,911	9,649	2,262	23.4%
Depreciation and amortization	25,288	23,844	1,444	6.1%
Total operating expenses	406,804	364,486	42,318	11.6%
Operating loss	(28,081)	(23,579)	(4,502)	-19.1%
Nonoperating revenues (expenses):				
Intergovernmental revenue	5,514	12,029	(6,515)	-54.2%
Invesment earnings	6,822	5,556	1,266	22.8%
Sewer connection fees	31,037	30,757	280	0.9%
Interst expense	(6,653)	(6,540)	(113)	-1.7%
Loss on disposal of capital assets	(534)	(1,601)	1,067	66.7%
Amortization of deferred charges	(136)	(109)	(27)	-24.8%
Premium tax	(5,893)	(5,091)	(802)	-15.8%
Total nonoperating revenues	30,157	35,001	(4,844)	-13.8%
Income (loss) before contributions and transfers	2,076	11,422	(9,346)	-81.8%
Capital contributions	23,510	25,217	(1,707)	-6.8%
Transfers in	9,545	17	9,528	56047.1%
Transfers (out)	(10,259)	(738)	(9,521)	-1290.1%
Change in net assets	$ 24,872	$ 35,918	$ (11,046)	-30.8%

While net operating revenues for the County's Enterprise Funds increased $37,816, operating expenses increased $42,318, resulting in an operating loss of $28,081, an operating loss increase of $4,502 from the prior year. The operating loss was due to reported losses of $25,454 by the Regional Wastewater Reclamation Department, $5,720 by Development Services and $161 by Parking Garages, offset by operating income reported by Pima Health System and Services of $3,254.

Key activity within the enterprise funds for fiscal year 2007-08 includes the following:

- Net patient services revenues increased by $34,376 from fiscal year 2006-07. This is attributable to increased membership enrollment and rates for Pima Health System and Services, which generated increases in capitation revenues.

- Employee compensation expenses increased by $7,671 from fiscal year 2006-07, due to an increase of $4,846 for Regional Wastewater Reclamation Department and $2,419 for Pima Health System & Services. Both increases were primarily due to the Board of Supervisors' approved salary and retirement rate increases, as well as the introduction of the OPEB liability not previously reported.

- Medical claims expense increased by $29,804 due to an increase in the vendor rates and member enrollment for both the AHCCCS and ALTCS programs within Pima Health System and Services during the fiscal year.

- General and administrative expenses increased $3,705, due primarily to sewer relocation projects undertaken by the City of Tucson of $1,285 and to the cost-sharing agreement with the Transportation department for various sewer relocation projects of $964.

- Intergovernmental revenue decreased $6,515, as no revenues were received in the current year from Regional Wastewater Reclamation Department projects completed last fiscal year (i.e. Federal Prison Sewer System).

- Transfers in and out reflect the movement of 2008 COPs funding into and System Development Funding (SDF) out of the Regional Wastewater Reclamation Department. In addition, there was a budgeted transfer out of the Development Services Fund for a building remodel project that was cancelled. These funds, less expenses already incurred, were transferred back into the fund.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounted to $2,128,429 (net of accumulated depreciation), an increase of 7.5%. Of the $147,483 increase in net capital assets, $78,537 (53.3%) came from governmental activities and $68,946 (46.7%) came from business-type activities. The County's investment in capital assets consists of land, buildings, sewage conveyance systems, infrastructure, equipment and construction in progress.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Table 7
Governmental and Business-type Activities
Capital Assets

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2007-2008	2006-2007*	2007-2008	2006-2007*	2007-2008	2006-2007*
Land	$ 303,646	$ 276,126	$ 10,596	$ 9,695	$ 314,242	$ 285,821
Construction in progress	90,098	109,307	72,060	35,637	162,158	144,944
Buildings and improvements	366,370	355,608	234,142	239,576	600,512	595,184
Sewage conveyance system			369,514	348,748	369,514	348,748
Equipment	44,655	39,560	28,236	11,946	72,891	51,506
Infrastructure	609,112	554,743			609,112	554,743
Total	$ 1,413,881	$ 1,335,344	$ 714,548	$ 645,602	$ 2,128,429	$ 1,980,946

*As restated - See Note 2 in notes to the financial statements

Major capital asset events during the current fiscal year included the following:

Land increased by $27,520 due primarily to the following acquisitions for governmental activities:

- $4,614 for the Brown property,
- $2,929 for the Cochie Canyon property,
- $2,377 for the Tang property,
- $967 for the Chilton property,
- $1,758 for various other open space acquisitions,
- $3,169 for land acquisition related to flood control projects,
- $2,426 for land acquisition related to transportation road projects.

In addition, the County received contributions in the form of land as follows:

- $6,332 for land under developer-contributed roadways,
- $1,239 for preservation easements on cultural resources projects,
- $864 from the City of Tucson for the Animal Shelter & Jackson Employment Center projects,
- $450 from the Town of Marana for the Library District.

Infrastructure for governmental activities increased by $54,369 due primarily to completion of the following Transportation roadway projects:

- Craycroft Rd. - River to Sunrise for $28,902,
- Valencia Rd. - Mark to Camino de la Tierra for $17,947,
- Colossal Cave Rd. - Camino Loma Alta to Vail for $8,312,
- Sunrise Dr. - Craycroft to Kolb for $6,675,
- Country Club Rd. - 36th to Irvington for $3,337.

In addition, the County received contributions from developers in the form of roadways in the amount of $14,708. Flood Control District had several drainage improvement projects that were completed during the fiscal year in the amount of $4,100.

Sewage conveyance systems increased by $20,766 due primarily to the contribution of developer-built conveyance systems for $23,667, as opposed to any significant project completion.

Construction-in-progress for governmental activities decreased by $19,209, while construction-in-progress for business-type activities increased $36,423. Construction-in-progress for governmental activities decreased due to a decline in spending for all governmental departments, primarily with Transportation and Facilities projects. In contrast, with the sale of Sewer Revenue bonds, spending within the Regional Wastewater Reclamation

Department's program significantly increased by $55,500, which was partially reduced by capitalization of completed projects for $18,600.

The County's infrastructure assets are recorded at historical cost and estimated historical cost in the government-wide financial statements. Additional information regarding the County's capital assets can be found in Note 5 to the financial statements on pages 56-57 of this report.

Long-term Debt

Significant, comparative long-term debt entered into during the last two fiscal years is presented below:

Table 8
Long-Term Debt

	Fiscal Year	
	2007-2008	**2006-2007**
Bonds issued (at face value):		
General obligation	$ 100,000	$ 95,000
Street and highway revenue	25,000	21,000
Sewer revenue	75,000	50,000
COPs	50,000	30,320
Capital leases	312	
Total	$ 250,312	$ 196,320

During the fiscal year, the county received $100,000 in proceeds from the sale of general obligation bonds and $25,000 from the sale of transportation revenue bonds. As of June 30, 2008, $51,338 of proceeds from general obligation (GO) bonds and $9,914 from transportation revenue (HURF) bonds were unspent. The majority of the general obligation bonds were spent on projects for Facilities Management, Flood Control District, open space and parks and recreational facilities, while proceeds from transportation revenue bonds were allocated to various roadway projects.

In addition, during the fiscal year, the County sold $50,000 in certificates of participation (COPs) primarily to fund wastewater and transportation infrastructure as well as to fund County-wide capital equipment purchases.

Pima County maintains the following ratings for its bonds and COPs as of June 30, 2008:

	Moody's Investor Service	Standard and Poor's
Certificates of Participation	A1	A+
General Obligation	Aa3	AA-
Transportation	A1	AA
Sewer Revenue	A1	A+

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its net assessed valuation. The current debt limitation for Pima County is $1,233,059, which is significantly in excess of Pima County's outstanding general obligation debt.

Additional information regarding the County's debt can be found in Note 7 to the financial statements on pages 60-68 of this report.

Economic Factors and Next Year's Budget

General fund

General government revenues, excluding property tax revenues, are budgeted in fiscal year 2008-09 at $158.2 million, approximately $6.2 million less than the amount budgeted for fiscal year 2007-08. The decline of several

types of projected revenues is reflective of slowing in the local and national economies and the significant shift of expenditures from the State of Arizona to local governments. Numerous factors, including a downturn in residential construction, a decline in housing prices, problems in the credit and capital markets and rising energy prices have all contributed to the current financial condition.

As of October 31, 2008, the most current projections of general government revenues for fiscal year 2008-09 indicate an additional decrease of $11 million below the fiscal year 2008-09 budgeted revenues. After the County's adoption of the fiscal year 2008-09 budget, the State legislature shifted additional State costs to Pima County for fiscal year 2008-09. The State is experiencing a deficit estimated as of November 6, 2008 to be $1.2 billion which could result in additional cost shifts to local governments before the end of fiscal year 2008-09.

The adopted budget for fiscal year 2008-09 has expenditures for the General Fund increasing by approximately $12.6 million primarily due to the following:

- $4.8 million to fund the costs of the primary and general elections held in 2008
- $2.6 million net increase in state mandated employer contributions to the various state retirement systems; and $1.1 million net increase in the County's contribution towards the cost of non-retirement benefits
- $2.4 million increase to annualize the cost of fiscal year 2007-08 salary increases awarded to corrections and peace officers
- $2.3 million of additional funding related to detention health care costs
- $1.1 million for increased cost of fuel for vehicles and equipment

As part of its budget for fiscal year 2008-09, the County set aside $7.2 million into the Budget Stabilization Fund in order to prepare for the potential negative financial impacts of cost shifts which the State may impose on the County to balance the State's budget for fiscal year 2008-09.

Transportation

By the end of October 2009, the County is projecting that the fiscal year 2008-09 HURF and VLT revenues received by the County will decrease by $5.8 million below the amount adopted in the fiscal year 2008-09 budget. In an effort to reduce expenditures to deal with the revenue shortfall, the County has initiated cost saving measures within the Transportation department. Additionally, revenues from impact fees are substantially lower than budgeted for fiscal year 2008-09.

Development Services

Consistent with the slowdown in the housing industry for the last two fiscal years, the Development Services department is projecting further decline in housing permits and associated revenues by approximately $5 million (46% of budgeted revenues) in fiscal year 2008-09. The economic situation is not expected to improve in the near future. The County has therefore initiated major cost saving measures within the Development Services department to reduce expenditures.

Regional Wastewater System

As with other activities impacted by real estate development, the number of new connections to the County's sewer system has declined during fiscal year 2008-09 as compared to prior years. The County expects an approximate $10 million reduction in connection fees. To address this, the department is reducing expenditures within the system and requesting rate increases. The County has also requested permission to extend the time limits required by the Arizona Department of Environmental Quality for infrastructure improvements to the system.

Pima Health System and Services (PHS&S)

Effective October 1, 2008, Pima County's ambulatory services contract with the Arizona Healthcare Cost Containment System (AHCCCS) was not renewed. In response to the loss of that contract, the County reduced the budget for PHS&S by $84 million, from the recommended expenditure budget of $312 million to a final adopted budget of $228 million.

Request for Information

This financial report is designed to provide a general overview of the County's finances. Any questions concerning the information provided in this report or requests for additional financial information should be addressed to the Finance and Risk Management Department, 130 W. Congress, 6th Floor, Tucson, AZ, 85701.

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Basic Financial Statements

PIMA COUNTY, ARIZONA
Statement of Net Assets
As of June 30, 2008
(in thousands)

Exhibit A-1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Southwestern Fair Commission
Assets				
Cash and cash equivalents	$ 376,539	$ 107,190	$ 483,729	$ 1,805
Property taxes receivable (net)	11,968		11,968	
Interest receivable	1,172	448	1,620	
Internal balances	510	(510)		
Due from other governments	49,341	959	50,300	
Accounts receivable (net)	3,492	21,263	24,755	38
Inventories	2,204	3,701	5,905	32
Prepaids	5,036	199	5,235	
Special assessments receivable	1,340		1,340	
Other assets	7,058	2,401	9,459	
Restricted assets:				
Cash and cash equivalents	1,071	53,566	54,637	
Loans receivable	1,264		1,264	
Capital assets not being depreciated:				
Land	303,646	10,596	314,242	
Construction in progress	90,098	72,060	162,158	38
Capital assets being depreciated (net):				
Buildings and improvements	366,370	234,142	600,512	1,590
Sewage conveyance system		369,514	369,514	
Equipment	44,655	28,236	72,891	594
Infrastructure	609,112		609,112	
Total assets	1,874,876	903,765	2,778,641	4,097
Liabilities				
Accounts payable	36,668	17,229	53,897	258
Accrued medical and healthcare claims		34,375	34,375	
Interest payable	13	1,270	1,283	
Contract retentions	564		564	
Employee compensation	39,060	7,565	46,625	
Due to other governments	2,053	2,072	4,125	
Deposits and rebates	1,279		1,279	21
Deferred revenues	8,338	1,408	9,746	72
Noncurrent liabilities:				
Due within one year	83,744	14,414	98,158	
Due in more than one year	583,413	227,809	811,222	
Total liabilities	755,132	306,142	1,061,274	351
Net Assets				
Invested in capital assets, net of related debt	882,424	482,822	1,365,246	2,222
Restricted for:				
Facilities, justice, library, tax stabilization and community development	71,618		71,618	
Highways and streets	17,390		17,390	
Debt service	13,612	791	14,403	
Capital projects	80,922	37,925	118,847	
Regional wastewater		5,956	5,956	
Healthcare		13,732	13,732	
Unrestricted	53,778	56,397	110,175	1,524
Total net assets	$ 1,119,744	$ 597,623	$ 1,717,367	$ 3,746

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2008
(in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 239,398	$ 25,502	$ 31,834	$ 370
Public safety	165,715	9,550	12,868	1,160
Highways and streets	88,488	9,316	60,202	44,898
Sanitation	9,658	5,930	1,152	
Health	36,977	9,965	12,630	
Welfare	106,546		99	
Culture and recreation	60,616	3,031	4,826	1,904
Education and economic opportunity	47,296	716	20,868	340
Amortization - unallocated	138			
Interest on long-term debt	22,860			
Total governmental activities	777,692	64,010	144,479	48,672
Business-type activities:				
Regional Wastewater Reclamation Department	106,803	106,448	83	22,880
Pima Health System & Services	295,494	291,980	4,723	72
Development Services	14,750	8,992		
Parking Garages	1,877	1,720		
Total business-type activities	418,924	409,140	4,806	22,952
Total primary government	$ 1,196,616	$ 473,150	$ 149,285	$ 71,624
Component unit:				
Southwestern Fair Commission	$ 5,144	$ 5,472	$ 120	
Total component units	$ 5,144	$ 5,472	$ 120	

General revenues:
- Property taxes, levied for general purposes
- Property taxes, levied for regional flood control district
- Property taxes, levied for library district
- Property taxes, levied for debt service
- Hotel/motel taxes, levied for sports facility and tourism
- Other taxes, levied for stadium district
- Unrestricted share of state sales tax
- Unrestricted share of state vehicle license tax
- Grants and contributions not restricted to specific programs
- Interest and penalties on delinquent taxes
- Investment earnings
- Miscellaneous

Transfers
Total general revenues and transfers
Change in net assets
Net assets at beginning of year, as restated
Net assets at end of year

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				Component Unit
Governmental Activities	Business-type Activities	Total		Southwestern Fair Commission
				Functions/Programs
				Primary government:
				Governmental activities:
$ (181,692)		$ (181,692)		General government
(142,137)		(142,137)		Public safety
25,928		25,928		Highways and streets
(2,576)		(2,576)		Sanitation
(14,382)		(14,382)		Health
(106,447)		(106,447)		Welfare
(50,855)		(50,855)		Culture and recreation
(25,372)		(25,372)		Education and economic opportunity
(138)		(138)		Amortization - unallocated
(22,860)		(22,860)		Interest on long-term debt
(520,531)		(520,531)		**Total governmental activities**
				Business-type activities:
	$ 22,608	22,608		Regional Wastewater Reclamation Department
	1,281	1,281		Pima Health System & Services
	(5,758)	(5,758)		Development Services
	(157)	(157)		Parking Garages
	17,974	17,974		**Total business-type activities**
(520,531)	17,974	(502,557)		**Total primary government**
				Component unit:
			$ 448	Southwestern Fair Commission
			448	**Total component units**
				General revenues:
263,681		263,681		Property taxes, levied for general purposes
25,468		25,468		Property taxes, levied for regional flood control district
32,564		32,564		Property taxes, levied for library district
56,096		56,096		Property taxes, levied for debt service
8,176		8,176		Hotel/motel taxes, levied for sports facility and tourism
1,952		1,952		Other taxes, levied for stadium district
103,171		103,171		Unrestricted share of state sales tax
27,166		27,166		Unrestricted share of state vehicle license tax
7,748		7,748		Grants and contributions not restricted to specific programs
6,365		6,365		Interest and penalties on delinquent taxes
16,326	6,721	23,047		Investment earnings
15,416	1,286	16,702	116	Miscellaneous
113	(113)			Transfers
564,242	7,894	572,136	116	Total general revenues and transfers
43,711	25,868	69,579	564	Change in net assets
1,076,033	571,755	1,647,788	3,182	Net assets at beginning of year, as restated
$ 1,119,744	$ 597,623	$ 1,717,367	$ 3,746	Net assets at end of year

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Balance Sheet - Governmental Funds
June 30, 2008
(in thousands)

Exhibit A-3

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 61,446	$ 167,986	$ 93,326	$ 322,758
Property taxes receivable (net)	8,070		3,898	11,968
Interest receivable	167	474	359	1,000
Due from other funds	12,031	5,650	2,568	20,249
Due from other governments	24,714	4,200	20,247	49,161
Accounts receivable	1,480	540	1,325	3,345
Inventory			1,646	1,646
Prepaid expenditures	4,151		188	4,339
Special assessments receivable			1,340	1,340
Loan receivable	1,264			1,264
Other assets	160		5,200	5,360
Restricted cash equivalents		1,071		1,071
Total assets	$ 113,483	$ 179,921	$ 130,097	$ 423,501
Liabilities and fund balances				
Liabilities:				
Accounts payable	$ 11,759	$ 11,997	$ 11,165	$ 34,921
Interest payable	2	5	6	13
Contract retentions	2	562		564
Employee compensation	8,840	46	3,330	12,216
Due to other funds	6,575	11,628	2,212	20,415
Due to other governments	58	1,206	784	2,048
Deposits and rebates	208	1,071		1,279
Deferred revenues	15,650	763	18,055	34,468
Total liabilities	43,094	27,278	35,552	105,924
Fund balances:				
Reserved for:				
Inventory			1,646	1,646
Prepaid expenditures	4,151		188	4,339
Debt service			12,395	12,395
Capital repairs and refurbishments			99	99
Specified programs			2,766	2,766
Loan receivable	1,264			1,264
Unreserved, designated for:				
Debt service	29,536			29,536
Unreserved, undesignated:				
General fund	35,438			35,438
Capital projects		152,643		152,643
Special revenue			77,451	77,451
Total fund balances	70,389	152,643	94,545	317,577
Total liabilities and fund balances	$ 113,483	$ 179,921	$ 130,097	$ 423,501

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2008
(in thousands)

Exhibit A-4

Fund balances - total governmental funds		$ 317,577
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	$ 2,033,522	
Less accumulated depreciation	(639,242)	1,394,280
Some liabilities and their associated issuance costs are not due and payable in the current period and therefore are not reported in the governmental funds		
Bonds payable	(500,069)	
Certificates of participation payable	(81,612)	
Loans and leases payable	(24,223)	
Unamortized deferred issuance costs reported as other assets	1,698	(604,206)
Some compensated absences are not due and payable shortly after June 30, 2008, and therefore are not reported in the governmental funds		
Employee compensation		(26,958)
Some liabilities are not due and payable shortly after June 30, 2008, and are therefore not reported in the governmental funds		
Landfill liability	(18,419)	
Future postemployment health benefit liability	(8,779)	
Pollution remediation liability	(1,784)	(28,982)
Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements		26,130
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets		41,903
Net assets of governmental activities		$ 1,119,744

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-5

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 268,493		$ 113,369	$ 381,862
Special assessments			556	556
Licenses and permits	2,971		4,739	7,710
Intergovernmental	148,158	$ 17,023	147,453	312,634
Charges for services	32,307	8,839	17,744	58,890
Fines and forfeits	5,020		1,460	6,480
Investment earnings	3,343	4,812	6,063	14,218
Miscellaneous	8,314	3,167	10,271	21,752
Total revenues	468,606	33,841	301,655	804,102
Expenditures:				
Current:				
General government	192,839		44,801	237,640
Public safety	118,623		30,852	149,475
Highways and streets			43,741	43,741
Sanitation			8,310	8,310
Health	2,906		31,446	34,352
Welfare	106,502		105	106,607
Culture and recreation	16,325		34,184	50,509
Education and economic opportunity	17,418		24,868	42,286
Capital outlay		139,539		139,539
Debt service - principal	3,115		56,604	59,719
- interest	2,805		19,834	22,639
- miscellaneous	4		326	330
Total expenditures	460,537	139,539	295,071	895,147
Excess (deficiency) of revenues over (under) expenditures	8,069	(105,698)	6,584	(91,045)
Other financing sources (uses):				
Proceeds on capital leases			312	312
Premium on long-term debt		1,219	745	1,964
Face amount of long-term debt		175,000		175,000
Proceeds from sale of capital assets			27	27
Transfers in	47,854	29,160	51,392	128,406
Transfers (out)	(43,094)	(36,486)	(48,112)	(127,692)
Total other financing sources	4,760	168,893	4,364	178,017
Net change in fund balances	12,829	63,195	10,948	86,972
Fund balance at beginning of year	57,560	89,448	83,652	230,660
Change in reserve for inventory			(55)	(55)
Fund balance at end of year	$ 70,389	$ 152,643	$ 94,545	$ 317,577

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-6

Net change in fund balances - total governmental funds		$ 86,972
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense		
Expenditures for capital assets	$ 105,819	
Less current year depreciation	(51,609)	54,210
Transfers of capital assets between governmental activities and proprietary funds or internal service funds are not reported in the governmental funds but are recognized in the statement of activities		(615)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds but increases long-term liabilities in the statement of net assets. Repayment of the principal of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items		
Proceeds of long-term debt	(175,312)	
Debt service - principal payments	59,719	
Premium on long-term debt	(1,964)	
Deferred issuance costs	459	
Amortization expense	(138)	(117,236)
Some revenues reported in the statement of activities do not represent the collection of current financial resources and, therefore, are not reported as revenues in the governmental funds.		
Donations of capital assets	23,943	
Property tax revenues	2,313	
Changes to other revenues	(135)	26,121
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		
Change in compensated absences	(2,215)	
Future postemployment health benefit liability	(8,779)	
Change in landfill liability	(1,089)	
Pollution remediation liability	(1,784)	
Net book value of capital asset disposals	(111)	
Change in reservation of fund balances	(55)	(14,033)
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net expense of the internal service funds is reported with governmental activities		8,292
Change in net assets of governmental activities		$ 43,711

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Net Assets - Proprietary Funds
June 30, 2008
(in thousands)

Exhibit A-7

	Business-type Activities Enterprise Funds				
	Pima Health System & Services	Regional Wastewater Reclamation Department	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	$ 42,624	$ 56,850	$ 7,716	$ 107,190	$ 53,781
Restricted cash and cash equivalents		53,074		53,074	
Interest receivable	144	287	17	448	172
Due from other funds	1	1,988	2,641	4,630	1,414
Due from other governments	931	28		959	180
Accounts receivable (net)	11,390	9,860	13	21,263	147
Inventory	81	3,620		3,701	558
Prepaid expense	14	178	7	199	697
Total current assets	55,185	125,885	10,394	191,464	56,949
Noncurrent assets:					
Restricted cash and cash equivalents		492		492	
Capital assets:					
Land and other improvements		8,735	1,861	10,596	592
Buildings and improvements	694	347,847	12,927	361,468	614
Sewage conveyance system		580,096		580,096	
Equipment	1,138	35,614	1,707	38,459	33,364
Less accumulated depreciation	(1,231)	(337,729)	(9,171)	(348,131)	(14,969)
Construction in progress		72,060		72,060	
Total capital assets (net of accumulated depreciation)	601	706,623	7,324	714,548	19,601
Deferred financing costs		2,401		2,401	
Total noncurrent assets	601	709,516	7,324	717,441	19,601
Total assets	55,786	835,401	17,718	908,905	76,550
Liabilities					
Current liabilities:					
Accounts payable	864	16,010	355	17,229	1,747
Accrued medical and health care claims	34,375			34,375	
Employee compensation	3,016	3,980	1,158	8,154	771
Interest payable	5	1,265		1,270	
Due to other funds	1,087	3,943	8	5,038	840
Due to other governments	1,880	88	104	2,072	5
Deferred revenues	1	1,407		1,408	
Current portion of sewer revenue bonds		7,870		7,870	
Current portion of wastewater loans payable		5,955		5,955	
Current portion of reported but unpaid losses					3,908
Current portion of incurred but not reported losses					2,321
Total current liabilities	41,228	40,518	1,625	83,371	9,592
Noncurrent liabilities:					
Contracts and notes		5,842		5,842	
Other postemployment healthcare benefits	689	718	258	1,665	181
Sewer revenue bonds		155,831		155,831	
Regional wastewater loans payable		64,471		64,471	
Reported but unpaid losses					15,514
Incurred but not reported losses					9,462
Total noncurrent liabilities	689	226,862	258	227,809	25,157
Total liabilities	41,917	267,380	1,883	311,180	34,749
Net assets					
Invested in capital assets, net of related debt	601	474,897	7,324	482,822	19,601
Restricted for:					
Debt service		791		791	
Capital projects		37,925		37,925	
Regional wastewater		5,956		5,956	
Healthcare	13,732			13,732	
Unrestricted	(464)	48,452	8,511	56,499	22,200
Total net assets	$ 13,869	$ 568,021	$ 15,835	597,725	$ 41,801

Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.	(102)
Net assets of business-type activities	$ 597,623

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-8

	Business-type Activities Enterprise Funds				
	Pima Health System & Services	Regional Wastewater Reclamation Department	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Operating revenues:					
Net patient services	$ 289,651			$ 289,651	
Charges for services	2,329	$ 74,729	$ 10,712	87,770	$ 45,420
Other	987	105	210	1,302	2,207
Total net operating revenues	292,967	74,834	10,922	378,723	47,627
Operating expenses:					
Employee compensation	39,096	34,527	11,675	85,298	7,398
Medical claims	237,926			237,926	
Operating supplies and services	1,587	8,187	304	10,078	6,918
Utilities	400	6,940	397	7,737	917
Sludge and refuse disposal		1,602		1,602	
Repair and maintenance	386	3,878	234	4,498	3,967
Incurred losses					10,227
Insurance premiums					4,911
General and administrative	8,332	11,184	2,950	22,466	2,721
Consultants and professional services	1,771	9,516	624	11,911	435
Depreciation	215	24,454	619	25,288	2,759
Total operating expenses	289,713	100,288	16,803	406,804	40,253
Operating income (loss)	3,254	(25,454)	(5,881)	(28,081)	7,374
Nonoperating revenues (expenses):					
Intergovernmental revenue	4,723	791		5,514	
Investment earnings	2,402	3,760	660	6,822	2,106
Sewer connection fees		31,037		31,037	
Interest expense	(93)	(6,560)		(6,653)	
Gain/(loss) on disposal of capital assets		(539)	5	(534)	(206)
Amortization of deferred charges		(136)		(136)	
Premium tax	(5,893)			(5,893)	
Total nonoperating revenues	1,139	28,353	665	30,157	1,900
Income (loss) before contributions and transfers	4,393	2,899	(5,216)	2,076	9,274
Capital contributions	72	23,438		23,510	20
Transfers in		6,995	2,550	9,545	4,352
Transfers (out)		(7,632)	(2,627)	(10,259)	(4,358)
Change in net assets	4,465	25,700	(5,293)	24,872	9,288
Net assets at beginning of year, as restated	9,404	542,321	21,128	572,853	32,513
Net assets at end of year	$ 13,869	$ 568,021	$ 15,835	597,725	$ 41,801

Some amounts reported for business-type activities in the Statement of Activities are different because a portion of the net expense of certain internal service funds is reported with business-type activities.	996
Change in net assets of business-type activities	$ 25,868

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-9

	Pima Health System & Services	Regional Wastewater Reclamation Department	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Cash flows from operating activities:					
Cash received from other funds for goods and services provided	$ 257		$ 100	$ 357	$ 45,420
Cash received from customers for goods and services provided	299,344	$ 76,216	10,710	386,270	
Cash received from miscellaneous operations	987	105	224	1,316	2,183
Cash payments to suppliers for goods and services	(235,385)	(34,323)	(2,550)	(272,258)	(17,377)
Cash payments to other funds for goods and services	(4,270)	(8,869)	(3,389)	(16,528)	(3,583)
Cash payments for incurred losses					(11,879)
Cash payments to employees for services	(39,822)	(33,018)	(10,317)	(83,157)	(6,380)
Net cash provided by (used for) operating activities	21,111	111	(5,222)	16,000	8,384
Cash flows from noncapital financing activities:					
Interest paid on short-term credit	(87)			(87)	
Cash transfers out to other funds		(636)		(636)	
Loans with other funds	(62)	1,750	(2,603)	(915)	447
Premium tax	(5,893)			(5,893)	
Intergovernmental revenues	4,803	83		4,886	
Net cash provided by (used for) noncapital financing activities	(1,239)	1,197	(2,603)	(2,645)	447
Cash flows from capital and related financing activities:					
Proceeds from issuance of bonds and loans		75,000		75,000	
Principal paid on bonds and loans		(13,071)		(13,071)	
Interest paid on bonds and loans		(6,351)		(6,351)	
Sewer connection fees		30,207		30,207	
Proceeds from sale or transfer of capital assets			39	39	216
Proceeds from intergovernmental contract		1,066		1,066	
Purchase of capital assets	(118)	(67,322)		(67,440)	(4,277)
Net cash provided by (used for) capital and related financing activities	(118)	19,529	39	19,450	(4,061)
Cash flows from investing activities:					
Interest received on cash and investments	2,324	3,881	693	6,898	2,268
Net cash provided by investing activities	2,324	3,881	693	6,898	2,268
Net increase (decrease) in cash and cash equivalents	22,078	24,718	(7,093)	39,703	7,038
Cash and cash equivalents at beginning of year	20,546	85,698	14,809	121,053	46,743
Cash and cash equivalents at end of year	$ 42,624	$ 110,416	$ 7,716	$ 160,756	$ 53,781

(Continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-9.1

(Continued)

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	Pima Health System & Services	Regional Wastewater Reclamation Department	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Operating income (loss)	$ 3,254	$ (25,454)	$ (5,881)	$ (28,081)	$ 7,374
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	215	24,454	619	25,288	2,759
Changes in assets and liabilities:					
Decrease (increase) in assets:					
Accounts receivable	3,662	(650)	12	3,024	64
Due from other governments	1,964	2,137		4,101	(88)
Inventory and other assets	7	(508)		(501)	(101)
Prepaid expenses	(3)	11	50	58	97
Increase (decrease) in liabilities:					
Accounts payable	8,706	(1,394)	(337)	6,975	(381)
Due to other governments	1,880	6	5	1,891	5
Reported but unpaid losses					(3,517)
Incurred but not reported losses					1,865
Other current liabilities	1,426	1,509	310	3,245	307
Net cash provided by (used for) operating activities	$ 21,111	$ 111	$ (5,222)	$ 16,000	$ 8,384

Noncash investing, capital and noncapital financing activities during the year ended June 30, 2008:

Pima Health System and Services received equipment worth $91. Of this amount, $19 was transferred from construction in progress and $72 was a capital contribution.

Pima Health System and Services disposed of capital assets with a net book value of $1.

Regional Wastewater Reclamation Department Enterprise Fund disposed of capital assets with a net book value of $539.

Regional Wastewater Reclamation Department Enterprise Fund received contributed developer-built conveyance systems with estimated fair values totaling $23,667. These contributions were recorded as increases to capital assets and capital contributions.

Regional Wastewater Reclamation Department Enterprise Fund recorded a Board of Supervisor approved connection fee credit agreement of $830. This credit was recorded as an increase to deferred revenue and a decrease to capital contributions.

Regional Wastewater Reclamation Department Enterprise Fund transferred in capital assets with a net book value of $601 from the County's general government.

Other Enterprise Funds had a gain of $5 on the disposal of capital assets with a net book value of $34.

Internal Service Funds disposed of capital assets with a net book value of $206.

Internal Service Funds transferred in capital assets with a net book value of $20 from the County's general government.

Internal Service Funds transferred out capital assets with a net book value of $6 to the County's general government.

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Fiduciary Net Assets - Fiduciary Funds
June 30, 2008
(in thousands)

Exhibit A-10

	Investment Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 314,745	$ 75,004
Interest receivable	584	
Due from other governments		1,809
Total assets	$ 315,329	$ 76,813
Liabilities		
Employee compensation		$ 4,751
Due to other governments		46,048
Deposits and rebates		26,014
Total liabilities		$ 76,813
Net Assets		
Held in trust for pool participants	$ 315,329	

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-11

	Investment Trust Funds
Additions	
Contributions from participants	$ 2,818,067
Total contributions	2,818,067
Investment earnings	12,359
Total investment earnings	12,359
Total additions	2,830,426
Deductions	
Distributions to participants	2,813,849
Total deductions	2,813,849
Change in net assets	16,577
Net assets held in trust July 1, 2007	298,752
Net assets held in trust June 30, 2008	$ 315,329

See accompanying notes to financial statements

Note 1: Summary of Significant Accounting Policies

The accounting policies of Pima County (County) conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the regulatory requirements of the State of Arizona. A summary of the County's significant accounting policies follows.

During the year ended June 30, 2008, Pima County implemented GASB Statements, Nos. 45, 48 and 50, and early implemented GASB Statement No. 49.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions,* requires systematic measurement and recognition of other postemployment benefits' (OPEB) cost over employees' years of service and provides information about actuarial accrued liabilities associated with OPEB. Although OPEB is not required to be funded, whether and to what extent progress is being made in funding the liabilities must be disclosed. As a result of the implementation of GASB 45, the County has recorded a net OPEB obligation offset by OPEB expense in the financial statements, related to the postemployment healthcare benefit participation by County retirees and their beneficiaries in Pima County's healthcare benefit plan. Further information regarding this measurement and disclosure is available in Note 10. GASB Statement No. 50, *Pensions Disclosure (an amendment of GASB Statements No. 25 and No. 27)* requires governmental employers to present certain additional pension disclosures in the notes and additional required supplementary information.

The provisions for GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity transfers of Assets and Future Revenues* require that the County disclose pledged revenue that is committed to collateralize or secure debt. Further information is available in Note 7.

The provisions for GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* require the County to disclose current or potential detrimental effects of existing pollution. Further information is available in Note 6.

A. Reporting Entity

The County is a general-purpose local government that is governed by a separately elected board of Pima County supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the County's operations. Therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended and discretely presented component unit discussed below has a June 30 year-end.

The Pima County Stadium District, a legally separate entity, was formed to promote and establish major league baseball spring training in Pima County. The Pima County Board of Supervisors is the Board of Directors of the District. Acting in the capacity of the Board of Directors, the Pima County Board of Supervisors is able to impose its will on the District. The Board of Directors levies the car rental surcharge rates and the recreation vehicle (RV) park tax for the District. The District is reported

Note 1: Summary of Significant Accounting Policies (continued)

as a special revenue fund (blended component unit) in these financial statements. Complete financial statements for the District can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

The Pima County Library District was established in 1986 when legislation allowed full taxing authority and the ability to enter into agreements with other jurisdictions for the provision of library services. The Pima County Board of Supervisors is the Board of Directors of the District. The Library District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Pima County Regional Flood Control District was established in 1978. The District is responsible for floodplain management activities for the unincorporated areas of Pima County (except national forests, parks, monuments and Native American Nations), the City of South Tucson, and the Town of Sahuarita. The Pima County Board of Supervisors is the Board of Directors for the Flood Control District. The Regional Flood Control District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Southwestern Fair Commission, Inc. (SFC) is a nonprofit corporation, which manages and maintains the fairgrounds owned by the County and conducts an annual fair and other events at the fairgrounds. The Commission's members are appointed and can be removed at any time by the Pima County Board of Supervisors. Based on these factors, and because SFC does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, SFC is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements for SFC can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

Related Organization

The Industrial Authority of Pima County (Authority) is a legally separate entity that was created to promote economic development and the development of affordable housing. The Authority fulfills its function through the issuance of tax-exempt bonds. The County Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County and the County is not financially accountable for the Authority. Therefore, the financial activities of the Authority have not been included in the accompanying financial statements.

B. Basis of Accounting

Primary government:

The government-wide, proprietary funds and fiduciary funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting with the exception of agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds in the fund-based financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method,

Note 1: Summary of Significant Accounting Policies (continued)

revenues are recognized when measurable and available. The County considers all revenues reported in the government funds to be available if the revenues are collected within 30 days after year-end. Revenues that are collected after 30 days are reported as deferred revenues. The County's major revenue sources that are susceptible to accrual are property taxes, intergovernmental and charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The County applies grant resources to such programs before using general revenues.

The County's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

Discretely presented component unit:

SFC's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Commission's policy is to apply all FASB pronouncements issued after November 30, 1989.

C. Basis of Presentation

The basic financial statements include both government-wide statements and fund-based financial statements. The government-wide statements focus on the County as a whole, while the fund-based financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component unit. Governmental activities are financed primarily through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

Note 1: Summary of Significant Accounting Policies (continued)

- Charges for services (fines and forfeitures, licenses and permits, and special assessments)
- Operating grants and contributions
- Capital grants and contributions

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues. The net effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities.

Fund-based financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary and fiduciary fund categories. The emphasis of fund-based financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary funds are financed mainly by fees and charges received from users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The **Capital Projects Fund** accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The County reports the following major enterprise funds:

Pima Health System and Services (PHS&S) provides payment for health care services including inpatient hospital care and outpatient clinical care for medical and psychiatric problems, indigent health care under the Arizona Health Care Cost Containment System (AHCCCS), an alternative to Medicaid, home health services and long-term nursing care.

Regional Wastewater Reclamation Department (RWRD) accounts for the management and operation of wastewater treatment and water pollution control programs.

The County reports the following fund types:

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis. These funds account for fleet maintenance and operation, insurance, graphic services and telecommunications services.

Investment Trust Funds account for assets held by the County Treasurer in an external investment pool and individual investment accounts for the benefit of outside jurisdictions.

Note 1: Summary of Significant Accounting Policies (continued)

Agency Funds account for the assets, held by the County as an agent, for individuals, private organizations or other governmental units. The agency fund is custodial in nature and does not present results of operations.

D. Cash and Investments

Primary government:

For purposes of its statements of cash flows, the County considers only those highly liquid investments, with a maturity period of 3 months or less when purchased, to be cash equivalents. All investments are stated at fair value.

If an individual fund has a deficit balance in the amount on deposit with the County Treasurer at year-end, that balance is reclassified as an amount due to other funds.

Discretely presented component unit:

SFC's cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

E. Inventories and Prepaids

The County accounts for its inventories in the Health and Animal Control Fund using the purchase method. Inventories of the Health and Animal Control Fund consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources." These inventories are stated at cost using the first-in, first-out method or average cost method.

During the current fiscal year, Transportation transitioned from the purchase method to the consumption method eliminating the need to report a change in inventory reserve. Purchases are recorded as inventory and expensed when used. Amounts on hand at year-end are shown on the balance sheet as an asset and are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources." Inventories in Transportation are valued at lower of cost or market, cost being determined using the moving average method.

Inventories in the government-wide and proprietary funds' financial statements are recorded as assets when purchased and expensed when consumed.

Inventories of Pima Health System and Services, an enterprise fund, are valued at the lower of cost or market, cost being determined on the first-in, first-out method.

Inventories of RWRD, an enterprise fund, are valued at lower of cost or market, cost being determined using the moving average method.

Inventories of Fleet Services, an internal service fund, are valued at lower of cost or market, cost being determined using the moving average method.

Prepaid expenses/expenditures are accounted for using the consumption method, except for the School Reserve Fund reported as an Other Governmental Fund, which uses the purchase method.

Note 1: Summary of Significant Accounting Policies (continued)

F. Property Tax Calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

G. Capital Assets

Capital assets are reported at actual cost or estimated historical cost, if historical records are not available. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds, depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows (excluding component unit):

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Land improvements	All	Straight Line	20 - 30 Years
Buildings and building improvements	$100	Straight Line	10 - 50 Years
Equipment	$5	Straight Line	4 - 25 Years
Fleet service vehicles	$5	Units of Production based on number of hours or miles	5 - 15 Years
Infrastructure	$100	Straight Line	10 - 50 Years

Discretely presented component unit:

SFC capital assets are reported at actual cost. Depreciation is provided by the straight-line method over the assets' estimated useful life, which range from 3 to 40 years.

H. Investment Earnings

Investment earnings are composed of interest, dividends and net changes in the fair value of applicable investments.

I. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Note 1: Summary of Significant Accounting Policies (continued)

Employees may accumulate up to 240 hours of vacation depending upon years of service, but any vacation hours in excess of the maximum amount that are unused at their year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements in Employee Compensation.

Employees may accumulate up to 1920 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees; however employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability in the government-wide financial statements in Employee Compensation.

Note 2: Net Asset Beginning Balances Restated

The beginning net assets for Governmental Activities were restated due to the addition of Transportation dedicated roadways and land parcels. These dedicated roadways and land parcels were not reported in prior fiscal years.

The following summarizes the restatement of net assets:

	Governmental Activities
Net assets – June 30, 2007, as previously reported	$ 999,451
Infrastructure	57,843
Land	18,739
Net assets – July 1, 2007, as restated	$ 1,076,033

In addition, due to restructuring of the Regional Wastewater Reclamation Department Enterprise Fund sewer conveyance assets, beginning net asset balances were restated as follows:

	Business-type Activities	Regional Wastewater Reclamation Department
Net assets – June 30, 2007, as previously reported	$ 572,462	$ 543,028
Sewer conveyance system	(707)	(707)
Net assets – July 1, 2007, as restated	$ 571,755	$ 542,321

Note 3: Cash and Investments

Primary Government

The County's cash and investment policies are governed by State statutes and by bond covenants. The County Treasurer is authorized to invest public monies in the State Treasurer's Investment Pool; interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations issued or guaranteed by the United States government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; specified commercial paper, bonds, debentures and notes issued by corporations organized and doing business in the United States; and bonds of the State of Arizona or any of its counties, cities, towns, or school districts as specified by statute. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk—The State statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.

2. Corporate bonds, debentures and notes must be rated A or better by Moody's Investors Service or Standard and Poor's rating service.

3. Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk—Statutes require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk—Statutes do not include any requirements for concentration of credit risk.

Interest rate risk—Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk—Statutes do not allow foreign investments.

Deposits—At June 30, 2008, the carrying amount of the County's deposits was $16,506 and the bank balance was $36,096.

Custodial credit risk—Custodial credit risk is the risk that the County will not be able to recover its deposits if a financial institution fails. The County does not have a formal policy with respect to custodial credit risk. As of June 30, 2008, $3,775 of the County's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 3: Cash and Investments (continued)

Investments—At June 30, 2008, the County's investments consisted of $271,549 invested in marketable securities and $639,977 invested in the State Treasurer's Investment Pool. Cash from the County and from externally legally separate governments are pooled to purchase the investments in marketable securities and the State Treasurer's Pool. The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

Credit risk—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk.

At June 30, 2008, credit risk for the County's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
Commercial paper	A1/P1	S&P / Moody's	$ 39,929
Corporate bonds	A/A1	S&P / Moody's	84,024
Federal Farm Credit Bank	AAA/Aaa	S&P / Moody's	18,536
Federal Home Loan Bank	AAA/Aaa	S&P / Moody's	35,892
Fannie Mae (Federal National Mortgage Association)	AA-/Aa2	S&P / Moody's	25,498
Freddie Mac (Federal Home Loan Mortgage Corp)	AAA/Aaa	S&P / Moody's	19,616
U. S. Treasury money market Fund	AAA/Aaa	S&P / Moody's	3,717
Tri-party Repurchase agreement	Unrated		1,090
State Treasurer Investment Pool	Unrated		639,977
Total			$ 868,279

Custodial credit risk—For an investment, custodial risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy with respect to custodial credit risk. Of the County's $911,526 of investments, $267,832, consisting of the commercial paper, corporate bonds, Federal Farm Credit, Federal Home Loan Bank, Fannie Mae and Freddie Mac discount notes, U.S. Treasury notes and tri-party repurchase agreement, is uninsured and held by a counterparty in the County's name in book form. An additional $3,717 in a U.S. Treasury money market fund is held by a counterparty as trustee.

Concentration of credit risk—The County has no formal policy with respect to limiting the amount the Treasurer may invest in any one issuer. The County's exposure as of June 30, 2008 is less than 5% per issuer.

Interest rate risk—Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal investment policy with respect to interest rate risk.

Note 3: Cash and Investments (continued)

As of June 30, 2008, the County had the following investments:

Investment Type	Amount	Weighted Average Maturity (Years)
State Treasurer Investment Pool 5	$ 530,676	0.12
State Treasurer Investment Pool 7	109,301	0.06
Commercial paper	39,929	0.08
Corporate bonds	84,024	1.72
Federal Farm Credit Bank	18,536	2.62
Federal Home Loan Bank	35,892	1.27
Fannie Mae (Federal National Mortgage Association)	25,498	1.13
Freddie Mac (Federal Home Loan Mortgage Corp)	19,616	2.43
U.S. Treasury	43,247	2.12
U.S. Treasury money market fund	3,717	0.05
Tri-party repurchase agreement	1,090	0.00
Total	$ 911,526	

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Assets follows:

	Cash on Hand	Amount of Deposits	Amount of Investments	Total
Cash, deposits and investments:	$ 83	$ 16,506	$ 911,526	$928,115

	Governmental Activities	Business-type Activities	Investment Trust Funds	Agency Funds	Totals
Statement of Net Assets:					
Cash and cash equivalents	$ 376,539	$ 107,190	$ 314,745	$ 75,004	$873,478
Restricted cash and cash equivalents	1,071	53,566			54,637
Total	$ 377,610	$ 160,756	$ 314,745	$ 75,004	$928,115

County Treasurer's Investment Pool - Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The County Treasurer has a fiduciary responsibility to administer those and the County monies under her stewardship. The County Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the County Treasurer determines the fair value of those pooled investments annually at June 30. The County Treasurer's Investment Pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. The structure of the Pool does not provide for shares and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments. The County Treasurer allocates interest earnings to each of the Pool's participants.

Note 3: Cash and Investments (continued)

The Pool's assets are subject to applicable risks as discussed above and consist of the following:

	Principal	Interest Rates	Maturities	Fair Value
Commercial paper	$40,000	2.1-2.4%	07/08-08/08	$ 39,929
Corporate bonds	82,433	3.4-6.3%	08/08-04/13	84,024
Federal Farm Credit Bank	17,500	5.0-5.4%	09/10-07/11	18,536
Federal Home Loan Bank	35,000	2.2-5.3%	08/08-08/10	35,892
Fannie Mae (Federal National Mortgage Association)	25,155	2.0-4.6%	07/08-05/11	25,498
Freddie Mac (Federal Home Loan Mortgage Corp)	19,200	3.3-4.1%	10/10-02/11	19,616
U.S. Treasury	42,050	2.8-4.8%	10/08-02/13	43,247
Tri-party repurchase agreement	1,090	1.7%	07/08	1,090
State Treasurer Investment Pool	359,249	N/A	N/A	359,249
Interest Receivable	522	N/A	N/A	522
Total assets				627,603
Less: Reduction to Pool's assets- warrants payable				(7,386)
Total				$ 620,217

A condensed statement of the investment pool's net assets and changes in net assets follows:

Statement of Net Assets	
Assets held in trust for:	
Internal participants	$ 414,251
External Participants	205,966
Total liabilities	620,217
Total net assets held in trust	$ 620,217
Statement of Changes in Net Assets	
Total additions	$ 7,960,413
Total deductions	(7,906,718)
Net increase	53,695
Net assets held in trust:	
July 1, 2007	566,522
June 30, 2008	$ 620,217

Discretely Presented Component Unit

Southwestern Fair Commission—At June 30, 2008, the commission's cash and cash equivalents of $1,805 consisted of deposits with financial institutions. Of the total balance, $1,400 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4: Due from Other Governments

Governmental activities:

	General Fund	Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal government:					
Grants and contributions	$ 166	$ 455	$ 8,055		$ 8,676
State of Arizona:					
Taxes and shared revenues	22,800	1,327	8,415		32,542
Grants and contributions			2,491	$ 10	2,501
City of Tucson:					
Reimbursement for services	1,561	38	832		2,431
Due from other governments:					
Reimbursement for services	187	2,380	454	170	3,191
Total due from other governments fund based statements	$ 24,714	$ 4,200	$ 20,247	$ 180	$ 49,341

Business-type activities:

	Pima Health System and Services	Regional Wastewater Reclamation Department	Business-type Activities Total
Federal government:			
Grants and contributions		$ 28	$ 28
Reimbursement for services	$ 286		286
State of Arizona:			
Grants and contributions	645		645
Total due from other Governments	$ 931	$ 28	$ 959

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007 (as restated)	Increases	Decreases	Balance June 30, 2008
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 276,126	$ 27,520		$ 303,646
Construction in progress	109,307	76,051	$ (95,260)	90,098
Total capital assets not being depreciated	385,433	103,571	(95,260)	393,744
Capital assets being depreciated:				
Buildings and improvements	476,934	22,611	(321)	499,224
Infrastructure	980,568	87,634	(321)	1,067,881
Equipment	97,436	15,483	(5,676)	107,243
Total capital assets being depreciated	1,554,938	125,728	(6,318)	1,674,348
Less accumulated depreciation for:				
Buildings and improvements	(121,326)	(11,570)	42	(132,854)
Infrastructure	(425,825)	(32,944)		(458,769)
Equipment	(57,876)	(9,854)	5,142	(62,588)
Total accumulated depreciation	(605,027)	(54,368)	5,184	(654,211)
Total capital assets being depreciated, net	949,911	71,360	(1,134)	1,020,137
Governmental activities capital assets, net	$ 1,335,344	$ 174,931	$ (96,394)	$ 1,413,881

	Balance July 1, 2007 (as restated)	Increases	Decreases	Balance June 30, 2008
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 9,695	$ 901		$ 10,596
Construction in progress	35,637	56,720	$ (20,297)	72,060
Total capital assets not being depreciated	45,332	57,621	(20,297)	82,656
Capital assets being depreciated:				
Buildings and improvements	355,260	6,415	(207)	361,468
Infrastructure	548,573	32,083	(560)	580,096
Equipment	20,252	18,984	(777)	38,459
Total capital assets being depreciated	924,085	57,482	(1,544)	980,023
Less accumulated depreciation for:				
Buildings and improvements	(115,684)	(11,726)	84	(127,326)
Infrastructure	(199,825)	(11,015)	258	(210,582)
Equipment	(8,306)	(2,547)	630	(10,223)
Total accumulated depreciation	(323,815)	(25,288)	972	(348,131)
Total capital assets being depreciated, net	600,270	32,194	(572)	631,892
Business-type activities capital assets, net	$ 645,602	$ 89,815	$ (20,869)	$ 714,548

Note 5: Capital Assets (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government	$	7,252
Public safety		9,654
Highway and streets		28,342
Sanitation		436
Health		672
Welfare		5
Culture and recreation		4,525
Education and economic opportunity		723
Internal service funds		2,759
Total governmental activities depreciation expense	$	54,368
Business-type activities:		
Pima Health System & Services	$	215
Parking Garages		336
Regional Wastewater Reclamation Department		24,454
Development Services		283
Total business-type activities depreciation expense	$	25,288

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Discretely presented component units:				
Southwestern Fair Commission (SFC):				
Capital assets not being depreciated:				
Construction in progress	$ 3	$ 38	$ (3)	$ 38
Total capital assets not being depreciated	3	38	(3)	38
Capital assets being depreciated:				
Buildings and improvements	3,906	113		4,019
Equipment	1,773	233	(9)	1,997
Total capital assets being depreciated	5,679	346	(9)	6,016
Less accumulated depreciation for:				
Buildings and improvements	(2,308)	(121)		(2,429)
Equipment	(1,298)	(114)	9	(1,403)
Total accumulated depreciation	(3,606)	(235)	9	(3,832)
Total capital assets being depreciated, net	2,073	111		2,184
SFC capital assets, net	$ 2,076	$ 149	$ (3)	$ 2,222

Note 6: Claims, Judgments and Risk Management

Risk Management and Claims Liability

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; environmental claims; and natural disasters. Claims against the County are accounted for in the Self Insurance Trust Fund (the Fund), an internal service fund. Annually, an actuarial evaluation is performed to determine the County's anticipated losses except for environmental, unemployment and dental losses. Environmental losses are based on reported claims and the County risk manager's knowledge and experience. Unemployment and dental losses are based on claims that have been submitted but not yet paid by the Fund. Losses accounted for include reported and paid, reported but unpaid, and incurred but not reported. All liabilities of the Fund except for environmental, unemployment and dental losses are reported at their present value using an expected future investment yield assumption of four percent.

The Fund is liable for any single general or automobile liability claim up to $2,000,000 per occurrence, any workers' compensation claim up to $750,000 per occurrence or any medical malpractice claims in aggregate up to $5,000,000 in any policy year. The County purchases commercial insurance for claims in excess of coverage provided by the Fund and for some other risks of loss. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

Payment of unemployment and dental claims is fully self-funded. Payment of environmental claims is generally self-funded, although some claims filed could result in past insurers being liable for such losses.

All of the County's departments participate in the Fund. With the exception of environmental, dental, and unemployment losses, charges are based on actuarial estimates of the amounts needed to pay prior and current-year claims. Charges for environmental losses are based on historical experience. Charges for dental and unemployment losses are based on actual claims paid.

The claims liability of $31,205 reported in the Fund at June 30, 2008, is based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. The ultimate cost of claims includes incremental claim adjustment expenses that have been allocated to specific claims, as well as salvage and subrogation. No other claim adjustment expenses have been included.

	2008	2007
Claims liability - beginning	$ 32,857	$ 35,508
Current-year claims and changes in estimates	10,227	8,118
Claims payment	(11,879)	(10,769)
Claims liability - ending	$ 31,205	$ 32,857

Note 6: Claims, Judgments and Risk Management (continued)

Litigation

Pima County is a defendant in a number of court actions. In the opinion of County management, the final disposition of these actions, if unfavorable, will not have a material effect upon the County's financial statements.

Pollution Remediation - El Camino del Cerro Site

The County has estimated and reported an environmental liability of $1,784 in the government-wide financial statements for governmental activities (in noncurrent liabilities). Remediation efforts are currently underway at the El Camino del Cerro site which is approximately bordered by the Santa Cruz River on the west, Interstate 10 on the east and north of El Camino del Cerro Road. The groundwater contamination is suggested to resonate from the municipal and solid waste landfill operated on the site from 1973 to 1977.

In communication with the Arizona Department of Environmental Quality, the County has begun remediation efforts that will include a groundwater pump-and-treat system.

The estimated liability was calculated based upon the expected future outlays associated with the cost of one to three pump-and-treat systems for one to two years. The estimate of one pump-and-treat system for one year was considered to be a better estimate than any other amount.

There is potential for changes due to increased costs associated with sewage disposal costs, construction costs for extraction wells and/or changes in the estimated extent of contamination.

There are no estimated recoveries at this time.

Note 7: Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2008.

	Balance July 1, 2007	Additions	Reductions	Balance July 1, 2008	Due within 1 year
Governmental activities:					
General obligation bonds	$ 289,590	$100,000	$ 41,255	$ 348,335	$ 33,660
Plus unamortized deferred amount	560	714	66	1,208	99
Total general obligation bonds	290,150	100,714	41,321	349,543	33,759
Flood control bonds	1,470		745	725	725
Transportation revenue bonds	136,400	25,000	11,745	149,655	12,365
Plus unamortized deferred amount	141	31	26	146	29
Total transportation revenue bonds	136,541	25,031	11,771	149,801	12,394
Certificates of participation	30,320	50,000	1,244	79,076	21,545
Plus unamortized deferred amount	1,411	1,219	94	2,536	500
Total certificates of participation	31,731	51,219	1,338	81,612	22,045
Loans and Leases:					
Transportation loans payable	3,714		2,714	1,000	1,000
Capital leases payable:					
Jail capital lease	26,550		1,870	24,680	1,965
Less unamortized deferred amount	(1,914)		(191)	(1,723)	(191)
Other capital leases	100	312	146	266	123
Total capital leases	24,736	312	1,825	23,223	1,897
Total loans and leases	28,450	312	4,539	24,223	2,897
Reported but unpaid losses (Note 6)	22,939	8,362	11,879	19,422	3,908
Incurred but not reported losses (Note 6)	9,918	1,865		11,783	2,321
Landfill closure and post-closure care costs (Note 9)	17,330	1,089		18,419	
Pollution remediation (Note 6)		1,784		1,784	566
Future postemployment health benefit liability (Note 10)		14,147	4,302	9,845	5,129
Total governmental activities long-term liabilities	$ 538,529	$204,523	$ 75,895	$ 667,157	$ 83,744

Note 7: Long-Term Liabilities (continued)

	Balance July 1, 2007	Additions	Reductions	Balance July 1, 2008	Due within 1 year
Business-type activities:					
Sewer revenue bonds	$ 97,290	$ 75,000	$ 7,350	$ 164,940	$ 7,870
Less unamortized deferred amount	(2,934)	1,281	(414)	(1,239)	
Total revenue bonds payable	94,356	76,281	6,936	163,701	7,870
Regional Wastewater Reclamation Department (RWRD) loans payable	76,293		5,721	70,572	5,955
Less unamortized deferred amount	(182)		(36)	(146)	
Total loans payable	76,111		5,685	70,426	5,955
Contracts and notes	5,280	1,412	850	5,842	
Future postemployment health benefit liability (Note 10)		2,634	380	2,254	589
Total business-type activities long-term liabilities	$ 175,747	$ 80,327	$ 13,851	$ 242,223	$ 14,414

GENERAL OBLIGATION BONDS OUTSTANDING

Governmental Activities

(Payments made from property tax revenues of the Debt Service Fund)

General obligation bonds payable at June 30, 2008, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, $20,541 from the May 20, 1997, $306,096 from the May 18, 2004, and $52,044 from the May 16, 2006 bond election remain unissued. The following table presents amounts outstanding by issue.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2008
Series of 1998	$ 42,420	4.50 - 4.60%	2009-13	$ 11,720
Series of 1999	50,000	5.00 - 5.07%	2009-10	6,615
Series of 2000	50,000	4.00 - 5.00%	2009-14	18,000
Series of 2001 Refunding	17,835	5.00%	2009	375
Series of 2002	20,000	4.25 - 4.50%	2009-16	7,000
Series of 2003	50,000	3.50 - 4.25%	2009-17	33,850
Series of 2004	65,000	3.00 - 5.00%	2009-19	47,145
Series of 2005	65,000	3.50 - 5.00%	2009-20	49,265
Series of 2007	95,000	3.00 - 4.50%	2009-21	84,365
Series of 2008	100,000	3.00 - 4.00%	2009-22	90,000
G.O. bonds outstanding				348,335
Plus unamortized deferred amount:				1,208
		Total G.O. bonds outstanding		$ 349,543

Note 7: Long-Term Liabilities (continued)

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2008.

Year Ending June 30,	Principal	Interest
2009	$ 33,660	$14,351
2010	28,580	12,954
2011	26,240	11,723
2012	27,105	10,599
2013	28,005	9,424
2014 - 2018	125,330	30,038
2019 - 2022	79,415	6,778
Total	$348,335	$95,867

ADVANCED REFUNDINGS OF GENERAL OBLIGATION BONDS

In prior years, the County defeased certain General Obligation Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for these defeased bonds are not included in the County's financial statements. At June 30, 2008, the following outstanding bonds were considered defeased:

Issue	Outstanding June 30, 2008
1979 General Obligation Refunding Bonds	$ 33
Series of 1999	$ 5,785

FLOOD CONTROL REFUNDING BONDS OUTSTANDING

Governmental Activities

(Payments made from property tax revenues of the Debt Service Fund of the District)

The Pima County Regional Flood Control District outstanding bonds payable at June 30, 2008 is presented below.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2008
Series 2001 Refunding	$ 4,585	4.20%	2009	$ 725

Note 7: Long-Term Liabilities (continued)

The following schedule details flood control bond debt service requirements to maturity at June 30, 2008.

Year Ending June 30,	Principal	Interest
2009	$ 725	$ 30
Total	$ 725	$ 30

TRANSPORTATION BONDS AND LOANS PAYABLE
Governmental Activities
(Payments made from street and highway revenues)

Pima County transportation revenue bonds of 1998 were issued to provide monies to construct improvements to the County's streets and highways. Of the total amount originally authorized, $122,800 from the November 4, 1997 bond election remains unissued.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2008
Series of 2002	$55,000	4.13 - 4.38%	2009-12	$ 24,855
Series of 2003	35,000	3.38 - 4.38%	2009-18	27,600
Series of 2005	51,200	3.50 - 5.00%	2009-20	51,200
Series of 2007	21,000	3.25 - 4.75%	2009-22	21,000
Series of 2008	25,000	3.00 - 4.50%	2009-22	25,000
	Transportation bonds outstanding			149,655
	Plus unamortized deferred amount:			146
	Total transportation bonds outstanding			$ 149,801

The following schedule details transportation bond debt service requirements to maturity at June 30, 2008.

Year Ending June 30,	Principal	Interest
2009	$ 12,365	$ 6,147
2010	12,870	5,652
2011	13,430	5,091
2012	14,015	4,503
2013	9,970	3,912
2014 - 2018	57,160	13,098
2019 - 2022	29,845	2,452
Total	$ 149,655	$ 40,855

Note 7: Long-Term Liabilities (continued)

During the fiscal year ended June 30, 2006, Pima County Transportation Department entered into a loan agreement to provide funds for roadway improvements of Alvernon Way. Interest on the Alvernon HELP loan is calculated and paid on an annual basis.

Issue	Issue Amount	Interest Rate	Maturities	Outstanding June 30, 2008
2006 HELP Loan - Alvernon	$ 4,836	3.06%	2009	$ 1,000
	Total transportation loan payable			$ 1,000

The following schedule details transportation loans debt service requirements to maturity at June 30, 2008.

Year Ending June 30,	Principal	Interest
2009	$ 1,000	$ 61
Total	$ 1,000	$ 61

Pima County has pledged future highway user revenues, net of specified operating expenses, to repay $149,655 in transportation revenue bonds issued between 2002 and 2008, and $1,000 in a transportation HELP loan issued in 2006. Proceeds from the bonds and loans provided financing for construction of various highways and streets within Pima County. The bonds and loans are payable from net highway user revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require approximately 78 percent of net revenues. The annual principal and interest payments on the loan are expected to require approximately 9 percent of net revenues. Total principal and interest remaining to be paid on the bonds is $190,510. Total principal and interest remaining to be paid on the loan is $1,061. Principal and interest paid for bonds and the loan in the current year and total customer net revenues were $17,734, $2,828 and $21,325, respectively.

CERTIFICATES OF PARTICIPATION
Governmental Activities
(Payments made from General Fund revenues)

Certificates of Participation represent proportionate interests in semiannual lease payments. The County's obligation to make lease payments is subject to annual appropriations being made by the County for that purpose. On May 1, 2007, the County issued Certificates of Participation Series 2007-A for $28,765 to finance the acquisition of and improvements to a 22-story office tower located in downtown Tucson, and Taxable Series 2007-B for $1,555 to acquire and construct replacement facilities for the Pima County Community Services Department. On June 26, 2008, the County issued Certificates of Participation Series 2008 for $50,000 to finance capital costs for public infrastructure of the County, including expansion and upgrades to the County's sewer treatment system and major road corridors.

Note 7: Long-Term Liabilities (continued)

The following schedule details outstanding Certificates of Participation payable at June 30, 2008.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2008
Series of 2007 A Justice Building Project	$ 28,765	4.00 - 5.00%	2009-22	$ 28,765
Series of 2007-B Justice Building Project - Taxable	1,555	5.04%	2009	311
Series of 2008	50,000	5.00%	2009-11	50,000
	Certificates of participation outstanding			79,076
	Plus unamortized deferred amount:			2,536
	Total certificates of participation outstanding			$ 81,612

The following schedule details debt service requirements to maturity for the County's Certificates of Participation payable at June 30, 2008.

Year Ending June 30,	Principal	Interest
2009	$ 21,545	$ 3,689
2010	21,610	2,799
2011	11,675	1,734
2012	1,740	1,167
2013	1,810	1,097
2014 - 2018	10,375	4,172
2019 - 2022	10,320	1,321
	$ 79,075	$ 15,979

CAPITAL LEASES
Governmental Activities

On February 1, 1997, the County entered into an agreement to sell certain jail facilities and then lease them back for a 15-year term. The jail facilities were sold for $34,500, and the proceeds were used to finance the construction of the baseball stadium. On September 1, 1999 and October 1, 2003, Pima County amended the capital lease agreement between U.S. Bank Trust National Association and Pima County. The amendments extended the lease term to 2014 and 2018 respectively, increased the range of interest rates and increased the County's obligation under the lease agreement.

The County has also entered into capital leases for computer equipment. The outstanding balance as of June 30, 2008, for these leases totaled $266.

The net book value of assets acquired through capital leases consists of $18,697 of buildings and $117 equipment.

The following schedule details capital lease debt service requirements to maturity at June 30, 2008.

Note 7: Long-Term Liabilities (continued)

Governmental Activities:

	Buildings		Equipment	
Year Ending June 30,	Principal	Interest	Principal	Interest
2009	$ 1,965	$ 1,062	$ 123	$ 8
2010	2,025	982	107	4
2011	2,125	878	36	1
2012	2,230	775		
2013	2,780	648		
2014 - 2018	13,555	1,446		
	$ 24,680	$ 5,791	$ 266	$ 13

SEWER REVENUE BONDS AND LOANS
Business-type Activities
(Payments made from user charges received in the Regional Wastewater Reclamation Department Enterprise Fund)

Pima County sewer revenue bonds, as presented below, were issued to provide monies to construct improvements to the County's Regional Wastewater Reclamation Department system. Of the total amount originally authorized, $706 from the May 20, 1997, and $28,237 from the May 18, 2004 bond election remain unissued.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2008
Series of 1998	$ 29,185	4.00 - 5.50%	2009-15	$ 13,355
Series 2001 Refunding	19,440	4.00 - 5.40%	2009-15	12,655
Series of 2004 Refunding	25,770	3.50 - 5.50%	2009-15	18,145
Series of 2007	50,000	3.75 - 5.00%	2009-26	45,785
Series of 2008	75,000	4.00 - 5.00%	2009-23	75,000
		Sewer revenue bonds outstanding		164,940
		Less unamortized deferred amount:		(1,239)
		Total sewer revenue bonds outstanding		$ 163,701

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2008.

Year Ending June 30,	Principal	Interest
2009	$ 7,870	$ 7,175
2010	8,090	6,821
2011	7,410	6,470
2012	8,395	6,134
2013	9,340	5,751
2014 - 2018	52,335	21,742
2019 - 2023	60,835	10,153
2024 - 2026	10,665	867
	$164,940	$ 65,113

Note 7: Long-Term Liabilities (continued)

The Regional Wastewater Reclamation Department entered into loan agreements (1996, 1997, 2000 and 2004 loans payable) to provide funds for the defeasance of prior sewer revenue bonds and the construction and improvement of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2008
1996 Loans Payable	$ 11,313	3.19%	2009-12	$ 5,976
1997 Loans Payable	7,500	2.95%	2009-11	2,517
2000 Loans Payable	61,180	2.20%	2009-16	42,941
2004 Loans Payable	19,967	1.81%	2009-24	19,138
Loans payable				70,572
Less unamortized deferred amount				(146)
Total loans payable				$ 70,426

The following schedule details loans payable debt service requirements to maturity at June 30, 2008.

Year Ending June 30,	Principal	Interest
2009	$ 5,955	$ 2,423
2010	6,317	2,200
2011	7,605	1,948
2012	7,891	1,667
2013	6,937	1,397
2014 - 2018	26,691	3,591
2019 - 2023	6,338	1,007
2024	2,838	95
	$ 70,572	$ 14,328

Pima County has pledged future user charges, net of specified operating expenses, to repay $164,940 in sewer revenue bonds issued between 1998 and 2008, and $70,572 in sewer revenue loans issued between 1996 and 2004. Proceeds from the bonds and loans provided financing for construction of various treatment facilities and sewer infrastructure within Pima County. The bonds and loans are payable from net sewer revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require approximately 33 percent of net revenues. The annual principal and interest payments on the loans are expected to require approximately 23 percent of net revenues. Total principal and interest remaining to be paid on the bonds is $230,053. Total principal and interest remaining to be paid on the loans is $84,900. Principal and interest paid for bonds and loans in the current year and total customer net revenues were $11,954, $8,312 and $34,203, respectively.

CONTRACTS AND NOTES
Business-type Activities
(Payments made from restricted assets in the Regional Wastewater Reclamation Department Enterprise Fund)

Contracts and notes consist of contract retentions for several construction projects. Generally, interest is not accrued and the timing of payments is based on completion of the related construction projects.

Note 7: Long-Term Liabilities (continued)

LEGAL DEBT MARGIN
County General Obligation Bonds

General obligation debt may not exceed 6 percent of the value of the County's taxable property as of the latest assessment. However, Pima County received voter approval to increase the debt limit to 15 percent of the value of taxable property. The legal debt margin at June 30, 2008, is as follows:

Net assessed valuation		$ 8,220,396
Debt Limit (15% of net assessed valuation):		1,233,059
Amount of debt applicable to debt limit:		
General obligation bonds outstanding	$ 348,335	
Less net assets in debt service fund available for payment of general obligation bond principal	(10,241)	(338,094)
Legal debt margin available		$ 894,965

Flood Control General Obligation Bonds

Flood Control general obligation debt may not exceed 5 percent of the value of the Flood Control District's taxable property as of the latest assessment. Legal debt margin at June 30, 2008, is as follows:

Net assessed valuation		$ 7,412,190
Debt Limit (5% of net assessed valuation):		370,610
Amount of debt applicable to debt limit:		
Flood Control obligation bonds outstanding	$ 725	
Less net assets in debt service fund available for payment of flood control bond principal	(40)	(685)
Legal debt margin available		$ 369,925

Note 8: Short-term Debt

Line of Credit

The County maintains a revolving line of credit with Bank of America National Trust and Savings Association to meet its short-term cash needs. At June 30, 2008, the County had an outstanding balance of $0. Advances on the line of credit are payable on demand. The credit line is secured by the County's general taxing authority.

	July 1, 2007 Balance	Draws	Repayments	June 30, 2008 Balance
Line of credit	$0	$ 112,053	$112,053	$0

Note 9: Landfill Liabilities

SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS:

State and Federal laws and regulations require the County to place a final cover on its solid waste landfill sites when these sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after their closure. Although closure and post-closure care costs will not be paid until near or after the date the landfills stop accepting waste, the County records a portion of these closure and post-closure care costs as a long-term liability in each period, based on landfill capacity used. The $18,419 reported as landfill closure and post-closure care long-term liability within the governmental activities represents the cumulative amount reported to date, based on the percentage used of each landfill's total estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of $5,819 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and post-closure care in the fiscal year ended June 30, 2008; actual costs may change due to inflation, changes in technology, or changes in regulations.

Landfill Site	Capacity Used June 30, 2008	Estimated Remaining Service Life
Ajo *	100%	0 Year
Sahuarita **	44%	25 Years
Tangerine	88%	2 Years

*Life extending facility development options are presently being considered for the Ajo Landfill, including vertical and/or horizontal expansion.

**Sahuarita's facility has incurred a decrease in annual solid waste tipping, because of this the expected service life of the landfill has increased.

The County plans to fund the estimated closure and post-closure care costs with proceeds of general obligation bonds and with solid waste tipping fees.

Note 9: Landfill Liabilities (continued)

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, post-closure, and corrective action when needed. The County is in compliance with these requirements. The Ina Road Landfill facility is closed to municipal solid waste and only receives green waste and construction debris. It is not subject to the closure and post-closure cost requirements referred to above. Pima County estimates that it will cost approximately $9,520 when closure occurs and plans to fund the cost with proceeds of general obligation bonds and with solid waste tipping fees. At this time, there is no closure date available, and there is no known pollution.

Note 10: Pensions and Other Postemployment Benefits (OPEB)

Pension Plan Descriptions

The County contributes to the Arizona State Retirement System **(ASRS),** the Corrections Officer Retirement Plan **(CORP),** the Public Safety Personnel Retirement System **(PSPRS),** consisting of Pima County Sheriffs and Pima County - County Attorney Investigators, and the Elected Officials Retirement Plan **(EORP).** The **EORP** and the **PSPRS** - Pima County, County Attorney Investigators, are not described due to their relative insignificance to the County's financial statements. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The **ASRS** administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions, including general employees of the County, and school districts. The **ASRS** is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The **PSPRS** administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers Pima County Sheriff's public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The **PSPRS**, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The **CORP** administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers certain employees of the State of Arizona's Departments of Corrections and Juvenile Corrections, and County employees whose primary duties require direct inmate contact. The **CORP** is governed by The Fund Manager of **PSPRS** and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by contacting the applicable plan.

Note 10: Pensions and Other Postemployment Benefits (OPEB) (continued)

ASRS	PSPRS and CORP
3300 N. Central Ave Phoenix, AZ 85012 (602) 240-2000 or (800) 621-3778	3010 East Camelback Road Suite 200 Phoenix, AZ 85016-4416 (602) 255-5575

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates for **ASRS, PSPRS** and **CORP.**

Cost-sharing plans
For the year ended June 30, 2008, active **ASRS** members were required by statute to contribute at the actuarially determined rate of 9.60 percent (9.10 percent for retirement and 0.50 percent for long-term disability) of the members' annual covered payroll. The County was required by statute to contribute at the actuarially determined rate of 9.60 percent (8.05 percent for retirement, 1.05 percent for health insurance premium, and 0.50 percent for long-term disability) of the members' annual covered payroll.

The County's contributions for the current and 2 preceding years, all of which was equal of the required contributions, were as follows:

	ASRS Retirement Fund	Health Benefit Supplement Fund	Long-term Disability Fund
Year ended June 30,			
2008	$ 20,981	$ 2,737	$ 1,303
2007	19,169	2,666	1,270
2006	13,685	2,680	1,186

Agent plans
For the year ended June 30, 2008, active **PSPRS** members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 18.25 percent, the aggregate of which is the actuarially required amount. As allowed by statute, the County contributed 3.65 percent of the members' required contribution, with the members contributing 4.00 percent. The health insurance premium portion of the contribution was set at 1.74 percent of covered payroll. Active **CORP** members were required by statute to contribute 7.96 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 7.44 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.15 percent of covered payroll.

Note 10: Pensions and Other Postemployment Benefits (OPEB) (continued)

Actuarial methods and assumptions

The contribution requirements for the year ended June 30, 2008 were established by the June 30, 2006 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on 1) the plans as understood by the County and plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2008 contribution requirements, are as follows:

	PSPRS	CORP
Actuarial valuation date	June 30, 2006	June 30, 2006
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial Assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	5.50% - 8.50%	5.50% - 8.50%
includes inflation at	5.00%	5.00%
Amortization method	Level percentage open	Level percentage open
Remaining amortization period	30 Years for unfunded actuarial accrued liability, 20 years for excess	30 Years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value	Smoothed market value

Annual Pension and OPEB Cost

The County's pension/OPEB cost for the PSPRS and CORP agent plans for the year ended June 30, 2008, and related information follows:

	PSPRS		CORP	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	$ 6,923	$ 565	$ 1,513	$ 247
Contibutions made	$ 6,923	$ 444	$ 1,513	$ 163

Note 10: Pensions and Other Postemployment Benefits (OPEB) (continued)

Trend Information

Annual pension cost information for the current and 2 preceding years follows for the PSPRS and CORP agent plans. Annual OPEB cost information for the current year (i.e., transition year) is as follows. Information about preceding years will be added over the next 2 years.

Plan	Year Ended June 30	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
PSPRS				
Pension	2008	$ 6,923	100%	
Health insurance	2008	$ 565	79%	$ 121
Pension & health insurance	2007	$ 5,422	100%	
Pension & health insurance	2006	$ 4,720	100%	
CORP				
Pension	2008	$ 1,513	100%	
Health insurance	2008	$ 247	66%	$ 84
Pension & health insurance	2007	$ 1,224	100%	
Pension & health insurance	2006	$ 782	100%	

Funded Status

The funded status of the plans, as of the most recent valuation date June 30, 2008, along with the actuarial assumptions and methods used in those valuations follow. Additionally, the required schedule of funding progress, presented as Exhibit B-2 following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

	PSPRS		CORP	
	Pension Insurance	Health Insurance	Pension Insurance	Health Insurance
Actuarial accrued liability	$ 198,116	$ 8,056	$ 55,365	$ 2,958
Actuarial value of assets	$ 133,286	0	$ 45,957	0
Unfunded actuarial accrued liability (funding excess)	$ 64,830	$ 8,056	$ 10,292	$ 2,958
Funded ratio	67.30 %	0 %	83.00 %	0 %
Covered payroll	$ 32,495	$ 32,495	$ 21,455	$ 21,455
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	199.50 %	24.79 %	43.8 %	13.79 %

Note 10: Pensions and Other Postemployment Benefits (OPEB) (continued)

	PSPRS	CORP
Actuarial valuation date	June 30, 2008	June 30, 2008
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial Assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	5.50% - 8.50%	5.50% - 8.50%
includes inflation at	5.00%	5.00%
Amortization method	Level percentage closed for unfunded actuarial accrued liability, open for excess	Level percentage closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	28 Years for unfunded actuarial accrued liability, 20 years for excess	28 Years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value	Smoothed market value

Postemployment Healthcare Plan

Retiree Insurance Program

Employees retiring from Pima County service, who receive monthly income from any of the Arizona State individual retirement plans, are eligible to continue medical and dental insurance coverage at group rates through the County (the Program). It is a single-employer plan and the benefits and premium rates are approved by the Board of Supervisors on an annual basis for active and retired members. Although Pima County does not explicitly pay a portion of the retiree's premiums, because of the inclusion of this risk class in the insured pool, there is an implicit rate subsidy or "premium rate differential" that is incurred by the County. No separate financial report is provided for the Program.

Funding Policy

The Program is currently funded on a pay-as-you-go basis.

Acturarial valuation date		7/1/2007
Actuarial accrued liability	$	155,437
Actuarial value of assets		0
Unfunded actuarial accrued liability (funding excess)	$	155,437
Funded ratio		0 %
Covered payroll	$	292,249
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll		53.2 %

Note 10: Pensions and Other Postemployment Benefits (OPEB) (continued)

Annual Pension Cost and Net Pension Obligation	Governmental Activities	Business-type Activities	Total Obligation
Annual required contribution	$ 13,626	$ 2,536	$ 16,162
Interest on net pension obligation	521	98	619
Annual pension cost	14,147	2,634	16,781
Contributions made	(4,302)	(380)	(4,682)
Increase in net pension obligation	9,845	2,254	12,099
Net pension obligation at beginning of year			
Net pension obligation at end of year	$ 9,845	$ 2,254	$ 12,099

Method/Assumption	
Valuation date	July 1, 2007
Actuarial cost method	Projected unit credit
Amortization method for actuarial accrued liabilities	Level percentage of payroll
Remaining amortization period	30 years open
Investment rate of return	4.50%
Medicare coverage age	65
Retirement and disability age	Based on EORP, CORP, ASRS, and PSRS pension valuations
Salary increases	2.50%
Payroll growth	2.50%
Active members	6,728
LTD/Retiree and spouses currently receiving benefits	1,613

Note 11: Interfund Transactions

A. Interfund Assets/ Liabilities

Due from / Due to Other Funds are used to record loans or unpaid operating transfers between funds.

Amounts recorded as due from:

Amounts recorded as due to:	General	Capital Projects	Other Governmental	PHS & Services	RWRD	Other Enterprise	Internal Service	Total
General		$ 7,943	$ 117	$ 1,085	$ 2,038	$ 8	$ 840	$ 12,031
Capital Projects	$ 3,019		748		1,883			5,650
Other Governmental	744	1,044	768		12			2,568
Pima Health System & Services			1					1
RWRD	1,986			2				1,988
Other Enterprise		2,641						2,641
Internal Service	826		578		10			1,414
Total	$ 6,575	$ 11,628	$ 2,212	$ 1,087	$ 3,943	$ 8	$ 840	$ 26,293

B. Transfers

Transfers are used to record transactions between individual funds to subsidize their operations and fund debt service payments and capital construction projects.

Amounts recorded as transfers out:

Amounts recorded as transfers in:	General	Capital Projects	Other Governmental	RWRD	Other Enterprise	Internal Services	Total
General		$ 32,716	$ 3,791	$ 6,995		$ 4,352	$ 47,854
Capital Projects	$ 3,090		22,806	637	$ 2,627		29,160
Other Governmental	28,657	1,220	21,515				51,392
RWRD	6,995						6,995
Other Enterprise		2,550					2,550
Internal Service	4,352						4,352
Total	$ 43,094	$ 36,486	$ 48,112	$ 7,632	$ 2,627	$ 4,352	$ 142,303

The table above does not include transfers of capital assets between the proprietary funds and the governmental activities because these are not reported in the governmental funds. The following proprietary funds transferred capital assets from/(to) the capital assets of Governmental Activities:

Transfer from	Transfer to		Transfer from	Transfer to
		$ (601)	Capital assets	RWRD
		(20)	Capital assets	Internal services
	Subtotal	(621)		
Internal services	Capital assets	6		
	Total	$ (615)		

Note 12: Stewardship, Compliance, and Accountability (Deficit Fund Balances)

The Special Districts Fund (non-major governmental fund) had a deficit fund balance at June 30, 2008, of $1,302. This deficit can be eliminated in the future through normal operations.

Note 13: Construction and Other Significant Commitments

At June 30, 2008, Pima County had the following major contractual commitments related to Cultural Resources, Facilities Management, General Government, Library District, Pima Health Systems & Services, Transportation and Regional Wastewater Reclamation Department.

Cultural Resources
At June 30, 2008, the Pima County Cultural Resources Department had construction contractual commitments of $6,336. Funding for these expenditures will be provided from general obligation bonds.

Facilities Management
At June 30, 2008, the Pima County Facilities Management Department had construction contractual commitments of $8,828. Funding for these expenditures will be provided from general obligation bonds.

General Government
At June 30, 2008, Pima County had contractual commitments related to service contracts for Human Resources of $1,370, Institutional Health of $60,156 and Real Property of $5. Funding for these expenditures will be primarily provided from general fund revenues.

Library District
At June 30, 2008, Pima County had contractual commitments related to service contracts for Library District of $2,555. Funding for these expenditures will be primarily provided from library district revenues.

Pima Health Systems & Services
At June 30, 2008, Pima County had contractual commitments related to service contracts for Pima Health Systems & Services of $155,062. Funding for these expenditures will be primarily provided from federal and state funding sources.

Transportation
At June 30, 2008, the Pima County Transportation Department had construction contractual commitments of $42,918 and other contractual commitments related to service contracts of $12,216. Funding for these expenditures will be primarily provided from Transportation Revenue Bonds and Highway User Tax Revenue, the primary source of revenue for the Transportation Department.

Regional Wastewater Reclamation Department
At June 30, 2008, the Regional Wastewater Reclamation Department Enterprise Fund had construction contractual commitments of $28,525 and other contractual commitments related to service contracts of $3,864. Funding for these expenditures will be primarily from Sewer Revenue Bonds and related fees.

Note 14: Subsequent Event

On May 13, 2008, PHS&S was notified that their ambulatory services contract with AHCCCS serving Pima and Santa Cruz counties would not be renewed. Effective October 1, 2008, PHS&S would be only providing care to an estimated 3,000 members that are both eligible through AHCCCS and Arizona Long Term Care System. This results in a reduction of approximately 27,000 members and $84 million in reduced revenues and expenses. As a result of this contract termination, PHS&S has implemented a plan to significantly reduce expenses, initially through a reduction in workforce of 53 employees, effective September 30, 2008.

APPENDIX G

SUMMARY OF RESOLUTION NO. 1991-138 (AS AMENDED AND SUPPLEMENTED) AUTHORIZING THE ISSUANCE OF SEWER REVENUE BONDS

The following is a summary of certain provisions of Resolution No. 1991-138, authorizing the issuance of the Sewer Bonds, which was adopted by the County Board of Supervisors on June 18, 1991 and amended on August 6, 1991 and as supplemented by the adoption of the authorizing resolution for the Sewer Revenue Bonds, Series 2009 (the "Sewer Bond Resolution"). The summary does not purport to be a full statement of the terms of the Sewer Bond Resolution and, accordingly, is qualified by reference hereto and is subject to the full text thereof.

Authority. The Bonds authorized herein are issued pursuant to A.R.S. Section 11-264.01. The Sewer Resolution will stay in full force and effect until all Bonds are fully paid or provided for and all Policy Costs have been paid.

Definitions; Interpretation.

A. Definitions.

"Accreted Value" - with respect to Parity Bonds, which are Capital Appreciation Bonds, as of the calculation date, the initial principal amount plus interest then accrued thereon compounded at the interest rate thereof on the stated dates set forth in the resolution authorizing such Capital Appreciation Bonds.

"Agreement" - any Reserve Fund Guaranty Agreement.

"Assumed Interest Rate" - with respect to Variable Rate Obligations only, an interest rate at the computation date computed to be the lesser of (i) the maximum rate which Bonds of such series may bear under their terms or (ii) the rate of interest then established for long-term bonds by the 30-year revenue bond index published by The Bond Buyer immediately prior to the computation date.

"Average Annual Debt Service" - at computation, the average of each Bond Year's aggregate scheduled Bond principal (including mandatory redemptions) and interest requirements (with Variable Rate Obligations bearing interest at the Assumed Interest Rate).

"Board" - the County's Board of Supervisors.

"Bond Insurer" - an issuer of a Municipal Bond Insurance Policy pertaining to any of the Bonds.

"Bonds" - the Series 1991 Bonds and all Parity Bonds (including the Series 2009 Bonds).

"Bond Year" - the one-year period commencing each July 2 and ending on the next forthcoming July 1. A Bond Year shall correspond to the Fiscal Year beginning on July 1 of the same year and ending on June 30 of the next year.

"Capital Appreciation Bond" - a Parity Bond the interest component of which is compounded semiannually on stated dates until maturity or until such Capital Appreciation Bond is converted to a Bond paying interest semiannually, if so permitted or required.

"Deficiency" - the difference between (i) the total amount due on any of the Bonds' principal or interest payment dates and (ii) the amount then in the Bond Fund (which amount shall not include payments made pursuant to a Municipal Bond Insurance Policy or a Reserve Fund Guaranty but shall include all moneys transferred from the Reserve Fund to the Bond Fund or available in the Reserve Fund for such transfer).

"Drawdown" - any amount drawn by the Paying Agent under any Reserve Fund Guaranty.

"Drawdown Date" - the date of any Drawdown.

"DTC" - the Depository Trust Company, the depository for the Book-Entry Bonds.

"Finance Director" - the person or persons employed by the County who is responsible for the management or supervision of the County's financial matters, including bond transactions.

"Fiscal Year" - the twelve month period beginning each July 1 and ending on the next June 30.

"Maximum Annual Debt Service" - at the time of computation, the greatest scheduled Bond principal (including mandatory redemptions) and interest requirements (with Variable Rate Obligations bearing interest at the Assumed Interest Rate) occurring in the then-current, or any subsequent, Bond Year.

"Municipal Bond Insurance Policy" - any insurance policy insuring the payment of principal of and interest on any Bonds.

"Net Revenues" - those Revenues remaining after deducting Operating Expenses.

"Operating Expenses" - the costs of System operation, maintenance, and repair but excluding depreciation and payments into the Bond, Reserve, Reimbursement and Rebate Funds.

"Owner" - any person registered as the owner of any Bond (for Book-Entry Bonds - DTC or any successor depository).

"Parity Bonds" - any additional Bonds (including the Sewer Improvement and Refunding Revenue Bonds, Series 1998, the Sewer Revenue Refunding Bonds, Series 2001, the Sewer Revenue Refunding Bonds, Series 2004, Sewer Revenue Bonds, Series 2007, the Sewer Revenue Bonds, Series 2008 and the Series 2009 Bonds and the Loan Agreements between the Water Infrastructure Finance Authority of Arizona and the County, as borrower, dated February 1, 1996, June 1, 1997, October 27, 2000, as amended, and May 11, 2004, as amended, issued or incurred on a parity with the Series 1991 Bonds.

"Policy Costs" - the amount necessary to reimburse a Reserve Fund Guarantor for any Drawdown pursuant to an Agreement including the Drawdown amount (and the Reserve Fund Guarantor's expenses) plus interest at the Reimbursement Rate until paid.

"Reimbursement Period" - for any Drawdown, the period from the Drawdown Date to the first anniversary of such Drawdown Date.

"Reimbursement Rate" - the rate of interest to be paid by the County pursuant to the respective Agreement to pay a Reserve Fund Guarantor after a Drawdown.

"Reserve Fund Guarantor" - with respect to any series of Bonds, the issuer of a surety bond, letter of credit, line of credit or insurance policy used as a Reserve Fund Guaranty, if issued by an entity whose Guaranty will not adversely affect the Bonds' then-current rating.

"Reserve Fund Guaranty" - any irrevocable surety bond, letter of credit or line of credit or insurance policy issued by a Reserve Fund Guarantor and used as a reserve fund guaranty hereunder.

"Reserve Fund Value" - the value of moneys and investments credited to the Reserve Fund plus the aggregate penal sum of all Reserve Fund Guaranties.

"Reserve Requirement" - initially, Average Annual Debt Service on all Outstanding Bonds, which amount shall be adjusted upon the issuance of Parity Bonds to equal Average Annual Debt Service immediately after such issuance or the maximum amount the Reserve Fund is then permitted to increase under Section 148 of the Internal Revenue Code.

"Revenues" - all income, moneys and receipts derived from System ownership, use and operation; however, the term Revenues shall not include Bond proceeds or the interest received on any Bond proceeds placed in trust to pay any Bonds or retained in either the Construction or System Development Funds, nor any amounts received by the County for which it is contractually obligated to pay out as reimbursement for acquisition, construction or installation of system facilities.

"Series 2009 Bonds" – the $18,940,000 principal amount of Sewer Revenue Bonds, Series 2009, of the County, dated the date of initial delivery thereof.

"System" - the County's entire sewer system and all acquisitions, improvements and extensions added thereto while any Bonds are Outstanding.

"Variable Rate Obligations" - any Parity Bonds which may, in the future, bear interest at rates which cannot be determined with specificity on their original issue date.

Source of Payment and Pledge of Revenues.

A. The Bonds shall be payable solely from the Net Revenues. The Bonds shall be equally and ratably secured by a pledge thereof and lien thereon without priority one over the other.

B. The Bonds are special obligations payable solely from the Net Revenues and secured in accordance with this resolution. The Net Revenues are pledged as security for the Bonds. All Net Revenues shall be immediately subject to the pledge of this resolution and the lien of this pledge shall be valid and binding. Nothing contained in this section shall limit the authority granted herein to issue Parity Bonds.

Rate Covenant. The County covenants and agrees with the Owners that it will establish and maintain System charges sufficient to pay all Operating Expenses and produce aggregate Net Revenues in each Fiscal Year equal to at least 120% of the principal and interest requirements on all Outstanding Bonds for the corresponding Bond Year (treating Variable Rate Obligations as bearing interest at the Assumed Interest Rate and Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates) and said rates, fees and other charges shall also be established and maintained at rates sufficient to provide an amount of Net Revenues for the then current fiscal year which, net of the aggregate amounts required to be deposited to the Bond Fund during such fiscal year, will be sufficient to provide at least one hundred percent (100%) of the County's Policy Costs due and owing in such Fiscal Year.

Creation of Funds; Application of Revenues.

A. The County Treasurer shall create the following special funds and accounts:

1. The Revenue Fund.

2. The Operation and Maintenance Fund.

3. The Bond Fund.

4. The Reimbursement Fund.

5. The Reserve Fund containing separate accounts: the Capitalized Reserve Account and the Contributed Reserve Account.

6. The Rebate Fund.

7. The System Development Fund.

8. The Construction Fund.

B. All Revenues shall be deposited in the Revenue Fund and disbursed only as follows:

1. Operation and Maintenance Fund. First, to the Operation and Maintenance Fund, by the tenth day of each month, an amount sufficient to pay the month's Operating Expenses; such Fund shall be used only to pay Operating Expenses. The County may accumulate therein equitable allowances for accruals and accumulations to cover periodic Operating Expenses, including insurance premiums and expenditures for renewals, replacements and repairs normally classified as Operating Expenses. Where the County purchases items such as insurance, gasoline and electrical energy at large, it may allocate to the System only its share of such expenditure.

2. Bond Fund. Second, to the Bond Fund:

(a) Commencing the tenth day of the month immediately succeeding the date of delivery of the Series 2009 Bonds through the next June 10 or December 10, as applicable, such amount necessary to allocate equally among such months, the interest due (net of accrued interest on the Series 2009 Bonds) on the next July 1 or January 1, as applicable, and thereafter on the tenth day of each month one-sixth (1/6) of the interest becoming due on the next interest payment date on all Bonds Outstanding; and

(b) Commencing the tenth day of the month immediately succeeding the date of delivery of the Series 2009 Bonds through the next June 10 such amount necessary to allocate equally among such months the principal due on the next July 1, and thereafter on the tenth day of each month one-twelfth (1/12) of the principal amount becoming due on the next principal payment date on all Bonds Outstanding.

The Bond Fund shall be a trust fund used solely to pay Bond principal and interest.

When Parity Bonds are issued, Bond Fund deposits shall be expanded to satisfy all additional or modified debt service requirements.

3. Reimbursement Fund. Third, if a Drawdown occurs, deposit to the Reimbursement Fund commencing the tenth day of the first month following a Drawdown and each month thereafter for the next succeeding 11 months, or until the Reimbursement Fund contains amounts sufficient to reimburse all Policy Costs, an amount equal to at least one-twelfth (1/12) of such Policy Costs. The Reimbursement Fund shall be used only to pay Reserve Fund Guarantors' Policy Costs.

If the County fails to pay any Policy Costs, the Reserve Fund Guarantor(s) may exercise all remedies available to the Owners at law or under this resolution or to any Reserve Fund Guarantor under any Agreement other than (i) acceleration of the Bonds or (ii) remedies adversely affecting the Owners' rights.

All Reserve Fund Guaranties shall be held by the Paying Agent as the Owners' fiduciary. Reserve Fund Guaranties shall expire no earlier than the final maturity date of the series for which said Guaranty applies.

4. Reserve Fund. Fourth, by the tenth day of each month, to the Reserve Fund the amounts required by Section 13(A)(4)(ii) of Resolution No. 1991-138, if applicable, or one-twelfth (1/12) of the amount required to restore the Reserve Fund to the Reserve Requirement after a Reserve Fund withdrawal.

If, on any principal or interest payment date, a Deficiency exists, then:

(a) If there are investments or cash in the Reserve Fund, such investments shall be liquidated and the cash and investment proceeds transferred to the Bond Fund; and

(b) If the Deficiency is not then cured, the Paying Agent shall deliver a Drawdown request to each Reserve Fund Guarantor.

Drawdowns and Reserve Fund proceeds shall be used solely to pay Bond principal and interest then due.

Reserve Fund moneys used to pay such principal and interest shall be replaced from the first Revenue Fund moneys thereafter received which are not required to be transferred to the Operation and Maintenance, Bond or Reimbursement Funds.

The two Reserve Fund accounts are created to segregate Reserve Fund moneys and investments for arbitrage rebate purposes. All Reserve Fund deposits made from Net Revenues or other available moneys of the County shall be deposited in the Contributed Reserve Account. All Bond proceeds deposited to the Reserve Fund shall be deposited in the Capitalized Reserve Account.

If, after a Reserve Fund withdrawal, the Reserve Requirement exceeds the Reserve Fund Value such deficiency shall be made up over a twelve month period by deposit of twelve (12) substantially equal payments to the Contributed Reserve Account.

5. Rebate Fund. Fifth, to the Rebate Fund the balance remaining in the Revenue Fund until the amount in the Rebate Fund equals the amount to be deposited therein during such Bond Year as determined by the Finance Director.

6. System Development Fund. Sixth, any Revenue Fund moneys exceeding those necessary to meet the above requirements shall be deposited in the System Development Fund. The System Development Fund may be used (without priority): (1) for System extensions and betterments; (2) for unbudgeted maintenance and operation expenses; (3) to redeem Bonds subject to optional redemption or to purchase Bonds in the open market; (4) to pay general obligation bonds issued by the County for System purposes; (5) to make loans to the County under equitable terms prescribed by the Board; or (6) any lawful System purpose.

7. Deficiencies. If in any month the Revenue Fund is insufficient to make the required deposits to any Fund in any month, the insufficiency shall be made up in the following month or months after payment into all Funds enjoying a prior claim to the Revenues have been met in full.

8. Investment of Funds. Money on deposit in the Revenue, Operation and Maintenance, Bond, Reserve, Reimbursement and Rebate Funds may be invested in Permitted Investments. All income derived therefrom shall be Revenues and shall be deposited in the Revenue Fund. Such investments shall be liquidated as needed and applied to the purpose for which the respective Fund was created. Moneys in the Construction and System Development Funds may be invested in any lawful investment. At the option of the Finance Director, income derived from Construction Fund investments shall be either retained in the Construction Fund or deposited to the Revenue Fund.

Covenants Regarding the System. The County covenants and agrees with each Owner that it will:

A. Permit no free sewer services to be furnished to any consumer or user;

B. Maintain the System in good condition and operate the same in an efficient manner and at reasonable cost;

C. Maintain insurance on all System properties (which may include an adequately-funded self-insurance program) with the coverage normally carried by municipalities or private companies engaged in a similar business. Self-insurance may be maintained either separately or with a County-wide program if (i) such program is in writing and (ii) an independent consultant annually reviews the program and certifies that such program is adequate and actuarially sound. The proceeds of any insurance covering the System, except public liability insurance, received by the County shall be pledged as security for the Bonds until used to replace the System parts damaged or destroyed, or if not so used, shall be placed in the Revenue Fund;

D. Keep proper books and accounts for the System, which shall be audited after each Fiscal Year in accordance with generally accepted governmental accounting practices; the County will furnish copies of such audits to any Owner upon request, no later than one hundred eighty (180) days after the end of each Fiscal Year;

E. Faithfully and punctually perform all its legal duties concerning the System;

F. Not sell, lease, mortgage or in any manner dispose of the System or any part thereof until all Bonds have been paid or provided for in full. This covenant shall not prevent the disposition of inexpedient property. All proceeds from such disposition shall be deposited in the Revenue Fund;

G. Prior to each Fiscal Year, prepare and adopt a budget showing the estimated System Revenues and Operating Expenses for the ensuing Fiscal Year, and will operate the System within such budget to the best of its ability. Copies of such budgets will be available to any Owner on request;

H. To the extent allowed by law, discontinue the service to any premises for which the owner or occupant thereof shall be delinquent in the payment of System charges beyond the period allowed by County policy and not resume service until all delinquent charges, with interest and penalties, shall have been paid;

I. Duly pay and discharge all taxes, assessments or other governmental charges lawfully imposed upon the System, or upon any Revenues when due, as well as any lawful claims for labor, materials and supplies which might by law become a lien on the System, or the Revenues, or impair the security of the Bonds;

J. Deposit the net proceeds realized from any eminent domain proceeding concerning the System in the Revenue Fund;

K. To the extent allowed by law, refuse to grant any franchise or permit for any competing sewer system operation in the County.

L. Not cause or permit the moneys in the Bond Fund, the Reimbursement Fund, the Reserve Fund or the Construction Fund to be invested in any investments except Permitted Investments.

M. Not violate the terms of any Agreement and will give all notices and perform all acts and abide by all promises contained in such Agreement or Agreements.

Remedies of Owners. Any Owner may by suit, in any court of competent jurisdiction protect the lien on the Net Revenues, enforce performance of all duties imposed hereby or for the appointment of a receiver. Except the giving of notice of default to bondholders, the Bond Insurer shall be deemed to be the sole holder of the Bonds it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy.

If any default occurs in the payment of principal of or interest on any Bonds, a court may appoint a receiver to administer the System and charge and collect sufficient fees to pay Operating Expenses and make all payments to the Bond, Reimbursement and Reserve Funds required hereunder.

For all purposes in exercising remedies, except the giving of notice of default to Bondholders, the Bond Insurer of each series of Bonds shall be deemed to be the sole holder of the Bonds it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy.

Equality of Lien; Parity Bonds.

The Bonds shall each enjoy complete parity of lien on the Net Revenues.

A. Parity Bonds may be issued on a parity with the Bonds herein authorized only if all the following conditions are met:

1. The Net Revenues for the completed Fiscal Year immediately preceding the Parity Bonds' issuance must have been at least equal to one hundred twenty percent (120%) of Maximum Annual Debt Service immediately after such issuance and said Net Revenues must also have been sufficient to provide an amount of Net Revenues for the then current fiscal year which, net of the aggregate amounts required to be deposited to the Bond Fund during such fiscal year, will be sufficient to provide at least one hundred percent (100%) of the County's Policy Costs due and owing in such Fiscal Year as shown by a Finance Director's certificate. The computation of Net Revenues may additionally include: (i) if Parity Bond proceeds are to be expended to acquire existing sewer properties, the net revenues which would have been derived from such properties during the entire immediately preceding Fiscal Year; (ii) if during such preceding Fiscal Year the County has acquired existing sewer properties, the net revenues which would have been derived from the operation of such sewer properties during such Fiscal Year had such sewer properties been acquired and operating throughout such Fiscal Year; and (iii) if any System rate increase occurred during such preceding Fiscal Year, the increased Net Revenues which would have been received if such increase had been in effect throughout such Fiscal Year; in each case such additions to Net Revenues must be estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters;

2. The payments into the various Funds must be current at such Parity Bonds' issuance;

3. The Parity Bond proceeds must be used solely for System extensions, renewals, improvements, or replacements or to refund Outstanding Bonds; and

4. The Reserve Fund Value shall be increased at the Board's option, by: (i) the immediate deposit of Parity Bond proceeds or available moneys to the Reserve Fund or the immediate delivery of a Reserve Fund Guaranty, or any combination thereof in order for the Reserve Fund Value to equal or exceed the Reserve Requirement immediately after such Parity Bonds' issuance or (ii) deposits of Net Revenues to the Reserve Fund in approximately equal monthly installments so that the Reserve Fund Value will equal or exceed the increased Reserve Requirement not later than five years following such Parity Bonds' issuance; or (iii) any combination of such methods.

Resolution Incorporated Into the Bonds. The provisions of this resolution are deemed incorporated into the Bonds themselves and no change, variation or alteration of any kind in the provisions hereof shall be made in any manner, except as provided hereafter.

Resolution Modification.

A. Without the consent of or notice to any Owner, this resolution may be modified for one or more of the following purposes:

(1) To cure any ambiguity, formal defect, omission or inconsistency;

(2) To grant to the Owners additional rights, remedies, powers or authority;

(3) To secure additional Revenues or provide additional security or reserves for Bond payment;

(4) To comply with any federal securities laws or the Trust Indenture Act of 1939, if and to the extent applicable to the Bonds;

(5) To permit, preserve or continue (in the event of a change in federal income tax laws (the "Code") which requires a Supplement in order to continue such exclusion) the exclusion of the interest income borne on the Bonds from gross income or the exemption from State income taxes and to preserve the power of the County to continue to issue bonds or other obligations (specifically not limited to the Bonds authorized under the Sewer Bond Resolution) the interest income on which is likewise excluded from gross income and exempt from State income taxes.

B. Except as provided in (A) above, the Owners of fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding (treating Capital Appreciation Bonds at their then Accreted Value) shall have the right to consent to and approve modifications to any terms or provisions herein but no such modification may:

1. Change the maturity of any Outstanding Bond.

2. Change the interest rate on any Outstanding Bond.

3. Reduce the principal or redemption premium payable on any Bond.

4. Modify the principal, interest or redemption premium payment terms on any Bond or impose any adverse conditions on such payments.

5. Adversely affect the rights of the Owners of less than all Bonds then Outstanding.

C. Any other provision to the contrary notwithstanding, no amendment to the Sewer Resolution shall become effective unless and until it is approved by all Bond Insurers and Reserve Fund Guarantors applicable to the Bonds.

Rights of Reserve Fund Guarantors. If any Bond's principal or interest shall be paid by a Reserve Fund Guarantor, the pledge of the Net Revenues and all of the County's obligations hereunder shall continue and such Reserve Fund Guarantor shall be fully subrogated to all rights of the Owners of the Bonds so paid.

Method of Valuation; Frequency. In computing the amount in any fund or account, Permitted Investments shall be valued at their market value exclusive of accrued interest. A valuation shall occur annually on the first Business Day of each Bond Year and immediately after a Reserve Fund withdrawal.

Defeasance. Payment of all or any part of the Bonds may be provided for by the irrevocable deposit with a trustee of moneys or Government Obligations, or both. If the moneys and the maturing principal and interest income on such Government Obligations shall be sufficient, as evidenced by a certificate of an expert in the field, to pay when due the principal or redemption price of and interest on such Bonds, such Bonds shall no longer be deemed Outstanding. The Owners of Bonds so provided for shall thereafter be entitled to payment only from the moneys or Government Obligations deposited with such trustee.

APPENDIX H

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

CONTINUING DISCLOSURE UNDERTAKING FOR THE PURPOSE OF PROVIDING CONTINUING DISCLOSURE INFORMATION UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by Pima County, Arizona (the "County"), in connection with the issuance and sale of the $18,940,000 aggregate principal amount of Sewer Revenue Bonds, Series 2009 (the "Bonds").

In connection with the Bonds, the County covenants and agrees as follows:

1. Purpose of this Undertaking. This Undertaking is executed and delivered by the County as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Underwriter in complying with the requirements of the Rule (as defined below).

2. Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

"Annual Information" means the financial information and operating data set forth in Exhibit I.

"Annual Information Disclosure" means the dissemination of disclosure concerning Annual Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

"Audited Financial Statements" means the general purpose audited financial statements of the County prepared pursuant to the standards and as described in Exhibit I.

"Bond Resolution" means, together, Resolution No. 1991-138 adopted by the Board of Supervisors of the County on June 18, 1991, as supplemented and amended, including a supplemental resolution adopted by the Board of Supervisors of the County on April 21, 2009, authorizing the issuance and sale of the Bonds.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any agent designated as such in writing by the County and which has filed with the County a written acceptance of such designation, and such agent's successors and assigns.

"EMMA" means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at http://emma.msrb.org.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Material Event" means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II that is material, as materiality is interpreted under the Exchange Act.

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIRs" means, as of any date, any Nationally Recognized Municipal Securities Information Repository then recognized by the Commission for purposes of the Rule. As of the date of this Undertaking, the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Phone: (212) 771-6999; 800-689-8466
Fax: (212) 771-7390
E-mail: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

The names and addresses of all current NRMSIRs should be verified each time information is delivered pursuant to this Undertaking.

"Rule" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"State" means the State of Arizona.

"Undertaking" means the obligations at the County pursuant to Sections 4, 5, 6 and 7 hereof.

"Underwriter" includes each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

3. CUSIP Number/Final Official Statement. The base CUSIP Number of the Bonds is 721876. The Final Official Statement relating to the Bonds is dated April __, 2009.

4. Annual Information Disclosure. Subject to Section 10 of this Undertaking, the County shall disseminate its Annual Information and its Audited Financial Statement, if any (in the form and by the dates set forth in Exhibit I) to the MSRB through EMMA, in a format prescribed by the MSRB. The County is required to deliver such information in such manner and by such time so that such entities receive the information on the date specified.

If any part of the Annual Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the County will disseminate a statement to such effect as part of its Annual Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Material Events Disclosure. Subject to Section 10 of this Undertaking, the County hereby covenants that it will disseminate in a timely manner notice of occurrence of a Material Event to each NRMSIR, on or before June 30, 2009, and after June 30, 2009, to the MSRB through EMMA, in a format prescribed by the MSRB.

6. Duty to Update NRMSIRs/Acknowledgment of future filing with the MSRB. The County shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs for any filing on or before June 30, 2009, each time it is required to file information with such entities.

The County hereby acknowledges that on December 15, 2008, the SEC adopted various amendments to the Rule, which amendments at present are scheduled to become effective July 1, 2009. Such amendments require, in part, that each participating Underwriter reasonably determine that the County has agreed to provide, in an electronic format as prescribed from time to time by the MSRB: (i) its Annual Information Disclosure as well as any reporting of a Material Event listed in Exhibit II to the MSRB, and (ii) accompanying identifying information. On and after the effective date of the amendments, the County acknowledges that the MSRB will become the repository and that there will no longer exist a Central Post Office (defined below).

7. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner to the MSRB through EMMA, in a format prescribed by the MSRB, of any failure to provide Annual Information Disclosure when the same is due hereunder.

In the event of a failure of the County to comply with any provision of this Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the County to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an Event of Default on the Bonds. The sole remedy under this Undertaking in the event of any failure of the County to comply with this Undertaking shall be an action to compel performance.

8. Alternate Means of Disclosure. Notwithstanding the provisions of Sections 4, 5 and 7 requiring that the County file its Annual Information Disclosure, notice of any Material Event and notice of any failure to comply with this Undertaking with each of the NRMSIRS and any SID, the County may instead comply with the provisions of this Undertaking by filing the required information with an entity then recognized by the Commission as eligible to receive and submit such filings to the NRMSIRS and any SID for purposes of the Rule (a "Central Post Office"). As of the date of this Disclosure Undertaking, the Central Post Office that has been so recognized by the Commission is:

DisclosureUSA.org
P.O. Box 684667
Austin, Texas 78768-4667
Fax: (512) 476-6403
http://www.disclosureUSA.org

Beginning July 1, 2009, the County shall electronically file its Annual Information Disclosure, notice of any Material Event, notice of any failure to comply with this Undertaking and any accompanying identifying information, as prescribed from time to time by the MSRB, directly through EMMA.

9. Amendments; Waiver. Notwithstanding any provision of this Undertaking, the County by certified resolutions authorizing each amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County, or type of business conducted;

(b) This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined by an independent counsel or other entity unaffiliated with the County.

10. Non-Appropriation. The performance by the County of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the County to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the County covenants to provide prompt notice of such fact to each NRMSIR on for before June 30, 2009, and after June 30, 2009, to the MSRB through EMMA.

11. Termination of Undertaking. The Undertaking of the County shall be terminated hereunder when the County no longer has liability for any obligation relating to repayment of the Bonds or the Rule no longer applies to the Bonds. The County shall give notice in a timely manner if this Section is applicable to the MSRB through EMMA.

12. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

13. Additional Information. Nothing in this Undertaking shall be deemed to prevent the County from disseminating any other information using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the County chooses to include any information from any document or notice of occurrence of Material Event in addition to that which is specifically required by this Undertaking, the County shall have no obligation under this Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

14. Beneficiaries. This Undertaking has been executed in order to assist the Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the County, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

15. Recordkeeping. The County shall maintain records of all Annual Information Disclosure and notices of occurrence of Material Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

16. Assignment. The County shall not transfer its obligations under the Bond Resolution unless the transferee agrees to assume all obligation of the County under this Undertaking or to execute an Undertaking under the Rule.

17. Governing Law. This Undertaking shall be governed by the laws of the State.

PIMA COUNTY, ARIZONA

By: _____
Thomas Burke
Finance and Risk Management Director

Dated: _____, 2009

[Signature Page of Continuing Disclosure Undertaking]

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" means quantitative financial information and operating data concerning the operations of the County of the type set forth in the Official Statement in Appendix A in the tables entitled "PIMA COUNTY, ARIZONA SUMMARY OF WASTEWATER USERS FEES," PIMA COUNTY, ARZIONA, SUMMARY OF USER FEES REVENUES," PIMA COUNTY, ARIZONA, CONNECTION FEE REVENUES," PIMA COUNTY, ARIZONA, REVENUES FROM OTHER FEES AND CHARGES" and "PIMA COUNTY WASTEWATER MANAGEMENT DEPARTMENT COMPARATIVE STATEMENTS OF SYSTEM REVENUES, EXPENDITURES AND NET REVENUES AVAILABLE FOR DEBT SERVICE.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to each NRMSIR on or before June 30, 2009, and after June 30, 2009, to the MSRB through EMMA. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB; the Final Official Statement need not be available from each NRMSIR. The County shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB through EMMA, no later than the first business day in February of each year, commencing February 1, 2010. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to generally accepted accounting principles ("GAAP"), as applied to governmental units as modified by State law, Audited Financial Statements will be provided to the MSRB through EMMA, at the same time as Annual Financial Information is filed, or if not available when such Annual Financial Information is filed, within 30 days after availability to the County.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the County will disseminate a notice of such change as required by Section 4, including changes in Fiscal Year or GAAP.

EXHIBIT II

EVENTS FOR WHICH NOTICE OF OCCURRENCE OF MATERIAL EVENTS IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of creditor liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds
7. Modifications to the rights of holders of the Bonds
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the Bonds
11. Rating changes

APPENDIX I

SPECIMEN OF THE FINANCIAL GUARANTY INSURANCE POLICY

ASSURED GUARANTY®
ENDURING FINANCIAL STRENGTH

Financial Guaranty Insurance Policy

Issuer:

Policy No.:

Obligations:

Premium:

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee

SAMPLE

or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "Term" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:_____
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

_____
Counsel

SPECIMEN

Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona
County of Pima ss

I, Lori Godoshian, do hereby certify that I am the duly appointed, and qualified, Clerk of the Board of Supervisors of Pima County, Arizona.

I further certify that the attached resolution entitled

RESOLUTION NO. 2009-69

(See attached copy)

is a true and correct copy of a resolution passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on the 21st *day of* April, 2009, *at which a quorum was present, and that the original resolution is officially of record in my possession.*

In Witness Whereof, *I have hereunto set my hand and affixed the seal of the Board of Supervisors of Pima County, Arizona, this* 28th *day of* April, 2009.

Lori Godoshian
Clerk

RESOLUTION NO. 2009- 69

RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF $18,940,000 PRINCIPAL AMOUNT OF PIMA COUNTY, ARIZONA SEWER REVENUE BONDS, SERIES 2009; PROVIDING FOR THE PAYMENT OF THE BONDS; PROVIDING TERMS, COVENANTS AND CONDITIONS CONCERNING THE BONDS; ACCEPTING A BID FOR THE PURCHASE OF THE BONDS; AUTHORIZING AND DIRECTING THE EXECUTION AND DELIVERY OF DOCUMENTS AND FURTHER ACTIONS RELATING TO THE ISSUANCE OF THE BONDS; APPOINTING AN INITIAL BOND REGISTRAR AND PAYING AGENT FOR THE BONDS; AND DECLARING AN EMERGENCY.

BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AS FOLLOWS:

Section 1. Recitals, Findings and Conclusions.

(a) Pursuant to Title 11, Chapter 2, Article 4, Arizona Revised Statutes, as amended (the "Act"), Pima County, Arizona (the "County"), is authorized to issue sewer revenue bonds.

(b) At a special bond election held in and for the County on May 20, 1997 (the "1997 Bond Election"), a majority of the qualified voters of the County voting approved the issuance of sewer revenue bonds in the principal amount of $105,000,000, of which $104,252,730 aggregate principal amount have previously been issued. This Resolution will provide for the issuance of an additional $747,270 aggregate principal amount of the bonds so voted.

(c) At a special bond election held in and for the County on May 18, 2004 (the "2004 Bond Election" and, together with the 1997 Bond Election, the "Bond Elections"), a majority of the qualified voters of the County voting approved the issuance of sewer revenue bonds in the principal amount of $150,000,000, of which $121,804,887 aggregate principal amount have previously been issued. This Resolution will provide for the issuance of an additional $18,192,730 aggregate principal amount of the bonds so voted.

(d) By Resolution No. 1991-138 passed and adopted on June 18, 1991 as amended by Resolution No. 1991-182 adopted August 6, 1991 (together, "Resolution No. 1991-138") the Board of Supervisors of the County (the "Board") authorized the issuance of its Sewer Revenue Refunding Bonds, Series 1991 and prescribed the terms and conditions upon which additional obligations payable from sewer revenues may be issued on a parity basis. The conditions prescribed in Resolution No. 1991-138 for issuing such parity obligations will be met in connection with the issuance of the Series 2009 Bonds herein authorized. The Series 2009 Bonds to be issued pursuant to this Resolution shall be designated as Pima County, Arizona, Sewer Revenue Bonds, Series 2009 (the "Series 2009 Bonds").

(e) Bids for the purchase of the Series 2009 Bonds were previously solicited and received pursuant to an on-line bidding process. The Board has determined that the bid attached hereto as Exhibit A (the "Accepted Bid") is the most advantageous for the County.

(f) All acts, conditions and things required by the Constitution and laws of the State of Arizona and requirements of the County to happen, exist and be performed precedent to and in the adoption of this Resolution have happened, exist and have been performed as so required in order to make this Resolution a valid and binding instrument for the security of the Series 2009 Bonds authorized herein.

Section 2. Resolution Supplements Resolution No. 1991-138. This Resolution shall be supplemental to Resolution No. 1991-138, and shall be construed in conjunction therewith. All words and phrases used herein which were defined in Resolution No. 1991-138 shall have the meanings given them in said Resolution, except that the term "Finance Director" for purposes of this Resolution shall mean the County Administrator or his designee.

Section 3. Authorization and Terms of Series 2009 Bonds. Pursuant to the Act and for the purpose of providing funds to pay the costs of improvements, expansions and extensions to the County's sewer plant and system and paying the costs of issuance therefor and necessary premiums and commissions in connection therewith, the County hereby authorizes the issuance of the Series 2009 Bonds in the total principal amount of $18,940,000. Interest will be paid on each interest payment date by check mailed by the Paying Agent to each registered owner of the Series 2009 Bonds at the address shown on the registration book of the Bond Registrar on the Record Date (as described in Section 13 below), or by wire transfer to any securities depository or, upon two days prior written request delivered to the Paying Agent specifying a wire transfer address in the continental United States, to any registered owner of at least $1,000,000 aggregate principal amount of Series 2009 Bonds. Principal of the Series 2009 Bonds, at maturity or upon redemption prior to maturity, will be payable upon presentation and surrender at the designated office of the Paying Agent. The Series 2009 Bonds will be dated the date of initial delivery thereof and will mature in such amounts on July 1 in the years and in the amounts, as follows:

Year (July 1)	Principal Amount	Year (July 1)	Principal Amount
2010	$810,000	2018	$1,325,000
2011	1,015,000	2019	1,395,000
2012	400,000	2020	1,465,000
2013	1,065,000	2021	1,545,000
2014	1,110,000	2022	1,630,000
2015	1,155,000	2023	1,725,000
2016	1,210,000	2024	1,825,000
2017	1,265,000		

The Series 2009 Bonds shall be payable as to interest on January 1 and July 1 of each year during the life of the Series 2009 Bonds, commencing January 1, 2010 at the rates per annum (calculated on the basis of a 360-day year of twelve 30-day months) established by the

Accepted Bid. The Series 2009 Bonds will be issuable in the denomination of $5,000 each or integral multiples thereof, in fully registered form.

Section 4. Security. The Series 2009 Bonds are payable as to both principal and interest solely from the net revenues derived by the County from the operation of its sewer system after provision has been made for the payment for the operation and maintenance of the sewer system, subject to no prior lien granted under the Act. The Series 2009 Bonds shall not constitute a debt or general obligation of the County within the meaning of any constitutional or statutory debt limitation, nor shall payment of the Series 2009 Bonds or interest or redemption premiums thereon be enforceable out of any funds other than the net revenues pledged to such payment nor shall any bond owner have the right to compel any exercise of the taxing power of the County to make such payment.

On or before the tenth (10th) day of each month, sufficient Net Revenues shall be deposited to the Bond Fund in the following amounts and manner:

(a) Commencing the tenth day of the month immediately succeeding the date of delivery of the Series 2009 Bonds through the next June 10 or December 10, as applicable, such amount necessary to allocate equally among such months, the interest due (net of accrued interest on the Series 2009 Bonds), if any, on the next July 1 or January 1, as applicable, and thereafter on the tenth day of each month one-sixth (1/6) of the interest becoming due on the next interest payment date on the Series 2009 Bonds and all Bonds Outstanding; and

(b) Commencing the tenth day of the month immediately succeeding the date of delivery of the Series 2009 Bonds through the next June 10 such amount necessary to allocate equally among such months the principal due, if any, on the next July 1, and thereafter on the tenth day of each month one-twelfth (1/12) of the principal amount becoming due on the next principal payment date on the Series 2009 Bonds and all Bonds Outstanding.

Section 5. Series 2009 Bonds on a Parity. The Series 2009 Bonds are issued on a parity with the outstanding Pima County, Arizona, Sewer Improvement and Refunding Revenue Bonds, Series 1998, Sewer Revenue Refunding Bonds, Series 2001, Sewer Revenue Refunding Bonds, Series 2004, Sewer Revenue Bonds, Series 2007, and Sewer Revenue Bonds, Series 2008 and those certain Loan Agreements between the County, as Borrower, and the Water Infrastructure Finance Authority of Arizona, dated March 1, 1996, August 6, 1997, October 27, 2000, as amended, and May 11, 2004, as amended, respectively, and any other bonds hereafter issued on a parity with such bonds (together, the "Parity Obligations"), and holders of the Series 2009 Bonds shall enjoy the same parity of lien and rights of enforcement.

The County reaffirms all covenants and conditions contained in Resolution No. 1991-138 and agrees that all such covenants and conditions shall also apply to all Series 2009 Bonds herein authorized and all funds created or continued by Resolution No. 1991-138 are hereby ordered expanded so as to service the increased requirements caused by the issuance of the Series 2009 Bonds. Payment of the Series 2009 Bonds may be provided as described in Resolution No. 1991-138 and additional Parity Obligations may be issued or incurred as provided in Resolution No. 1991-138.

If necessary, the Reserve Fund Value shall be increased by the amount of the Reserve Requirement for the Series 2009 Bonds and all other outstanding Parity Obligations. If, upon issuance of the Series 2009 Bonds, the Reserve Fund Value is less than the Reserve Requirement, the County shall (i) immediately upon execution and delivery of the Series 2009 Bonds, deposit Series 2009 Bond proceeds or other available moneys of the County into the Reserve Fund or cause to be delivered a Reserve Fund Guaranty to the Paying Agent, in an amount sufficient for the Reserve Fund Value to equal the Reserve Fund Requirement for the Series 2009 Bonds and all other outstanding Parity Obligations or (ii) deposit Net Revenues to the Reserve Fund in approximately equal monthly installments on the 10th day of each month such that the Reserve Fund Value will equal or exceed the increased Reserve Requirement, if any, not later than the expiration of five (5) years following the initial delivery of the Series 2009 Bonds or (iii) any combination of (i) and (ii).

Section 6. Prior Redemption.

(a) Optional Redemption. The Series 2009 Bonds maturing on or before July 1, 2019 are not subject to call for redemption prior to their respective maturity dates. The Series 2009 Bonds maturing on or after July 1, 2020 are subject to call for redemption on any date on or after July 1, 2019 at the election of the County, in whole or in part from maturities selected by the County and within any maturity by lot by the payment of a redemption price equal to the principal amount of each Series 2009 Bond called for redemption plus accrued interest to the date fixed for redemption, without premium.

(b) Notice of Redemption. Notice of redemption will be given by mail to registered owners of the Series 2009 Bonds at the address shown on the bond register maintained by the Bond Registrar not less than 30 days nor more than 60 days prior to the specified redemption date. Neither failure to give such notice, nor any defect therein, with respect to any Series 2009 Bonds shall affect the regularity of the proceedings for redemption of any other Series 2009 Bonds.

(c) Redemption of Less Than All of a Series 2009 Bond. The County may redeem a portion of any Series 2009 Bond in $5,000 increments. In that event, the registered owner shall submit the Series 2009 Bond for partial redemption and the Paying Agent shall make such partial payment and the Bond Registrar shall cause to be issued a new Series 2009 Bond in a principal amount which reflects the redemption so made to be authenticated and delivered to the registered owner thereof.

(d) Effect of Call for Redemption. On the date designated for redemption by notice given as herein provided, the Series 2009 Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Series 2009 Bonds on such date, and, if moneys for payment of the redemption price and accrued interest are held in separate accounts by the Paying Agent, interest on such Series 2009 Bonds or portions of Series 2009 Bonds so called for redemption shall cease to accrue, such Series 2009 Bonds shall cease to be entitled to any benefit or security hereunder and the owners of such Series 2009 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and accrued interest and such Series 2009 Bonds shall be deemed paid and no longer outstanding.

Section 7. Use of Proceeds.

(a) Upon delivery of the Series 2009 Bonds and payment therefor, the amount paid as accrued interest shall be deposited to the Bond Fund. The balance shall be set aside in a separate fund and used solely for the purpose approved by the electors of the County at the Bond Elections.

(b) Pending any disbursement(s) as set forth in subsection (a) above, the County Treasurer is directed to invest the proceeds from the sale of the Series 2009 Bonds in the State Treasurer's Local Government Investment Pool (LGIP); provided, however, that the County, acting through the County Administrator or its Finance and Risk Management Director, may at any time provide other written investment instructions to the County Treasurer and the County Treasurer, to the extent that such investments are lawful, is authorized and directed to invest the monies designated in the written instructions in the investments set forth in the instructions.

Section 8. Form of Series 2009 Bonds.

(a) The Series 2009 Bonds shall be in substantially the form of Exhibit B, attached hereto and incorporated by reference herein, with such necessary and appropriate omissions, insertions and variations as are permitted or required hereby or by the Notice Inviting Proposals for the Purchase of Sewer Revenue Bonds and are approved by those officers executing the Series 2009 Bonds and execution thereof by such officers shall constitute conclusive evidence of such approval.

(b) The Series 2009 Bonds may have notations, legends or endorsements required by law, securities exchange rule or usage. Each Series 2009 Bond shall show the date of its authentication and registration.

Section 9. Book Entry Only System.

(a) The Series 2009 Bonds will initially be issued to and registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"), an automated clearinghouse for securities transactions, which will act as securities depository for the Series 2009 Bonds. One fully registered Series 2009 Bond, in the aggregate principal amount of each maturity, will initially be registered in the name of and held by Cede & Co., as nominee for DTC.

(b) So long as the book entry only system is in effect, beneficial ownership interests in the Series 2009 Bonds will be available in book entry form only through direct or indirect participants in DTC, in the principal amount of $5,000 or any integral multiple thereof. Beneficial owners of the Series 2009 Bonds will not receive certificates representing their interests in the Series 2009 Bonds and will not be deemed to be registered owners of the Series 2009 Bonds.

(c) So long as the book entry only system is in operation, principal of, premium, if any, and interest on the Series 2009 Bonds will be payable by the Paying Agent to Cede & Co., as nominee of DTC which organization consequently bears sole responsibility for

remitting such principal, premium, if any, and interest to the DTC participants for subsequent credit or disbursement to the beneficial owners of the Series 2009 Bonds.

(d) In the event the County determines not to continue the DTC book entry only system or DTC determines to discontinue providing its services with respect to the Series 2009 Bonds and the County does not select another qualified securities depository, the County shall cause the Bond Registrar to deliver to DTC for redistribution to beneficial owners of the Series 2009 Bonds one or more Series 2009 Bonds in such principal amount or amounts, in denominations of $5,000 and any integral multiple thereof, and registered in such name or names, as DTC shall designate.

Section 10. Execution of Series 2009 Bonds.

(a) The Series 2009 Bonds shall be executed for and on behalf of the County by the Chairman of the Board and attested by the Clerk of the Board by their manual or facsimile signatures.

(b) If an officer whose signature is on a Series 2009 Bond no longer holds that office at the time the Series 2009 Bond is authenticated and registered, the Series 2009 Bond shall nevertheless be valid.

(c) A Series 2009 Bond shall not be valid or binding until authenticated by the manual signature of an authorized officer of the Bond Registrar. The signature shall be conclusive evidence that the Series 2009 Bond has been authenticated and issued under this resolution.

Section 11. Mutilated, Lost or Destroyed Series 2009 Bonds. In case any Series 2009 Bond becomes mutilated or destroyed or lost, the County shall cause to be executed and delivered a new Series 2009 Bond of like date and tenor in exchange and substitution for and upon the cancellation of such mutilated Series 2009 Bond or in lieu of and in substitution for such Series 2009 Bond destroyed or lost, upon the registered owner's paying the reasonable expenses and charges of the County in connection therewith and, in the case of the Series 2009 Bond destroyed or lost, filing with the Clerk of the Board by the registered owner evidence satisfactory to the County that such Series 2009 Bond was destroyed or lost, and furnishing the County with a sufficient indemnity bond pursuant to § 47-8405, Arizona Revised Statutes.

Section 12. Acceptance of Bid.

(a) The bid of the winning bidder attached hereto as Exhibit A for the purchase of the Series 2009 Bonds is hereby accepted and the Series 2009 Bonds are hereby ordered sold to such purchaser in accordance with the terms of such bid and the terms and conditions of the Notice Inviting Bids for the Purchase of Sewer Revenue Bonds. The Series 2009 Bonds will bear interest at the rates set forth in the Accepted Bid.

(b) The County Administrator or his designee is hereby authorized and directed to cause the Series 2009 Bonds to be delivered to the purchaser upon receipt of payment therefor and satisfaction of the other conditions for delivery thereof in accordance with the terms of the sale.

(c) The County Treasurer and the Finance and Risk Management Director of the County are each authorized and directed to return security deposits received from unsuccessful bidders for the purchase of the Series 2009 Bonds.

Section 13. Bond Registrar and Paying Agent.

(a) The County will maintain an office or agency where Series 2009 Bonds may be presented for registration of transfer (the "Bond Registrar") and an office or agency where Series 2009 Bonds may be presented for payment (the "Paying Agent"). The County may appoint one or more co-Bond Registrars or one or more additional Paying Agents. The Bond Registrar and Paying Agent may make reasonable rules and set reasonable requirements for their respective functions with respect to the owners of the Series 2009 Bonds.

(b) As provided in Resolution No. 1991-138, The Bank of New York Mellon Trust Company, N.A. (as successor in interest to J.P. Morgan Trust Company, National Association, Bank One Trust Company, N.A., Bank One Arizona, NA and The Valley National Bank of Arizona), or successors thereto, is hereby appointed and shall act as the Bond Registrar and Paying Agent for the Series 2009 Bonds.

(c) The Bond Registrar may appoint an authenticating agent acceptable to the County to authenticate Series 2009 Bonds. An authenticating agent may authenticate Series 2009 Bonds whenever the Bond Registrar may do so. Each reference in this Resolution to authentication by the Bond Registrar includes authentication by an authenticating agent acting on behalf and in the name of the Bond Registrar and subject to the Bond Registrar's direction.

(d) The Bond Registrar shall keep a register of the Series 2009 Bonds, the registered owners of the Series 2009 Bonds and of transfer of the Series 2009 Bonds. When Series 2009 Bonds are presented to the Bond Registrar or a co-Bond Registrar with a request to register a transfer, the Bond Registrar will register the transfer on the registration books if its requirements for transfer are met and will authenticate and deliver one or more Series 2009 Bonds registered in the name of the transferee of the same principal amount, maturity and rate of interest as the surrendered Series 2009 Bonds. Any Series 2009 Bond may be exchanged at the designated office of the Bond Registrar for a Series 2009 Bond of the same maturity date and aggregate principal amount as the surrendered Series 2009 Bond. The "Record Date" for the Series 2009 Bonds will be the close of business of the Bond Registrar on the 15th day of the month preceding an interest payment date. Series 2009 Bonds presented to the Bond Registrar for transfer after the close of business on the Record Date and before the close of business on the next subsequent interest payment date will be registered in the name of the transferee but the interest payment will be made to the registered owners shown on the books of the Bond Registrar as of the close of business on the Record Date.

(e) The Bond Registrar shall authenticate Series 2009 Bonds for original issue in up to $18,940,000 aggregate principal amount upon the written request of the County Administrator or his designee. The aggregate principal amount of Series 2009 Bonds outstanding at any time may not exceed that amount except for replacement Series 2009 Bonds as to which the requirements of the Bond Registrar and the County are met.

Section 14. Reserve Fund Guaranty and Bond Insurance. Assured Guaranty Corp ("Assured Guaranty") has issued a commitment to deliver a reserve fund insurance policy qualifying as a Reserve Fund Guaranty in connection with the Series 2009 Bonds, and the County Administrator or his designee is hereby authorized to negotiate with and secure, with proceeds of the Series 2009 Bonds or otherwise, such a Reserve Fund Guaranty, in amounts required by Resolution No. 1991-138. The Chairman of the Board or the County Administrator or the designee or either is hereby further authorized to execute and deliver any instruments or documents necessary in connection with the purchase of any such Reserve Fund Guaranty, including those making provision for the repayment of amounts advanced by Assured Guaranty thereunder. Assured Guaranty has also issued its commitment to deliver a financial guaranty insurance policy in connection with the Series 2009 Bonds, and the County Administrator or the designee or either is hereby further authorized to secure such financial guaranty insurance policy, with proceeds of the Series 2009 Bonds or otherwise, and the Chairman of the Board or the County Administrator or the designee of either is authorized to execute and deliver any instruments or documents necessary in connection with such financial guaranty insurance policy, including those making provision for the repayment of amounts advanced by Asset Guaranty thereunder.

Section 15. Resolution a Contract. This Resolution shall constitute a contract between the County and the owners of the Series 2009 Bonds issued hereunder and shall not be repealed or amended except as provided in Resolution No. 1991-138 for repeal or amendment thereof.

Section 16. Tax Covenants.

(a) The County recognizes that the purchasers and owners of the Series 2009 Bonds will have accepted them on and paid a price for them reflecting the understanding that interest thereon is excludable from gross income of the owners thereof for federal income tax purposes under laws in force at the time the Series 2009 Bonds are delivered. In this connection, the County covenants that it will use, and will restrict the use and investment of, the proceeds of the Series 2009 Bonds in such manner and to such extent as may be necessary so that (i) the Series 2009 Bonds will not constitute private activity bonds, arbitrage bonds or hedge bonds under Section 141, 148 or 149 of the Code, or to be treated other than as bonds to which Section 103(a) of the Code applies, and (ii) the interest on the Series 2009 Bonds will not be an item of tax preference under Section 57 of the Code. For purposes of this Section 17, the "Code" means, collectively, the Internal Revenue Code of 1986, as amended, the Treasury Regulations (whether temporary or final) promulgated pursuant thereto, and any amendments or successor provisions thereto, any official rulings, announcements, notices, procedures and judicial determinations regarding any of them.

(b) The County further covenants that (i) it will take or cause to be taken such actions that may be required of it for the interest on the Series 2009 Bonds to be and remain excluded from gross income for federal income tax purposes; (ii) it will not take or authorize to be taken any actions that would adversely affect that exclusion; (iii) it, or persons acting for it, will, among other acts of compliance, (a) apply the proceeds of the Series 2009 Bonds to the governmental purposes of the borrowing; (b) restrict the yield on investment property acquired with the proceeds; (c) make timely and adequate payments of to the federal government as required under the Tax Compliance Certificate of the County, to be dated as of the date of

issuance of the Series 2009 Bonds (the "Tax Compliance Certificate") relating to the Series 2009 Bonds; (d) maintain books and records and make calculations and reports; and (e) refrain from certain uses of those proceeds, and, as applicable, of property financed with such proceeds all in such manner and to the extent necessary to assure that exclusion of that interest under the Code.

(c) The County Administrator or his designee is authorized to (i) make or effect any election, selection, designation, choice, consent, approval or waiver on behalf of the County with respect to the Series 2009 Bonds as the County is permitted to make or give under the federal income tax laws, including, without limitation, any of the elections provided for in Section 148(f)(4)(C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the Series 2009 Bonds or interest thereon or assisting compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties, or making payments of special amounts in lieu of making computations to determine, or paying, excess earnings as rebate, or obviating those amounts or payments, as determined by that officer, which actions shall be in writing and signed by that officer; (ii) take any and all other actions, make or obtain calculations, make payments, and make or give reports, covenants and certifications of and on behalf of the County, as may be appropriate to assure the exclusion of interest from gross income and the intended tax status of the Series 2009 Bonds; and (iii) give one or more appropriate certificates, for inclusion in the transcript of proceedings for the Series 2009 Bonds, setting for the reasonable expectations of the County regarding the amount and use of all the proceeds of the Series 2009 Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the interest on and the tax status of the Series 2009 Bonds.

(d) The County authorizes the creation by the County Administrator or his designee of a fund that is hereinafter referred to as the "Rebate Fund," and any other such accounts or sub-accounts as necessary or advisable in order to comply with the foregoing covenants and the Tax Compliance Certificate. The County will comply with the rebate requirements set forth in the Tax Compliance Certificate.

(e) The County Administrator or his designee is hereby authorized to execute on behalf of the County the Tax Compliance Certificate. The Tax Compliance Certificate shall constitute a certification, representation and agreement of the County and no investment shall be made of the proceeds of the Series 2009 Bonds herein authorized nor of the money in the accounts established hereunder in violation of the expectations and covenants prescribed by the Tax Compliance Certificate. The Tax Compliance Certificate shall constitute an agreement of the County to follow certain covenants which may require the County to take certain actions (including the payment of certain amounts to the United States Treasury) or which may prohibit certain actions (including the establishment of certain funds) under certain conditions as specified in the Tax Compliance Certificate.

(f) The County further recognizes that Section 149(a) of the Code requires the Series 2009 Bonds to be issued and to remain in fully registered form in order for interest thereon to be excludable from gross income for purpose of federal income taxation under laws in force at the time the Bonds are delivered. In this connection, the County agrees that it will not take any action to permit the Series 2009 Bonds to be issued in, or converted into, bearer or

coupon form if such action would cause interest on the Series 2009 Bonds to be included in gross income for federal income tax purposes.

Section 17. Continuing Disclosure Undertaking. The County also recognizes that the initial purchaser of the Series 2009 Bonds may be required to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), in connection with purchasing or selling the Series 2009 Bonds as an underwriter. In order to assist the initial purchaser in complying with the Rule, the County will enter into a Continuing Disclosure Undertaking with respect to the Series 2009 Bonds, and a Continuing Disclosure Undertaking in substantially the form presented to the Board of Supervisors is hereby approved. The County Administrator or his designee is hereby authorized and directed to execute and deliver the Continuing Disclosure Undertaking and to do all such acts and things necessary to carry out the terms and intent of the Continuing Disclosure Undertaking.

Section 18. Official Statement. The County Administrator or his designee is hereby authorized and directed to prepare or authorize to be prepared, and to complete, a final Official Statement (the "Official Statement") relating to the original issuance of the Series 2009 Bonds in substantially the form of the Preliminary Official Statement (the "Preliminary Official Statement") prepared in connection with the original issuance of the Series 2009 Bonds, with such additions, deletions and modifications consistent with this Resolution as shall be approved by the County Administrator or his designee. If and to the extent applicable, the County Administrator or his designee shall certify or otherwise represent that the Preliminary Official Statement, in original or revised form, is a "deemed final" official statement (except for permitted omissions) of the County as of a particular date and that a completed version is a "final" official statement for purposes of the Rule. The distribution and use of the Preliminary Official Statement and the final Official Statement by the County and the original purchaser of the Series 2009 Bonds is hereby authorized, ratified, confirmed and approved.

The Chairman or any member of this Board of Supervisors and the County Administrator or his designee are each further authorized to use and distribute, or authorize the use and distribution of, any supplements in connection with the original issuance of the Series 2009 Bonds as may be necessary or appropriate, and to sign and deliver, on behalf of the County, the Official Statement and such certificates in connection with the accuracy of the Preliminary Official Statement and the Official Statement and any amendment thereto as may be necessary or appropriate.

Section 19. Severability. It is the intention hereof to confer upon the County the whole of the powers provided for in the Act and if any one or more sections, clauses, sentences and parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions hereof, or the Series 2009 Bonds issued pursuant hereto but shall be confined to the specific sections, clauses, sentences and parts so determined. All prior resolutions or parts thereof in conflict herewith be and the same are hereby repealed.

Section 20. Ratification of Actions. All actions of the officers, employees, and agents of the County which conform to the purposes and intent of this Resolution and which further the

issuance and sale of the Series 2009 Bonds as contemplated by this Resolution whether heretofore or hereafter taken shall be and are hereby ratified, confirmed and approved. Any changes made in the Notice Inviting Bids for the Purchase of Sewer Revenue Bonds that does not conform to the prior order of this Board of Supervisors is hereby ratified. The proper officers and agents of the County are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the County as may be necessary to carry out the terms and intent of this Resolution.

Section 21. Emergency. It is necessary to utilize an emergency clause with this Resolution to make the award of the contract for the purchase of the Series 2009 Bonds effectively immediately, thereby committing the purchaser to the interest rates the Series 2009 Bonds will bear, transferring the market risk of changes in interest rate levels from the County to the purchaser and permitting delivery of and payment for the Series 2009 Bonds to occur as soon as is possible.

WHEREAS, the immediate operation of the provisions of this Resolution is necessary for the preservation of the public peace, health and safety of the County, an emergency is hereby declared to exist, and this Resolution is enacted as an emergency measure and will be in full force and effect after its passage, adoption and approval by the Board of Supervisors and it is hereby exempt from the referendum provisions of the Constitution and laws of the State of Arizona.

[Remainder of page left blank intentionally]

PASSED, ADOPTED AND APPROVED by the Board of Supervisors of Pima County, Arizona, on April 21, 2009.

PIMA COUNTY, ARIZONA

By: _____
Chairman, Board of Supervisors

APR 21 2009

ATTEST:

By: _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE, SANDERS & DEMPSEY L.L.P.,
Bond Counsel

By: _____
Timothy E. Pickrell

465357

EXHIBIT A TO RESOLUTION NO. 2009-69

Resolution No. 2009- 69 Awarding $18,940,000 of Sewer Revenue Bonds, Series 2009, to the low bidder, UBS Financial Services Inc., at a Net Interest Cost of 3.699820%.

Upcoming Calendar | Overview | Result | Excel

UBS Financial Services Inc. - New York , NY's Bid

PARITY

Pima County
$18,940,000 Sewer Revenue Bonds, Series 2009

For the aggregate principal amount of $18,940,000.00, we will pay you $19,233,380.25, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount $	Coupon %
07/01/2010	810M	3.2500
07/01/2011	1,015M	3.2500
07/01/2012	400M	3.2500
07/01/2013	1,065M	3.2500
07/01/2014	1,110M	3.2500
07/01/2015	1,155M	3.2500
07/01/2016	1,210M	3.5000
07/01/2017	1,265M	3.5000
07/01/2018	1,325M	3.7500
07/01/2019	1,395M	3.7500
07/01/2020	1,465M	3.7500
07/01/2021	1,545M	4.0000
07/01/2022	1,630M	4.0000
07/01/2023	1,725M	4.2500
07/01/2024	1,825M	4.2500

Total Interest Cost:	$6,786,883.68
Premium:	$293,380.25
Net Interest Cost:	$6,493,503.43
NIC:	3.699820

Time Last Bid Received On:04/21/2009 8:43:28 PDST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: UBS Financial Services Inc., New York , NY
Contact: Robbie Specter
Title:
Telephone:212-713-2500
Fax:

Issuer Name: Pima County

Company Name: _____

Bid Results

Pima County
$18,940,000 Sewer Revenue Bonds, Series 2009

The following bids were submitted using ***PARITY***® and displayed ranked by lowest NIC.
Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	NIC
☐	UBS Financial Services Inc.	3.699820
☐	Robert W. Baird & Co., Inc.	3.723572
☐	Morgan Stanley	3.819509
☐	Hutchinson, Shockey, Erley & Co.	4.197096

*Awarding the Bonds to a specific bidder will provide you with the Reoffering Prices and Yields.

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EXHIBIT B TO RESOLUTION NO. 2009- 69

FORM OF BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
SEWER REVENUE BOND, SERIES 2009

Number:
R-_____

Denomination:
$_____

Interest Rate	Maturity Date	Original Issue Date	CUSIP
	July 1, 20___	_____, 2009	

Registered Owner: CEDE & CO.

Principal Amount: _____AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County"), for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain Bonds of the issue of which this Bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth within this Bond.

Interest is payable on January 1 and July 1 of each year, commencing January 1, 2010, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check payable in such money drawn on the Paying Agent and payable to the order of and mailed by the Paying Agent to the registered owner at the address shown on the registration books maintained by the Bond Registrar at the close of business on the record date, or by wire transfer, as explained herein. The principal and any premium will be paid when due to the registered owner upon surrender of this Bond for payment at the designated office of the Paying Agent, which on the original issue date is the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A.

This Bond is one of an issue of $18,940,000 principal amount of Bonds of like date, tenor and effect except as to rate of interest, number and maturity date, issued pursuant to the Constitution and laws of the State of Arizona including particularly Title 11, Chapter 2, Article 4, Arizona Revised Statutes, as amended, and Resolutions No. 1991-138, 1991-182 and No. 2009-___ adopted by the Board of Supervisors of Pima County on June 18, 1991, August 6, 1991 and April 21, 2009, respectively (collectively, the "Bond Resolution"), for the purpose of providing funds to pay the costs of improvements, expansions and extensions to the County's sewer plant and system and paying the costs of issuance therefor and necessary premiums and commissions in connection therewith.

This Bond and the issue of which it is a part are payable as to both principal and interest solely from the net revenues to be derived by the County from the sewer system of the County. For a more complete statement of the provisions made to secure payment of the Bonds, the revenues from which and conditions under which this Bond is payable, statements of the terms under which the Bond Resolution may be modified, and the general covenants and provisions pursuant to which this Bond is issued, reference is made to the Bond Resolution.

This Bond and the interest hereon are enforceable exclusively from the revenues pledged thereto in the Bond Resolution and no owner hereof shall have the right to compel any exercise of the taxing power of the County to pay this Bond or the interest hereon. This Bond does not constitute an indebtedness or pledge of the general credit of the County within the meaning of any constitutional, charter or statutory provisions relating to the incurring of indebtedness.

Interest on the Bonds will be paid on each interest payment date by check mailed by the Paying Agent to each registered owner of the Bonds at the address shown on the registration book of the Bond Registrar on the record date (as described below), or by wire transfer to any securities depository or, upon two days prior written request delivered to the paying agent specifying a wire transfer address in the continental United States by any registered owner of at least $1,000,000 aggregate principal amount of Bonds.

Bonds maturing on or before July 1, 2019 are not subject to call for redemption prior to their respective maturity dates. The Bonds maturing on or after July 1, 2020 are subject to call for redemption on any date on or after July 1, 2019 at the election of the County, in whole or in part from maturities selected by the County and within any maturity by lot by the payment of a redemption price equal to the principal amount of each bond called for redemption plus accrued interest to the date fixed for redemption, without premium.

Notice of redemption of any Bond will be mailed to the registered holder of the Bond or Bonds being redeemed at the address shown on the bond register maintained by the Bond Registrar not less than 30 days nor more than 60 days prior to the specified redemption date.

The Bond Registrar and Paying Agent is The Bank of New York Mellon Trust Company, N.A. The Bond Registrar or Paying Agent may be changed without notice.

This Bond is transferable by the registered owner in person or by attorney duly authorized in writing at the designated office of the Bond Registrar upon surrender and cancellation of this Bond, but only in the manner and subject to the limitation and upon payment of the charges provided in the Bond Resolution. Upon such transfer a new bond or bonds of the same aggregate principal amount, maturity and interest rate will be issued to the transferee in

exchange. The Bond Registrar may require an owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Bond Resolution. The County has chosen the 15th day of the month preceding an interest payment date as the record date for this series of Bonds, unless such date is a Saturday, Sunday or holiday, in which case the record date will be deemed to be the previous business day. Should this Bond be submitted to the Bond Registrar for transfer during the period commencing after the close of business on the record date and continuing to and including the next subsequent interest payment date, ownership will be transferred in the normal manner but the interest payment will be made payable to and mailed to the registered owner as shown on the Bond Registrar's books at the close of business on the record date.

The Bond Registrar may but need not register the transfer of a Bond which has been selected for redemption and need not register the transfer of any Bond for a period of 15 days before a selection of Bonds to be redeemed. If the transfer of any Bond which has been called or selected for call for redemption in whole or in part is registered, any notice of redemption which has been given to the transferor will be binding upon the transferee and a copy of the notice of redemption will be delivered to the transferee along with the Bond or Bonds.

Bonds of this issue are issuable only in fully registered form in the denomination of $5,000 each or integral multiples of $5,000. This Bond may be exchanged at the designated office of the Bond Registrar for a like aggregate principal amount of Bonds of the same maturity in authorized denominations upon the terms set forth in the Bond Resolution.

The County, the Bond Registrar and the Paying Agent may treat the registered owner of this Bond as the absolute owner for the purpose of receiving principal, interest and any premium and for all other purposes and none of them shall be affected by any notice to the contrary.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and laws of the State of Arizona to exist, to occur and to be performed precedent to and in the issuance of this Bond exist, have occurred and have been performed and that the series of Bonds of which this is one, together with all other indebtedness of the County, is within every debt and other limit prescribed by the Constitution and laws of the State of Arizona.

The County has caused this Bond to be executed by the Chairman of its Board of Supervisors and attested by its Clerk of the Board of Supervisors, which signatures may be facsimile signatures. This Bond is not valid or binding upon the County without the manually affixed signature of an authorized representative of the Bond Registrar.

PIMA COUNTY, ARIZONA

_____

Chairman, Board of Supervisors

ATTEST:

_____

Clerk, Board of Supervisors

AUTHENTICATION CERTIFICATE

This Bond is one of the Pima County, Arizona, Sewer Revenue Bonds, Series 2009, described in the Bond Resolution mentioned herein.

Date of Authentication: _____

The Bank of New York Mellon Trust Company, N.A., as Registrar

By: _____
Authorized Representative

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common
TEN ENT -- as tenants by the entireties
JT TEN -- as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT --
_____ Custodian _____
(Cust) (Minor)
Under Uniform Gifts to Minor Act

_____
(State)

Additional abbreviations may also be used though not in list above.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

_____
(Name and Address of Transferee)

_____
(Social Security or other Federal Tax Identification Number of Transferee)

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

_____
Note: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within registered bond in every particular without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

_____
Note: Signature(s) must be guaranteed by an eligible guarantor institution pursuant to Securities and Exchange Commission Rule 17Ad-15 that is a participant in a signature guarantor program recognized by the Trustee.

SUPPLEMENT
TO
OFFICIAL STATEMENT
DATED APRIL 21, 2009
relating to

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS, SERIES 2009

PLEASE BE ADVISED that the above-referenced Official Statement has been supplemented to add the following information provided by Assured Guaranty Corp.:

Page 7: The following paragraph replaces the third paragraph under the "BOND INSURANCE-The Insurer":

Assured Guaranty's financial strength is rated "AAA" (stable) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "Aa2" (stable) by Moody's Investors Service, Inc. ("Moody's") and "AA" (evolving) by Fitch, Inc. ("Fitch"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Page 7: The following subsection replaces the current subsection entitled "*Recent Developments*" under "BOND INSURANCE-The Insurer" prior to the caption entitled "*Capitalization of Assured Guaranty*":

Recent Developments

Ratings

In a press release dated May 4, 2009, Fitch announced that it had downgraded the insurer financial strength rating of Assured Guaranty to "AA" from "AAA" and placed such rating on Rating Watch Evolving. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments. There can be no assurance that Fitch or the other rating agencies will not take further ratings action with respect to Assured Guaranty or as to what impact, if any, Fitch's action will have on Assured Guaranty's insurance financial strength ratings from S&P or Moody's. For more information regarding Assured Guaranty's financial strength ratings, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by AGL with the Securities and Exchange Commission ("SEC") on February 26, 2009.

Agreement to Purchase FSA

On November 14, 2008, AGL announced that it had entered into a definitive agreement to purchase Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company Financial Security Assurance, Inc. For more information regarding the proposed acquisition by AGL of FSA, see the Annual Report on Form 10-K filed by AGL with the SEC on February 26, 2009.

The date of this Supplement is May 4, 2009.

OFFICIAL STATEMENT

NEW ISSUE - BOOK-ENTRY ONLY **RATINGS: See "Ratings" herein**

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Bonds is exempt from Arizona state income tax. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Dated: Date of Initial Delivery **Due: July 1, as shown on next page**

The Sewer Revenue Bonds, Series 2009 (the "Bonds") are being issued by Pima County, Arizona (the "County") in accordance with applicable State of Arizona law. Initially, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry-only form in denominations of $5,000 or any integral multiple thereof.

Interest on the Bonds is payable until maturity or prior redemption semiannually on January 1 and July 1 (each an "Interest Payment Date"), commencing January 1, 2010 and principal of the Bonds will be payable annually in accordance with the schedule set forth below. So long as the Bonds are registered in the name of DTC, or its nominee, payments of the principal and interest on the Bonds will be made directly by the paying agent, initially The Bank of New York Mellon Trust Company, N.A., to DTC which, in turn, is obligated to remit such payments to its participants for subsequent distribution to beneficial owners of the Bonds, as described herein.

The Bonds are subject to redemption prior to their stated maturities as described herein.

The Bonds are being issued for the purpose of providing funds to (i) make various improvements in the County's sewer system (the "System") and (ii) pay costs relating to the issuance of the Bonds.

Principal of and interest on the Bonds is payable solely from and secured by a pledge of the Net Revenues of the System on a parity of lien with certain outstanding sewer revenue debt and additional parity debt that may be issued or incurred in the future under the herein-described Sewer Bond Resolution. The Bonds are not general obligations of the County or a charge against the general credit or taxing power of the County. The County is not liable for the payment of the Bonds from any sources of funds except from the sources and funds described herein. See "THE BONDS - Security and Source of Payment" herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp. ("Assured Guaranty").

ASSURED GUARANTY®

MATURITY SCHEDULE

Due July 1	Principal Amount	Interest Rate	Yield
2010	$810,000	3.25%	0.80%
2011	1,015,000	3.25	1.35
2012	400,000	3.25	1.65
2013	1,065,000	3.25	1.90
2014	1,110,000	3.25	2.25
2015	1,155,000	3.25	2.50
2016	1,210,000	3.50	2.75
2017	1,265,000	3.50	3.00
2018	$1,325,000	3.75%	3.25%
2019	1,395,000	3.75	3.50
2020	1,465,000	3.75	3.75
2021	1,545,000	4.00	3.90*
2022	1,630,000	4.00	4.05
2023	1,725,000	4.25	4.25
2024	1,825,000	4.25	4.35

* Price to the July 1, 2019 first optional redemption date.

This cover page contains only a brief description of the Bonds and the security therefor. It is not intended to be a summary of material information with respect to the Bonds. Investors should read the entire Official Statement to obtain information necessary to make an informed investment decision.

The Bonds are offered when, as and if issued by the County subject to the approving opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel as to validity and tax exemption. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about May 6, 2009.

April 21, 2009

PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS

Richard Elías, *Chairman*

Sharon Bronson

Ray Carroll

Ann Day

Ramón Valadez

COUNTY ADMINISTRATIVE OFFICIALS

ELECTED OFFICIALS

Bill Staples
County Assessor

Beth Ford
County Treasurer

Barbara La Wall
County Attorney

APPOINTED OFFICIALS

C. H. Huckelberry
County Administrator

Thomas Burke
Finance and Risk Management Director

FINANCIAL ADVISOR

RBC Capital Markets Corporation
Phoenix, Arizona

BOND COUNSEL

Squire, Sanders & Dempsey L.L.P.
Phoenix, Arizona

BOND REGISTRAR AND PAYING AGENT

The Bank of New York Mellon Trust Company, N.A.
Tempe, Arizona

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offering of any security other than the original offering of the Bonds identified on the cover hereof. No person has been authorized by Pima County, Arizona (the "County") to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the County.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show certain historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. All forecasts, projections, assumptions, opinions or estimates are "forward looking statements," which must be read with an abundance of caution and which may not be realized or may not occur in the future. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

The issuance and sale of the Bonds have not been registered under the Federal Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities; nor have the issuance and sale of the Bonds been qualified under the Securities Act of Arizona, in reliance upon various exemptions thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE" and "Appendix I – Specimen of the Financial Guaranty Insurance Policy."

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For The Fiscal Year Ended June 30, 2008

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$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and the Appendices hereto, has been prepared by Pima County, Arizona (the "County") in connection with the original issuance and sale by the County of its Sewer Revenue Bonds, Series 2009 (the "Bonds") identified on the cover page hereof.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show certain historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

References to provisions of Arizona law, whether codified in the Arizona Revised Statutes or uncodified, or of the Arizona Constitution, are references to those current provisions. Those provisions may be amended, repealed or supplemented.

THE BONDS

Authorization and Use of Funds

The Bonds are issued pursuant to the Constitution and laws of the State of Arizona, including specifically Title 11, Chapter 2, Article 4, Arizona Revised Statutes and all amendments thereto, and more specifically under the provisions of (i) Resolution No. 1991-138 adopted by the County's Board of Supervisors (the "Board") on June 18, 1991, as amended by the Board on August 6, 1991, and (ii) a supplemental authorizing resolution, which supplemental resolution provides for the issuance of the Bonds, to be adopted by the Board on April 21, 2009 (collectively, the "Sewer Bond Resolution"). Excerpts of the Sewer Bond Resolution are presented in Appendix G.

The Bonds offered herein represent a portion of the remaining authorization approved at special bond elections held on May 20, 1997 and May 18, 2004. After the sale and delivery of the Bonds, the County will have $10,002,383 principal amount of authorized but unissued sewer revenue bonds remaining for issuance.

Proceeds of the sale of the Bonds will be used to provide funds to (i) make various improvements in the County's sewer system (the "System") and (ii) pay costs relating to the issuance of the Bonds.

General Description

The Bonds will be dated the date of initial delivery thereof and will be issued in the form of fully registered bonds in denominations of $5,000 or any integral multiple thereof. As described below under the heading "Book-Entry-Only System", the Bonds will be registered in the name of Cede & Co., as registered owner or "Owner" and nominee of The Depository Trust Company ("DTC"), New York, New York. So long as DTC, or its nominee, Cede & Co., is the registered Owner of all of the Bonds, all payments on the Bonds will be made directly to DTC.

The Bonds will bear interest from their dated date, payable semiannually on January 1 and July 1 (each an "Interest Payment Date"), commencing January 1, 2010. Interest on the Bonds will be paid by the paying agent, initially The Bank of New York Mellon Trust Company, N.A. or its successors (the "Paying Agent"), to the Owners thereof as shown on the registration books maintained by the bond registrar, initially The Bank of New York Mellon Trust Company, N.A. or its successors (the "Bond Register"), at the close of business on the fifteenth day of

the month preceding each Interest Payment Date or if such day is a Saturday, Sunday or holiday on the next preceding business day (the "Record Date"). So long as the Bonds are in DTC's book-entry-only system, and thereafter at the written request and expense of the owners of $1,000,000 or more in aggregate principal amount of Bonds delivered to the Bond Registrar prior to a Record Date, interest and principal will be paid by wire transfer to a bank account in the continental United States.

Security and Source of Payment

Principal and interest on the Bonds are payable solely from the revenues derived by the County from the operation of the System, after provision has been made for the payment of the reasonable and necessary expenses of the operation and maintenance of the System (the "Net Revenues"). The Bonds will be on a parity of lien on such Net Revenues with the County's outstanding Sewer Improvement and Refunding Revenue Bonds, Series 1998; Sewer Revenue Refunding Bonds, Series 2001; Sewer Revenue Refunding Bonds, Series 2004; Sewer Revenue Bonds, Series 2007; and Sewer Revenue Bonds, Series 2008; and certain loan agreements between the Water Infrastructure Finance Authority of Arizona ("WIFA") and the County, as borrower, dated March 1, 1996, August 6, 1997, October 27, 2000 as amended, and May 11, 2004, as amended (collectively, the "Outstanding Parity Bonds") and additional parity bonds that may be issued in the future as provided in the Sewer Bond Resolution (collectively with the Bonds and the Outstanding Parity Bonds, the "Parity Bonds"). The aggregate principal amount of Parity Bonds that will be outstanding after the issuance of the Bonds will be $248,477,247. See "Parity Bonds" below and "SEWER REVENUE BONDS TO BE OUTSTANDING" herein.

Redemption

The Bonds maturing on or before July 1, 2019 are not subject to call for redemption prior to their respective maturity dates. The Bonds maturing on or after July 1, 2020 are subject to call for redemption on any date on or after July 1, 2019 at the election of the County, in whole or in part from maturities selected by the County and within any maturity by lot, by the payment of a redemption price equal to the principal amount of each Bond called for redemption plus accrued interest to the date fixed for redemption, without premium.

Notice of Redemption

Notice of redemption of any Bond will be mailed to the registered owner of the Bond or Bonds being redeemed at the address shown on the Bond Register maintained by the Bond Registrar not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption. Failure to give proper notice of redemption shall not affect the redemption of any Bond for which proper notice was given.

Book-Entry-Only System

THE INFORMATION PROVIDED UNDER THIS SUBHEADING "BOOK-ENTRY-ONLY SYSTEM" HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE COUNTY, BOND COUNSEL, or THE FINANCIAL ADVISOR AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues,

corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond Resolution. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Registrar and Paying Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Bonds will be made by the Paying Agent to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Paying Agent or the County. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

NEITHER THE COUNTY NOR THE BOND REGISTRAR WILL HAVE RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE BOND RESOLUTION; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE BONDS; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF BONDS; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to "Owner" or registered owners of the Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the County or the Paying Agent to DTC only.

Registration and Transfer

The Bonds will be transferable only upon the Bond Register maintained by the Bond Registrar and only upon surrender of the Bond or Bonds to be transferred to the registrar with an appropriate instrument of transfer executed by the transferor.

Reserve Fund

The Sewer Bond Resolution requires that the County maintain a Reserve Fund which secures the payment of all Outstanding Parity Bonds and subsequently issued Parity Bonds without preference or priority of bonds of any series. The Sewer Bond Resolution requires that the Reserve Fund be maintained in an amount equal to the Reserve Requirement, which is equal to average annual debt service on all Outstanding Parity Bonds, or such lesser amount as may be required to preserve the sewer revenue bonds' status as tax-exempt obligations under the Internal

Revenue Code. The Sewer Bond Resolution provides that the Reserve Fund be further funded, if necessary in connection with the issuance of the Bonds and adjusted upon the issuance of Parity Bonds by (i) the immediate deposit of bond proceeds or available moneys of the County into the Reserve Fund or the immediate delivery to the Paying Agent of a Reserve Fund Guaranty, or any combination thereof, in order for the Reserve Fund Value to equal or exceed the Reserve Requirement; or (ii) within five years following the delivery of the Bonds or any Parity Bonds, deposits of Net Revenues to the Reserve Fund in approximately equal monthly installments on the 10th day of each month such that the Reserve Fund Value will equal or exceed the Reserve Requirement not later than the expiration of such five-year period; or (iii) any combination of the methods described in clauses (i) and (ii) above in an aggregate amount equal to the Reserve Requirement.

If the Reserve Fund is funded with cash and investment and any amount thereof is subsequently withdrawn and transferred to the Bond Fund to pay debt service on the Bonds such that the Reserve Fund Value is less than the Reserve Requirement, the County is required to deposit to the Reserve Fund from Net Revenues the amount of any such deficiency in twelve (12) equal monthly installments.

The County has previously delivered for the benefit of the Reserve Fund surety bonds issued by Financial Guaranty Insurance Company ("Financial Guaranty"), AMBAC Indemnity Corporation ("AMBAC Indemnity"), MBIA Insurance Company ("MBIA"), Financial Security Assurance ("FSA"), and Assured Guaranty Corp. ("Assured Guaranty") satisfying the requirements of a Reserve Fund Guaranty under the Sewer Bond Resolution, in an amount equal to the Reserve Requirement for all outstanding sewer revenue bonds.

Upon the issuance of the Bonds, the County intends to satisfy the Reserve Requirement of the Reserve Fund through the delivery of a Reserve Fund Insurance Policy (the "2009 Reserve Fund Insurance Policy") issued by Assured Guaranty Corp. which constitutes a Reserve Fund Guaranty. See "BOND INSURANCE - 2009 Reserve Fund Insurance Policy" herein.

Rate Covenant

The County has covenanted under the Sewer Bond Resolution to establish and maintain rates, fees and charges for services supplied by the System sufficient to pay the maintenance and operation costs of the System and to produce an aggregate amount of Net Revenues in each fiscal year equal to at least 1.20 times the Annual Debt Service Requirement for the corresponding Bond Year on all Outstanding Parity Bonds (treating any variable rate Parity Bonds hereafter issued as bearing interest at the Assumed Interest Rate and Parity Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates) and sufficient to pay any Policy Costs (as defined in the Reserve Fund Guaranty) during such Bond Year.

Parity Bonds

Under the provisions of the Sewer Bond Resolution, the County may issue additional Parity Bonds secured by the Net Revenues, if Net Revenues for the immediately preceding Fiscal Year (as shown by a certificate of the County's Director of Finance and Risk Management) are at least equal to 1.20 times Maximum Annual Debt Service coming due in any Bond Year on all Parity Bonds then outstanding and the proposed Parity Bonds to be issued, and are sufficient to pay any Policy Costs during such Bond Years. Under certain conditions set forth in the Sewer Bond Resolution, additional amounts may be added to Net Revenues for the purpose of calculating the Parity Bonds test. See Appendix G "Summary of Resolution No. 1991-138 (as Amended and Supplemented) Authorizing the Issuance of the Bonds."

BOND INSURANCE

The following information is not complete and reference is made to Appendix I for a specimen of the financial guaranty insurance policy (the "Policy") of Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer").

The Insurance Policy

Assured Guaranty has made a commitment to issue the Policy relating to the Bonds, effective as of the date of issuance of such Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the "Insured Payments"). Insured Payments shall not include any additional amounts owing by the County solely as a result of the failure by the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

"Due for Payment" means, when referring to the principal of the Bonds, the stated maturity date thereof, or the date on which such Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Bonds, means the stated dates for payment of interest.

"Nonpayment" means the failure of the County to have provided sufficient funds to the Paying Agent for payment in full of all principal and interest Due for Payment on the Bonds. It is further understood that the term Nonpayment in respect of a Bond also includes any amount previously distributed to the Holder (as such term is defined in the Policy) of such Bond in respect of any Insured Payment by or on behalf of the County, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Paying Agent to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the Holders of the Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

Assured Guaranty Corp. ("Assured Guaranty") is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and

global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" (stable) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., "AAA" (stable) by Fitch, Inc. and "Aa2" (stable) by Moody's Investors Service, Inc. Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

On November 14, 2008, AGL announced that it had entered into a definitive agreement to purchase Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company Financial Security Assurance, Inc. For more information regarding the proposed acquisition by AGL of FSA, see the Annual Report on Form 10-K filed by AGL with the Securities and Exchange Commission (the "SEC") on February 26, 2009.

Capitalization of Assured Guaranty Corp.

As of December 31, 2008, Assured Guaranty had total admitted assets of $1,803,146,295 (unaudited), total liabilities of $1,425,012,944 (unaudited), total surplus of $378,133,351 (unaudited) and total statutory capital (surplus plus contingency reserves) of $1,090,288,113 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2007, Assured Guaranty had total admitted assets of $1,361,538,502 (audited), total liabilities of $961,967,238 (audited), total surplus of $399,571,264 (audited) and total statutory capital (surplus plus contingency reserves) of $982,045,695 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States in making such determinations.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2008 (which was filed by AGL with the SEC on February 26, 2009); and

- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE - The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at http://www.sec.gov and at AGL's web site at http://www.assuredguaranty.com, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE – The Insurance Policy" and "- The Insurer".

2009 Reserve Fund Insurance Policy

Assured Guaranty has made a commitment to issue a financial guaranty insurance policy for the Reserve Fund (the "2009 Reserve Fund Insurance Policy"), effective as of the date of issuance of such Bonds. Under the terms of the 2009 Reserve Fund Insurance Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of the scheduled principal and interest on the Parity Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the County (the "Insured Payments").

Assured Guaranty will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the County to the Paying Agent, as beneficiary of the 2009 Reserve Fund Insurance Policy on behalf of the holders of the Parity Bonds on the later to occur of (i) the date such scheduled principal or interest becomes due for payment or (ii) the business day next following the day on which Assured Guaranty receives a demand for payment therefor in accordance with the terms of the 2009 Reserve Fund Insurance Policy.

No payment shall be made under the 2009 Reserve Fund Insurance Policy in excess of $2,300,000, (the "2009 Reserve Fund Insurance Policy Limit"). Pursuant to the terms of the 2009 Reserve Fund Insurance Policy, the amount available at any particular time to be paid to the Paying Agent shall automatically be reduced to the extent of any payment made by Assured Guaranty under the 2009 Reserve Fund Insurance Policy, provided, that, to the extent of the reimbursement of such payment to Assured Guaranty, the amount available under the 2009 Reserve Fund Insurance Policy shall be reinstated in full or in part, in an amount not to exceed the 2009 Reserve Fund Insurance Policy Limit.

The 2009 Reserve Fund Insurance Policy does not insure against nonpayment caused by the insolvency or negligence of the Paying Agent.

The 2009 Reserve Fund Insurance Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the County which is recovered by the County from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the County unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may direct and must consent to any remedies that the Paying Agent exercises and the Insurer's consent may be required in connection with amendments to the Sewer Bond Resolution.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received by the Paying Agent pursuant to the Sewer Bond Resolution. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "RATINGS" herein.

None of the County, Financial Advisor or Bond Counsel have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the County to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

SEWER REVENUE DEBT TO BE OUTSTANDING

The following chart includes the outstanding sewer revenue debt of the County that will be outstanding after the issuance of the Sewer Revenue Bonds, Series 2009.

Date of Issue	Original Amount	Purpose	Remaining Maturity Dates	Balance Outstanding
03-01-96	$11,313,350	Refunding (a)	7-1-97/12	$ 4,775,425
08-06-97	7,500,000	Sewer Improvements (a)	7-1-00/11	1,914,924
05-01-98	29,185,000	Sewer Improvements	7-1-99/15	13,355,000
10-27-00	61,180,286	Sewer Improvements (a)(b)	7-1-02-16	39,644,825
04-01-01	19,440,000	Refunding	7-1-02/15	12,655,000
05-01-04	25,770,000	Refunding	7-1-05/15	18,145,000
05-11-04	19,967,331	Sewer Improvements (a)(c)	7-1-05/24	18,262,073
01-01-07	50,000,000	Sewer Improvements	7-1-07/26	45,785,000
05-01-08	75,000,000	Sewer Improvements	7-1-09/23	75,000,000
Total Sewer Revenue Bonded Debt Outstanding				$229,537,247
Plus: The Bonds offered Herein				18,940,000
Total Sewer Revenue Bonds Outstanding				$248,477,247

(a) Represents funds borrowed under separate Loan Agreements with the Water Infrastructure Finance Authority of Arizona ("WIFA").

(b) On October 27, 2000, the County entered into certain Loan Agreements with WIFA totaling $40,000,000. In December 2001, the County amended those Loan Agreements to borrow an additional $21,180,286.

(c) On May 11, 2004, the County entered into certain Loan Agreements with WIFA totaling $18,015,219. In September 2005, the County amended those Loan Agreements to borrow an additional $1,952,112.

Additional Sewer Revenue Debt

The County anticipates entering into a loan agreement with WIFA in the approximate amount of $10,000,000 to fund additional improvements to the System. The County's obligation under the loan agreement will be on a parity of lien on the Net Revenues with the County's Parity Bonds, including the Bonds offered herein. The County anticipates entering into the loan agreement with WIFA described herein during the first quarter of fiscal year 2009-10.

PIMA COUNTY, ARIZONA
STATEMENT OF NET REVENUES,
DEBT SERVICE REQUIREMENTS
AND PROJECTED COVERAGE

Fiscal Year	Net Revenues Available For Debt Service(a)	Outstanding Debt Service Requirements	Plus: The Bonds Principal	Plus: The Bonds Interest (b)	Total Debt Service Requirements	Current Debt Service Coverage (c)
2008	$30,743,646	$20,568,537			$20,568,537	1.49
2009	32,348,353	23,422,588			23,422,588	1.38
2010	57,859,534	23,428,517	$ 810,000	$809,221	25,047,738	2.31
2011	63,205,300	23,432,287	1,015,000	675,650	25,122,937	2.52
2012	61,267,293	24,086,750	400,000	642,663	25,129,413	2.44
2013		23,425,094	1,065,000	629,663	25,119,757	
2014		23,434,171	1,110,000	595,050	25,139,221	
2015		23,462,344	1,155,000	558,975	25,176,319	
2016		20,983,481	1,210,000	521,438	22,714,919	
2017		21,071,821	1,265,000	479,088	22,815,909	
2018		15,407,202	1,325,000	434,813	17,167,015	
2019		15,509,016	1,395,000	385,125	17,289,141	
2020		15,611,340	1,465,000	332,813	17,409,153	
2021		15,633,556	1,545,000	277,875	17,456,431	
2022		15,741,293	1,630,000	216,075	17,587,368	
2023		15,838,332	1,725,000	150,875	17,714,207	
2024		5,278,591	1,825,000	77,563	7,181,154	
2025		5,275,270			5,275,270	
2026		3,879,200			3,879,200	

(a) Reflects actual Net Revenues of the System for fiscal year 2007-08 as reported by the County and projected Net Revenues for fiscal years 2008-09 through 2011-12 as estimated by the County. Such projections are "forward looking statements" which must be read with an abundance of caution.

(b) The first Interest Payment Date is January 1, 2010.

(c) Reflects the ratio of Net Revenues Available for Debt Service in the chart to Total Debt Service Requirements for each fiscal year shown. Under the provisions of the Sewer Bond Resolution, the County may issue Parity Bonds secured by the Net Revenues, if Net Revenues for the immediately preceding Fiscal Year are at least equal to 1.20 times Maximum Annual Debt Service coming due in any Bond Year on all Parity Bonds then outstanding. See "THE BONDS - Parity Bonds" herein. This debt service coverage for issuing additional bonds is estimated to be 1.22 times.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds by the County are subject to the approving opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel to the County. Copies of such opinion will be available at the time of delivery of the Bonds. The form of opinion is included as Appendix D to this Official Statement. Fees of Bond Counsel will be paid from Bond proceeds.

TAX MATTERS

General

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law: (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Bonds is exempt from Arizona State income tax. Bond Counsel expresses no opinion as to any other tax consequences regarding the Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the County contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the County's certifications and representations or the continuing compliance with the County's covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the County may cause loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The County has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market prices of the Bonds.

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Although a portion of the interest on certain tax-exempt obligations earned by certain corporations may be subject to a federal corporate alternative minimum tax, interest on certain tax-exempt obligations issued in 2009 and 2010, such as the Bonds, is excluded from that calculation of federal alternative minimum tax. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress, and legislation affecting the exemption of bonds or interest thereon for purposes of State of Arizona taxation may be considered by the Arizona Legislature. Court proceedings may also be filed the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed or clarification of the Code or of Arizona law after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance at the respective prices indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the beneficial owners regarding the tax status of interest on the Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the County as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the Bonds.

Original Issue Discount and Original Issue Premium

Certain of the Bonds ("Discount Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Bonds ("Premium Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium

Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Discount and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

LITIGATION

To the knowledge of the County, no litigation or administrative action or proceeding is pending or threatened to restrain or enjoin, or seeking to restrain or enjoin: the issuance or delivery of the Bonds; the collection or receipt of revenues to pay the principal of, and interest on, the Bonds; contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered; or the validity of the Bonds. The County will deliver a certificate to that effect at the time of the original delivery of the Bonds.

The County has been named as a defendant in several lawsuits for which the County believes either that it has adequate self-insurance or insurance coverage in the event of liability or that such liability would not otherwise materially and adversely affect the financial condition of the County. Litigation involving the System and certain facilities of the System is described in Appendix A.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), are expected to assign their municipal bond ratings of "Aa2" and "AAA", respectively, to the Bonds based upon the issuance of the Policy. The Bonds have also been assigned uninsured ratings of "A2" by Moody's and "A+" by S&P. Such ratings reflect only the view of the rating organizations, and any explanation of the meaning or significance of the ratings may only be obtained from the rating agencies. The County furnished to the rating agencies certain information and materials, some of which may not have been included in this Official Statement relating to the Bonds or the County.

Generally, rating agencies base their ratings on such information and materials and on their own investigations, studies and assumptions. There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency if in their judgment circumstances so warrant. Any lowering or withdrawal of a rating may have an adverse effect on the marketability or market price of the Bonds.

CONTINUING SECONDARY MARKET DISCLOSURE

The County has covenanted for the benefit of holders of the Bonds to provide certain financial information and operating data relating to the County by not later than February 1 in each year commencing February 1, 2010 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material (the "Notice of Material Events"). The Annual Reports, the Notices of Material Events and any other document or information required to be filed by the Continuing Disclosure Undertaking will be filed by the County with each Nationally Recognized Municipal Securities Information Repository ("NRMSIRs") prior to and on June 30, 2009, and after June 30, 2009, with the Municipal Securities Rulemaking Board (the "MSRB") through the MSRB's Electronic Municipal Market Access system, each described in the form of the Continuing Disclosure Undertaking. The specific nature of

the information to be contained in the Annual Report and the Notices of Material Events is set forth in "Appendix D – Continuing Disclosure Undertaking."

These covenants have been made in order to assist the underwriters of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). Pursuant to Arizona law, the ability of the County to provide information pursuant to such covenants is subject to annual appropriation to, among other things, cover the costs of preparing and mailing the Annual Report and the Notices of Material Events to each of the NRMSIRs, prior to and on June 30, 2009, and after June 30, 2009, with the MSRB. A failure by the County to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The County has complied with all existing continuing disclosure undertakings relating to the County in all material respects.

FINANCIAL STATEMENTS

The financial statements of the Pima County Regional Wastewater Reclamation Department and excerpts of the County's Comprehensive Annual Financial Report as of June 30, 2008 and for the fiscal year then ended, which are included as Appendices E and F of this Official Statement, respectively, have been audited by Heinfeld & Meech and the Office of the Auditor General, State of Arizona, respectively, as stated in their respective opinions which appear in Appendices E and F. The County neither requested nor obtained the consent of Heinfeld & Meech or the Office of the Auditor General to include their reports and Heinfeld & Meech and the Office of the Auditor General have performed no procedures subsequent to rendering their opinions on the financial statements.

FINANCIAL ADVISOR

RBC Capital Markets Corporation serves as the Financial Advisor to the County in connection with the issuance of the Bonds. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

ADDITIONAL INFORMATION

Additional information and copies of the Official Statement and the Sewer Bond Resolution may be obtained from RBC Capital Markets Corporation, 2398 East Camelback Road, Suite 700, Phoenix, Arizona 85016 (telephone 602-381-5368), Financial Advisor to the County.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these opinions or estimates have been or will be realized. Information in this Official Statement has been derived by the County from official and other sources and is believed by the County to be accurate and reliable. Information other than that obtained from official records of the County has not been independently confirmed or verified by the County and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been or that may be made orally or in writing is to be construed as a part of a contract with the original purchasers or subsequent owners of the Bonds.

By: _____
Chairman, Board of Supervisors

By: _____
County Administrator

APPENDIX A

PIMA COUNTY, ARIZONA
REGIONAL WASTEWATER RECLAMATION DEPARTMENT

Organization and Administration

The County, through its Regional Wastewater Reclamation Department (the "Department"), operates as a separate enterprise fund (the "Fund") of Pima County, Arizona (the "County"). The County is authorized to operate and maintain the sewer system (the "System") under Title 11, Chapter 2, Article 4 of the Arizona Revised Statutes. The wastewater treatment facilities of the System operate under the National Pollutant Discharge Elimination System where needed. The County provides wastewater collection and treatment service to the Tucson metropolitan area and separate outlying service areas located in the eastern portion of the County. The Roger Road Wastewater Reclamation Facility, the Ina Road Wastewater Reclamation Facility, and the Randolph Park Wastewater Reclamation Facility serve metropolitan Pima County. Together, the three metropolitan facilities have a combined, current treatment capacity of approximately 82 million gallons per day (MGD). The non-metropolitan Pima County areas are served by separate wastewater reclamation facilities: Green Valley, Avra Valley, Corona de Tucson, Arivaca Junction, Marana, Rillito Vista, Mt. Lemmon, KERP, and the Pima County Fairgrounds. These non-metropolitan facilities have a current treatment capacity of approximately 10.5 MGD, for a total capacity for all facilities of approximately 92.5 MGD.

The County Administrator appoints the Director of the Department. The County Board of Supervisors (the "Board") adopts the Department's annual operating budget, establishes wastewater rates and fee structures and provides overall policy direction to the Department through the County Administrator and Deputy County Administrator of Public Works. In addition, the Board has established a thirteen member advisory committee to review, evaluate and make recommendations on short and long-range capital improvement needs and revenue requirements of the Department.

The Department has been under the direction of Michael Gritzuk P.E., since he was appointed as Director in July 2005. During the past 25 years, Mr. Gritzuk has held director positions involving the development and management of major water and wastewater systems in Arizona, Florida, Massachusetts, and New Jersey. In addition, he was an engineering manager with the U.S. Environmental Protection Agency for six years. He served as the Director in the City of Phoenix's Water Services Department for seventeen years. Mr. Gritzuk holds a Bachelor of Engineering degree in Civil Engineering and Master Degrees in Engineering and Environmental Sciences from New York University. He is a professional engineer in the state of Arizona. He is a member as well as the past President of the National Water Reuse Association.

Wastewater Fees and Revenues

The County's structure of rates, fees and other charges for the System is reviewed annually by the Board and may be revised by a resolution adopted by the Board, which has the ultimate responsibility for setting System rates, fees and charges. The principal sources of revenue for the Fund are derived from user fees charged for services provided and a one-time connection fee charged to new users for connecting to the System. The County also receives System revenues from turn-on fees, engineering review and inspection fees, interest earnings and other miscellaneous income.

In recent years, System revenues from connection fees were as much as 42% of total revenues. The County has taken action to shift away from a heavy reliance on connection fees, which tend to be a more volatile source of revenue, towards a greater reliance on the less volatile user fees. In February 2009, the Board adopted several user fee rate increases as described below under "User Fees." The County anticipates that these approved rate increases will increase user fee revenue from $74.6 million received in fiscal year 2007-08 to an estimated $127

million of user fee revenue by fiscal year 2010-11. These recent rate increases essentially shift the reliance on sewer connection fees from a high of 42% to 14% of revenues, with 86% of revenues expected from user fees.

User Fees

The present schedule of user fees includes a monthly service charge and a monthly commodity usage charge. The service charge is a flat fee assessed monthly to each user to offset administrative expenses and certain other fixed costs of the County and is currently set at $8.32. As indicated in the chart, an increase in the service charge to $9.82, effective as of January 1, 2010, was recently adopted by the Board. The commodity usage charge is based on each user's monthly sewage flow contribution to the System.

The monthly sewage flow contribution is equal to a user's monthly-metered water consumption, provided that the monthly consumption figure used in calculating a user's commodity usage charge does not exceed the user's average monthly-metered water consumption for the months of December through February. A user fee rate is then multiplied by the monthly sewage flow contribution to calculate the user's commodity usage charge. Currently, the user fee rate, charged for what is considered to be normal, domestic strength sewage for a residential user, is set at $1.893 per hundred cubic feet (ccf), based on water consumption. The Board recently adopted an increase of the fee to $2.134 effective July 1, 2009, and a further increase to $2.406 effective January 1, 2010. Higher user fee rates are charged to various commercial and industrial users whose sewage flow contributions are determined by the Department to be in excess of normal, domestic strength sewage.

The following table summarizes the monthly service charges and user fee rates for the last ten fiscal years, as well as the rates already approved by the Board for next fiscal year.

SUMMARY OF WASTEWATER USER FEES

Fiscal Year	Date User Fee Charges Adopted[a]	Monthly Service Charge	User Fee Rates ($ per ccf)	
			Residential	Comm/Industrial[b]
1999-00	January 18, 2000	$2.29	$0.91	0.91-3.27
2000-01	February 13, 2001	2.40	0.96	0.96-3.43
2001-02	March 19, 2002	2.49	1.00	1.00-3.63
2002-03	March 11, 2003	2.61	1.05	1.05-3.81
2003-04		2.61	1.05	1.05-3.81
2004-05	April 13, 2004	2.71	1.09	1.09-3.96
2005-06	June 21, 2005	5.72	1.18	1.18-4.27
2006-07	July 11, 2006 [c]	5.72	1.25	1.25-4.54
2006-07	July 11, 2006 [c]	5.72	1.33	1.33-4.81
2006-07	February 13, 2007	5.72	1.41	1.41-5.10
2007-08	December 11, 2007 [d]	6.23	1.53	1.53-5.57
2007-08	December 11, 2007 [d]	6.82	1.68	1.68-6.10
2008-09	February 17, 2009 [e]	8.32	1.89	1.89-6.87
2009-10	February 17, 2009 [e]	8.32	2.13	2.13-7.75
2009-10	February 17, 2009 [e]	9.82	2.41	2.41-8.74

(a) The dates shown reflect the date the User Fee increases were adopted by the Board and does not directly correspond to the effective date of the various increases.
(b) Indicates the range of user fee rates applied to various commercial/industrial users whose sewage flow contributions are in excess of normal, domestic strength sewage.
(c) During the fiscal year 2006-07, two rate increases were approved. The first 6% rate increase was effective on August 11, 2006 and the second 6% rate increase was effective on January 1, 2007.
(d) At the Board of Supervisors meeting on December 11, 2007, two rate increases were approved. The first rate increase of 9% was effective January 1, 2008 and the second rate increase of 9.5% was effective beginning July 1, 2008.

(e) At the Board of Supervisors meeting on February 17, 2009, three rate increases were approved. The first rate increase of $1.50 for the monthly service charge and 12.75% for user fee rates will be effective March 20, 2009; the second rate increase of 12.75% for user fee rates will be effective July 1, 2009; and the third rate increase of $1.50 for the monthly service charge and 12.75% for user fee rates will be effective January 1, 2010.

Source: Pima County User Fee Ordinance for the applicable year.

Based on the residential user fee rates adopted by the Board, the following table summarizes the fiscal year percentage changes in user fee rates.

SUMMARY OF PERCENTAGE INCREASES IN RESIDENTIAL USER FEE RATES

Fiscal Year	User Fee Percentage Rate Increases
1997-98	4.30%
1998-99	0.00
1999-00	5.30
2000-01	5.00
2001-02	3.80
2002-03	5.00
2003-04	0.00
2004-05	4.00
2005-06	8.00
2006-07[(a)]	12.00
2007-08[(b)]	15.00
2008-09[(c)]	22.25
2009-10[(d)]	25.50

(a) The 12% rate increase represents two 6% rate increases that occurred during the fiscal year.
(b) The 15% rate increase represents two rate increases that occurred during the fiscal year. The first on July 1, 2007 for 6% and the second on January 1, 2008 for 9%.
(c) The 22.25% rate increase represents two rate increases that occurred during the fiscal year. The first on July 1, 2008 for 9.5% and the second on March 20, 2009 for 12.75%.
(d) The 25.50% rate increase represents two rate increases that occurred during the fiscal year. The first to occur on July 1, 2009 for 12.75% and the second to occur on January 1, 2010 for 12.75%.

Source: Pima County User Fee Ordinance for the applicable year

The following table shows the revenues derived by the Department from user fees for the past ten fiscal years, broken down between residential users and commercial/industrial users.

SUMMARY OF USER FEE REVENUES

Fiscal Year	Billed User Fee Revenue			Percent of User Fee Revenue		Percent User Fee Revenue Increase (*)
	Residential	Comm./Indl.	Total	Residential	Comm./Indl.	
1998-99	$20,766,974	$13,635,035	$34,402,009	60.4%	39.6%	4.7%
1999-00	23,854,489	14,620,493	38,474,982	62.0	38.0	11.8
2000-01	24,624,900	16,212,414	40,837,314	60.3	39.7	6.1
2001-02	24,561,202	16,374,134	40,935,336	60.0	40.0	0.2
2002-03	26,570,168	18,748,573	45,318,741	58.6	41.4	10.7
2003-04	30,280,270	17,405,195	47,685,465	63.5	36.5	5.2
2004-05	32,402,896	17,990,410	50,393,306	64.3	35.7	5.7
2005-06	37,781,910	23,953,237	61,735,147	61.2	38.8	22.5
2006-07	46,565,701	22,728,497	69,294,198	67.2	32.8	12.2
2007-08	49,859,517	24,776,838	74,636,355	66.8	33.2	7.7

* Changes in Total Billed User Fee Revenue.

Source: Pima County Regional Wastewater Reclamation Department

Connection Fees

Connection fees are charged for each new connection made to the System as a condition of service to the property. Two user classes are delineated for connection fee purposes: residential and commercial/industrial. The construction of a qualifying public sewer improvement qualifies a developer for a discount against the connection fee otherwise due per dwelling unit or per ten commercial fixture units. The amount of discount from each eligible connection fee is currently $1,100 for the construction of a qualifying public sewer collection improvement and $250 for the construction of a qualifying public sewer treatment improvement. The aggregate discounts received may not exceed the net construction cost of the qualifying public sewer improvements.

The connection fee charged to a user is based on the number of fixture units in the building or structure connecting to the System. On July 1, 2008, the residential connection fee was increased to $233.30 and the commercial and industrial connection fee was increased to $466.71.

The following table summarizes connection fee revenues received by the Department for the past ten fiscal years.

CONNECTION FEE REVENUES

Fiscal Year	Revenues
1998-99	$14,533,434
1999-00	16,669,833
2000-01	16,768,587
2001-02	17,479,914
2002-03	20,279,607
2003-04	29,404,130
2004-05	36,906,421
2005-06	42,219,962
2006-07	30,756,891
2007-08	31,036,931

Source: Pima County Regional Wastewater Reclamation Department

Other Fees and Charges

The Department receives additional revenue from various other fees and charges. These fees and charges include turn-on fees, engineering review and inspection fees, interest earnings and miscellaneous other income. A summary of the revenues received by the Department from these sources in recent fiscal years follows:

REVENUES FROM OTHER FEES AND CHARGES

Fiscal Year	Engineering Review and Inspection Fees	Interest Earnings [a]	Other Revenues [b]	Total
1998-99	$370,992	$3,645,214	$ 672,833	$4,689,039
1999-00	414,618	3,888,599	1,029,165	5,332,382
2000-01	15,064	4,493,386	1,025,713	5,534,163
2001-02	61,564	1,631,580	543,727	2,236,871
2002-03	245,820	977,985	911,057	2,134,862
2003-04	104,062	213,288	1,199,727	1,517,077
2004-05	70,754	498,130	1,397,749	1,966,633
2005-06	29,005	1,783,873	456,248	2,269,126
2006-07	80,912	3,683,552	406,717	4,171,181
2007-08	65,769	3,759,650	131,550	3,956,969

(a) Under the terms of the Sewer Resolution (Pima County Resolution 1991-138), interest earnings on deposits to the System Development Fund will be included in the definition of Net Revenues only if, and to the extent, they are transferred to and deposited in the Revenue Fund.
(b) Other revenues include licenses, permits and fines, sanitation fees, and other miscellaneous income.

Source: Pima County Regional Wastewater Reclamation Department

Accounting and Billing

The Regional Wastewater Reclamation Department is accounted for as an enterprise fund of the County and the ultimate financial accountability for this fund remains with the County. For the fiscal year ended June 30, 2008, the Department's financial statements were audited by Heinfeld, Meech & Co., P.C.

Billing and collection services for user fees and turn-on fees are primarily provided by the City of Tucson, through its agency Tucson Water, the Metropolitan Domestic Water Improvement District (MDWID), Oro Valley Water Utility, and the Town of Marana. As of June 30, 2008 billing through Tucson Water comprises most of the Department's accounts, amounting to approximately 223,955 customers. MDWID bills approximately 16,164 customers, Oro Valley bills approximately 16,295 customers, and Marana bills approximately 3,593 customers. The Department directly bills those sewer customers served by the numerous smaller water companies and private wells in the other parts of the County.

Delinquent user accounts are managed by Tucson Water, MDWID, Oro Valley, Marana or the Department, depending on the source of water for the user. An account becomes delinquent when payment has not been received within 30 days of the "service to" date on the bill. For the water companies listed above, a notice is mailed advising that water service will be terminated, unless payment is received. If the user does not respond during this period, the service is discontinued and the account remains in a delinquent status. The account is then held as a delinquent account until it is collected or written off.

For users receiving water utility service from either a private water company or a private well, the Department handles the delinquencies. Delinquency billing notices are sent at 30, 60 and 90 days. If the user fails to respond, a certified letter is mailed advising that the account is being referred to the County Collection Division for further processing. The percentage of delinquent accounts for the system is estimated to be 0.8 percent of annually billed user fee revenue.

Department records show that the number of customers to the sanitary sewer system has increased every year in at least the last ten. Since fiscal year 1998-99, the average number of customers being served by the System has been:

Fiscal Year	Customers	% Increase
1998-99	191,140	2.2%
1999-00	199,090	4.2
2000-01	207,840	4.4
2001-02	218,995	5.4
2002-03	226,772	3.6
2003-04	228,459	0.7
2004-05	240,306	5.2
2005-06	246,821	2.7
2006-07	255,555	3.5
2007-08	260,007	1.7

Source: Pima County Regional Wastewater Reclamation Department

Listed below are the top ten user accounts for the System for calendar year 2008 based on revenues paid to the System, and their usage for such year.

MAJOR SYSTEM USERS*
CALENDAR YEAR 2008

Customer Name	2008 Total Usage**
University of Arizona	327,532
Davis Monthan Air Force Base	217,632
Tucson Electric Power Generating Station	162,977
Arizona State Prison-Tucson	161,875
Federal Corrections	148,242
Tucson Medical Center	130,729
Raytheon Missile Systems	93,509
Carondelet Health Network	107,040
Texas Instruments	49,902
Arizona Canning Company	20,823

* Reflects the usage for calendar year 2008 of the top ten users of the System by revenue.
** In hundred cubic feet (CCF).

Source: Pima County Regional Wastewater Reclamation Department

Litigation and Administrative Actions

On October 17, 2007, the Town of Marana, Arizona (the "Town"), filed a lawsuit against the County after negotiations over the transfer to the Town of the sewer treatment facilities and conveyance system within the Town failed to produce an agreement. The Town later rescinded a 1979 agreement with the County to operate and supply sewer services to the Town. On June 11, 2008, the Superior Court of Maricopa County, Arizona ruled in part that, as a result of the rescission of the 1979 agreement, the Town has the right to own and operate the non-flow-through portion of the sewer system within the Town that serves its residents. The Court also determined that the County does not have the right to provide sewer service within the Town without the Town's permission. The Court made no determination with regard to the ownership of the Marana Wastewater Reclamation Facility which remains under the control of the County. The liability and future outcome of this litigation is unknown at this time. However, the sewer treatment facilities which are the subject of the dispute currently constitute only 700,000 gallons per day capacity, which represents approximately 0.8% of the entire System. Therefore, the impact of the lawsuit on System revenues is not expected to be significant.

Capital Improvements

The Department maintains a Capital Improvement Program (CIP), originally based on a 20-year Metropolitan Area Facility Plan Update (Facility Plan) which was adopted by the Board in 1990. The Facility Plan has been revised and it was approved by the Board of Supervisors on March 21, 2006. The Facility Plan forecasts when capital expenditures would be required for treatment plant expansions and interceptor construction. The Department's CIP has been revised each year to reflect changes in anticipated needs and project priority. CIP projects include System expansions that are determined by the County to be necessary to meet the sewage needs of projected population growth and planned future development, as well as needed rehabilitations.

The Department also completed a Regional Optimization Master Planning (ROMP) effort in November 2007 related to the reduction of nutrients (ammonia and nitrogen) from the effluent discharged into the Santa Cruz River from two of its metropolitan Wastewater Facilities, Ina and Roger Roads. This effort will require significant upgrades, modifications and treatment capacity increases at the Ina Road Facility, a new wastewater reclamation

campus in the vicinity of the present Roger Road Wastewater Treatment site and a plant inter-connect adjoining the two.

The Department has budgeted approximately $84 million for the CIP for fiscal year 2008-09 and has a 5-year plan totaling $814 million. Highlights of the CIP projects under construction and planning efforts underway in fiscal year 2008-09 include:

- Avra Valley Wastewater Reclamation Facility – The Biological Nutrient Reduction Oxidation Ditch (BNROD) expansion will increase capacity to 4.0 MGD. Construction is underway and is anticipated to be completed in the summer of 2009.

- Marana Wastewater Reclamation Facility – The BNROD design for the 1.5 MGD expansion is expected to be completed in 2009. Litigation with the Town of Marana may impact the ownership of the facility (see Litigation and Administrative Actions)

- Santa Cruz Interceptor, Phase III – The 500 linear feet of Phase III is anticipated to be completed by June 2011. The Department is reviewing a value engineering proposal from the contractor that would potentially reduce the overall construction cost by approximately $1.4 million with a 50% split between the County and contractor.

- Plant Interconnect (Santa Cruz Interceptor Phase IV) – A Construction Manager at Risk (CMAR) has been chosen for the project and a notice to proceed was issued in December 2007. Design is currently underway and completion of this phase is scheduled for December 2010.

- A ROMP Program Management service contract was awarded to Greeley and Hansen/Parson in February 2008 to oversee the programs' adherence to scope, schedule and budget. The program includes the modification and upgrade of the Ina Road facility, the new Water Reclamation Campus, and the Plant Conveyance Interconnect projects. The contract has a three-year duration with a value of $4.5 million and provides the Department two, three-year renewals at $4.5 million each and was awarded in January 2008.

- Ina Road ROMP Project design was awarded in February 2008 for $18 million. MWH Constructors was selected as the construction firm for this project with a contract value of $4.4 million for the CMAR pre-construction services with the potential of receiving the construction contract estimated to be $238 million, including contingencies, if a guaranteed maximum price (GMP) can be agreed upon. The CMAR process is a joint effort between the designer, contractor, and Department, designed to provide the most cost effective product which will meet both effluent standards, and equipment and structures life cycle criteria.

- The ROMP Water Reclamation Campus Project's construction and operation delivery method is presently under evaluation. This includes traditional design, bid, build-owner operate, CMAR-owner operate, and design, build, contract operate.

- The ROMP Plant Interconnect project design was awarded in June 2007 to Brown and Caldwell with the CMAR pre-construction and optional construction contract dependent upon the GMP awarded in April 2008.

Financial Data

The following table depicts audited financial information for the past five fiscal years, and projected information provided by the County for fiscal year 2008-09.

Pima County Regional Wastewater Reclamation Department
Comparative Statements of System Gross Revenues, Operation and Maintenance Expenditures and Net Revenues Available for Debt Service

	2003-2004 [b]	2004-2005	2005-2006	2006-2007	2007-2008	Projected[c] 2008-09
REVENUES:						
Sewer Utility Service	$ 47,685,465	$ 50,393,306	$ 61,735,147	$ 69,294,198	$ 74,636,355	$ 88,099,424
Sewer Connection Revenue	29,404,130	36,906,421	42,219,962	30,756,891	31,036,931	20,975,464
Engineering Review & Inspection Fees	104,062	70,754	29,005	80,912	65,769	110,000
Other Income [a]	2,334,645	2,154,886	1,843,295	3,826,947	3,525,367	1,503,000
Gross Revenues	79,528,302	89,525,367	105,827,409	103,958,948	109,264,422	110,687,888
MAINTENANCE AND OPERATIONS COSTS:						
Employees Compensation	25,367,949	24,639,951	27,541,776	29,627,566	34,526,659	36,011,736
Consultants and Outside Services	2,510,706	2,652,106	5,113,446	6,788,680	9,515,947	8,700,141
Treatment Supplies and Chemicals	6,375,637	6,230,226	7,616,054	10,221,597	9,789,655	9,882,810
Repairs & Maintenance	1,430,383	2,747,503	4,291,962	5,610,027	3,877,604	5,522,021
General and Administrative	8,749,542	10,202,490	11,735,333	14,943,334	18,123,891	15,745,327
Capital Expenses	132,247	322,314	1,072,669	2,405,380	2,687,020	2,477,500
Maintenance and Operations Cost	44,566,464	46,794,590	57,371,240	69,596,584	78,520,776	78,339,535
Net Revenues	34,961,838	42,730,777	48,456,169	34,362,364	30,743,646	32,348,353
REVENUE BONDED DEBT SERVICE:						
Principal	7,979,721	4,705,000	9,500,734	13,737,957	13,071,589	13,844,466
Interest	5,377,763	4,471,844	5,709,880	6,409,007	7,314,555	9,578,122
Total Debt Service Payments	13,357,484	9,176,844	15,210,614	20,146,964	20,386,144	23,422,588
Debt Service Coverage	2.62X	4.66X	3.19X	1.71X	1.51X	1.38X
Net Revenue Remaining After Debt Service	$ 21,604,354	$ 33,553,933	$ 33,245,555	$ 14,215,400	$ 10,357,502	$ 8,925,765

(a) Other income includes revenues generated from licenses, permits and fines, sanitation fees, net interest income, and other miscellaneous income.
(b) See Note 2 to the Financial Statements for the Fiscal Year Ending June 30, 2005 regarding a restatement of the prior year's Net Assets.
(c) As estimated by the County based on actual revenues and expenses through January 31, 2009.

Source: Annual audited financial statements for the Pima County Regional Wastewater Reclamation Department, excluding all grant activity, for fiscal years 2004 through 2008. Amounts shown for fiscal year 2009 are as estimated by the County based on actual revenues and expenses through January 31, 2009.

APPENDIX B

PIMA COUNTY, ARIZONA
General Economic and Demographic Information

General Information

Pima County, Arizona (the "County") is located in the southern portion of the State of Arizona ("Arizona" or the "State"), with a section of its southern boundary bordering Mexico. The boundaries of the County encompass an area of approximately 9,184 square miles. Organized in 1864 by the Arizona Territorial Legislature as one of the State's four original counties, the County is today the second most populous county in Arizona with an estimated 2008 population of 1,014,023. Approximately 54% of the County's population resides in the City of Tucson, Arizona ("Tucson"), the County seat of government and southern Arizona's largest city.

TABLE 1
Population Statistics For Pima County, the City of Tucson and the State of Arizona

	Pima County	City of Tucson	State of Arizona
2008 Estimate (a)	1,014,023	543,959	6,629,455
2000 Census	843,746	486,699	5,130,632
1990 Census	666,880	405,390	3,665,228
1980 Census	531,443	330,537	2,716,546
1970 Census	351,667	262,933	1,775,399
1960 Census	265,660	212,892	1,302,161

(a) Population estimate as of July 1, 2008.

Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Commerce, Population Statistics.

Organization

The County is governed by a five-member Board, each of whom is elected for a four-year term to represent one of the designated districts within the County. The chair is selected by the Board from among its members. The Board is responsible for establishing the policies of the various County departments and approving the annual budgets of these departments. The Board appoints a County Administrator who is responsible for the general administration and overall operations of the various departments of the County.

Mr. Charles H. Huckelberry was appointed County Administrator in December 1993. From 1987 to 1993, Mr. Huckelberry served as an Assistant County Manager with responsibility for the administration of public works. He served as the Director of Pima County's Department of Transportation and the Flood Control District (the "District") from 1979 to 1987; as Deputy Director of the Department from 1976 to 1979; and as the Department's Manager of Field Engineering from 1974 to 1976. He was self employed as a civil engineering and land surveying consultant for one year. From 1972 to 1973, Mr. Huckelberry was employed as a Research and Development Engineer for the Shell Oil Company. He holds both a Bachelor of Science Degree in Mining Engineering and a Master of Science Degree in Civil Engineering from the University of Arizona and is a registered professional engineer and land surveyor as well as a member of numerous professional organizations.

Mr. Thomas Burke was appointed Finance and Risk Management Director in January 2005 and had served as Deputy Director of Finance from May 2004. Prior to his move to Finance, Mr. Burke served as Deputy Director of Pima County's Department of Natural Resources, Parks and Recreation from 2003 to 2004. From 2000 to 2003, he was a Deputy County Attorney representing various Pima County departments including the County Assessor,

County Treasurer and Public Works departments. From 1989 to 1998, Mr. Burke served as the Manager of Pima County's Real Property Services and from 1994 to 1998 also served as the County's Superintendent of Streets overseeing special taxing districts. During 1998 to 2000, he was a partner in an Arizona law firm representing local governments. Prior to his work with Pima County, Mr. Burke was an attorney with a Tucson law firm from 1983 to 1989 and was a Certified Public Accountant with Ernst & Whinney from 1976 to 1980. Mr. Burke holds a Bachelor of Science in Business Administration with a major in Accounting and a Juris Doctor, both from the University of Arizona, and is licensed as an attorney in the State of Arizona.

Transportation

Tucson is the economic and transportation center of the County, as well as southern Arizona. Tucson is traversed by Interstates 10 and 19, as well as State Highways 77, 83, 85 and 86. Interstate 10 passes through Tucson and connects Tucson with the City of Phoenix, Arizona, to the north and Los Angeles, California, to the west and New Mexico and Texas to the east. Interstate 19 provides access to the City of Nogales, Arizona and Mexico to the south, while U.S. Highway 86 connects with a direct route to the Gulf of California vacation areas. The main line of the Union Pacific Railroad extends across Tucson to the eastern portion of the County. Tucson International Airport, located approximately 20 minutes from Tucson's downtown business area, provides local, regional, national and international air service through several airlines. The airport has an 11,000-ft. lighted, paved primary runway, a 9,100-ft. paved secondary runway and a 7,000-ft paved runway, all of which can accommodate all major types of carriers. The County is also served by Greyhound bus lines and Amtrak.

Economy

The economy of the County is based largely on a variety of service industries, trade, and government employment. Figures from the Arizona Department of Commerce indicate that 381,000 persons were employed, on average (not including the agricultural industry), in the County in 2008. The following table presents the County's average annual total employment by industry for the years indicated:

TABLE 2

Pima County
Average Annual Employment
Number of Persons Employed 2004-2008

Industry	2004	2005	2006	2007	2008
Goods Producing					
Natural Resources and Mining	1,300	1,400	1,600	1,800	1,900
Construction	24,000	25,700	27,900	26,400	22,600
Manufacturing	28,400	28,300	28,100	27,500	27,300
Service Producing					
Trade, Transportation and Utilities	57,900	59,600	62,700	63,900	61,800
Information	7,600	7,200	6,800	6,000	5,100
Financial Activities	15,900	16,500	17,600	17,800	17,200
Professional and Business Services	43,400	45,900	49,700	52,300	51,700
Education and Health Services	47,800	50,500	52,600	54,200	57,100
Leisure and Hospitality	39,100	39,800	40,600	39,800	40,000
Other Services	14,700	14,700	15,800	15,500	15,700
Government	76,900	77,100	76,300	77,900	80,600
Total Wage & Salary Employment	357,000	366,700	379,700	383,100	381,000

Source: Arizona Department of Commerce.

The average unemployment rate for the County in 2008 was 4.9%. The average annual unemployment rate for 2007 and 2006 was 3.7% and 3.9%, respectively. The table below shows comparative unemployment rates for the County, the State and the United States.

TABLE 3

Pima County
Comparative Employment Statistics

Calendar Year	Pima County		Unemployment Rate		
	Average Employment	Average Unemployment	Pima County	Arizona	U.S.
2008	442,092	22,726	4.9%	5.1%	5.8%
2007	440,336	16,765	3.7%	3.8%	4.6%
2006	431,485	17,555	3.9%	4.1%	4.6%
2005	419,908	19,502	4.4%	4.6%	5.1%
2004	417,856	20,125	4.6%	4.9%	5.5%

Source: Arizona Department of Commerce.

The following table indicates the major employers in southern Arizona, which includes Pima County, as reported in March, 2008.

TABLE 4

Southern Arizona
Major Employers

Company	Type of Business	Approximate Number of Full-Time Equivalents
Raytheon Missile Systems	Missile Manufacturing	11,539
University of Arizona	Education	10,575
State of Arizona	Government	9,329
Davis-Monthan Air Force Base	Military	7,509
Tucson Unified School District	Education	7,227
Wal-Mart Stores Inc.	Retail	6,715
U.S. Army Intelligence Center & Fort Huachuca	Military	6,463
Pima County	Government	6,235
Freeport-McMoRan Copper & Gold Inc.	Mining	5,987
City of Tucson	Government	5,635
Carondelet Health Network	Health Care	4,570
Tohono O'Odham Nation	Tribal Government	4,553
University Medical Center Corp.	Health Care	3,552
U.S. Border Patrol	Government	3,468
TMC HealthCare	Health Care	3,184
Asarco LLC	Mining	2,575
Corrections Corp. of America	Detention Centers	2,468
Pinal County	Government	2,450
Citi	Financial Services	2,400
Sunnyside Unified School District	Education	2,358

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2009).

Services

From 2004 to 2008, the goods producing and service producing industries in the County expanded by 20,300 jobs or 7.2%. The average annual employment in the service-providing industry in 2008 was 248,600. It is anticipated that as the County continues to grow in population and economic activity, the service-providing industry will continue to be a significant contributor. As detailed above, Health Care and Education were a dominating force in the service-providing industry.

Government

Government employment plays an important role in the County with Federal, State and local government employees numbering approximately 80,600 in 2008. This sector expanded by 3,700 jobs from 2004 to 2008. The State of Arizona and the Davis-Monthan Air Force Base are significant contributors to government employment in the County (see "Pima County - Major Employers" listed in the above table). The Davis-Monthan Air Force Base is a major training ground for active duty members on the A-10 "Warthog" aircraft. The facility is also responsible for the education of tactical missile crews. Its storage capacity of 2,500 aircraft is the largest in the world. In the past, Davis-Monthan Air Force Base has been included reportedly on lists of installations considered for closure or realignment by the Defense Base Closure and Realignment Commission. There can be no assurances that Davis-Monthan Air Force Base will not be included on similar lists in the future. Any such closure or realignment would most likely be subject to review and approval by, among others, the Department of Defense and the President of the United States and would have a negative but unquantifiable effect on the County.

Manufacturing

The manufacturing sector continues to be dominated by the high technology industries of aerospace and electronics. Raytheon Missile Systems, the largest manufacturing company in the County, is a major supplier of advanced munitions. Civilian aviation products and services are provided by Bombardier, which has an aircraft maintenance facility in Tucson, and Universal Avionics Systems Corp., which builds and installs advanced instrumentation, communication and navigation systems for civil aircrafts. Texas Instruments manufactures electronic circuitry and data storage devices. Ventana Medical Systems provides computerized medical laboratory equipment.

Average annual employment in the manufacturing sector within the County in 2008 was 27,300, representing 7.2% of the County's total wage and salary employment base. Manufacturing employment during 2007 and 2006 averaged 27,500 and 28,100, respectively.

The following table presents the major manufacturers in the County and Tucson metropolitan area:

TABLE 5

Southern Arizona
Major Manufacturers

Company	Type of Business	Approximate 2009 Employment
Raytheon Missile Systems	Missile Manufacturing	11,539
IBM	Business & Technology Products	1,432
Northrop Grumman Corp.	Military Aircraft Modification	1,000
Ventana Medical Systems Inc.	Medical Equipment	788
Honeywell Aerospace	Aircraft Electronic Systems	754
Texas Instruments	Operation Amplifiers	620
Bombardier Aerospace	Aircraft Maintenance	591
B/E Aerospace	Aircraft Passenger Cabin Interior Products	387
NewTec	Manufacturing and Research	340
Universal Avionics Systems Corp.	Avionics Systems	260

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2009).

The County's proximity to Mexico makes twin plant "maquiladora" operations practical. Components are manufactured in Tucson and transported duty-free to Nogales, Sonora, Mexico, 65 miles south of Tucson, for assembly. Among the companies operating "twin plants" in Tucson and Nogales are General Electric, Samsonite, Motorola, Acco, Moen Faucets and Masterlock. These manufacturers contribute to the County's economy in many ways including the support of numerous suppliers and peripheral industries. The proximity of the Mexican border is more significant to manufacturing concerns given the existence of the North American Free Trade Agreement between Canada, the United States and Mexico. However, the uncertainty of the U.S. and Mexican economies may negatively impact the growth of the previously described manufacturing concerns.

Tourism

Tourism is an important economic mainstay in the County and the Tucson area. The County's climate, historical and cultural sites, location and proximity to vacation areas in California, Mexico, and other Southwest destinations attract vacationers, conventioneers and other visitors. The Metropolitan Tucson Convention and Visitors Bureau estimates that over 757 convention bookings with 264,988 convention delegates visited the Tucson area in fiscal year 2007-08. In the Tucson area, the Bureau estimates that there are approximately 189 hotels and resorts with 15,923 rooms. Points of interest, recreational sites and sight-seeing attractions include the Arizona-Sonora Desert Museum, Kitt Peak National Observatory, Pima Air and Space Museum, Titan Missile Museum, Saguaro National Monument, Mission San Xavier del Bac, Mount Lemmon, Sabino Canyon, Biosphere 2, and numerous resorts and golf courses. In addition, the Tucson metropolitan area is the home of spring training for Major League Baseball's Arizona Diamondbacks and Colorado Rockies.

According to the Arizona Hospitality Research & Resource Center, nearly $2.0 billion was spent by tourists in the County in 2007. These figures include the estimated tourist portion of amusement, bar and restaurant, hotel and motel, and retail gross sales. Shown below are tourist dollars expended in the County and State economies between 2003 and 2008.

Total Tourist Expenditures
($ in billions)

Year	Pima County	State of Arizona
2008 (a)	$1,732	$11,705
2007	1,979	13,383
2006	1,530	10,440
2005	1,440	9,680
2004	1,280	8,520
2003	1,190	7,810

(a) Data collected through November, 2008.

Source: Arizona Hospitality Research & Resources Center.

Education

The University of Arizona (the "University") provides approximately 10,575 jobs to the area and is an important link to the economic growth of the County. Its presence as a research university has assisted in attracting new business enterprises. The academic organization of the University is comprised of ten undergraduate colleges, five graduate colleges and a number of interdisciplinary programs. Enrollment figures for the fall semester of 2008 were estimated at 38,057 undergraduate and graduate full-time students. This enrollment includes students in continuing education programs, interns and residents, post-doctoral programs and on-campus non-credit students.

Pima County Community College offers two-year programs in vocational and technical education. Total student enrollment for Pima County Community College for 2007-08 was estimated at 73,740 students.

Source: The University of Arizona and Pima County Community College.

Wholesale and Retail Trade

Wholesale and retail trade includes restaurants, hotels, taverns, service stations, automobile repair shops, shopping malls and wholesale dealers. The largest individual employers in the retail sector (companies with more than 1,000 employees) are Wal-Mart Stores, Bashas' Inc., Safeway Stores Inc., Fry's Food and Drug Stores, Walgreen Co., Home Depot, Albertsons-Osco and Crosstown Traders.

The retail sales figures set forth below are based on the sales tax collections within the County excluding penalties, late charges and nontaxable items. The sales tax rate levied by the State on retail sales within the County is 5.6%. In addition, cities and towns within Pima County generally levy a 2% to 4% sales tax. The Pima County Regional Transportation Authority levies a county-wide 0.5% sales tax.

The following table sets forth retail sales figures in the County for the past five full years.

TABLE 6

Pima County Retail Sales (a)

Year	Amount	% Change
2008	$7,263,583,414	(7.14%)
2007	7,822,497,932	1.05%
2006	7,740,869,293	7.49%
2005	7,201,701,654	9.21%
2004	6,594,312,765	6.08%

(a) Excludes food and gasoline sales.

Source: Arizona Department of Revenue.

Financial Institutions

The Federal Deposit Insurance Corporation (FDIC) collects deposit balances for commercial and savings banks as of June 30 of each year. The following table illustrates the summary of bank deposits of all FDIC-insured institutions within the County for the past five fiscal years. As of June 30, 2008, there were 22 institutions with 194 offices in the County, with a deposit balance of $11,215 million.

TABLE 7

Pima County
Bank Deposits

Year	Amount
2008	$11,215,000,000
2007	11,643,000,000
2006	11,151,000,000
2005	10,250,000,000
2004	8,941,000,000

Source: Federal Deposit Insurance Corporation.

Mining

According to the Arizona Mining Association, Arizona leads the nation in copper production, accounting for 65% of the total U.S. mine production. However, the cyclical nature of this industry has caused some consolidation of its resources to improve production. In the early 1980's, the Arizona copper industry's direct economic impact on the Arizona economy regularly exceeded $1.0 billion, peaking in 1981 at approximately $1.612 billion when the industry employed roughly 25,000 persons. Since that time, employment in this sector has significantly decreased, with employment in the mining industry within the County being approximately 1,900 in 2008, 1,800 in 2007 and 1,600 in 2006.

Agriculture

Agriculture plays a less significant role in the economy of the County as a whole, but a small portion of the County relies on agriculture as its leading economic source. Principal crops harvested are cotton, wheat and hay, as well as vegetables. The following table sets forth the total cash receipts for all crops and livestock products in the County for the most recent five years for which reports are available.

TABLE 8

Cash Receipts From Agricultural Marketing
(Total Crops and Livestock)
Pima County

Year	Receipts
2007	$91,797,000
2006	78,083,000
2005	84,452,000
2004	80,103,000
2003	68,694,000

Source: *Arizona Agricultural Statistics Bulletin,* September 2008.

Building Permits

The following tables were compiled from *Arizona Construction Report*, a publication of Arizona Real Estate Center, L. William Seidman Research Institute, College of Business, Arizona State University. The Center obtains its data from county and municipal divisions which issue such permits. Construction is valued on the basis of estimated cost of a project, not on market price or the value of construction at the time the permit is issued. The date at which the permit is issued should not be construed as the date of construction.

TABLE 9

Pima County
Value of Building Permits

Year	Residential	Commercial	Industrial	Other	Total
2008	$ 598,774,000	$290,225,000	$17,799,000	$114,784,000	$1,021,582,000
2007	864,602,000	420,297,000	18,580,000	89,391,000	1,392,870,000
2006	1,562,755,000	199,629,000	16,736,000	129,928,000	1,909,048,000
2005	2,180,381,000	315,946,000	8,546,000	150,686,000	2,655,559,000
2004	1,680,800,000	284,275,000	16,206,000	117,220,000	2,098,501,000

Source: Arizona Real Estate Center, ASU Polytechnic Campus, Arizona State University.

TABLE 10

Pima County
New Housing Starts

Year	Total Housing Units Permitted
2008	3,207
2007	4,629
2006	9,082
2005	12,272
2004	11,452

Source: Arizona Real Estate Center, ASU Polytechnic Campus, Arizona State University.

Counties are required to adopt a Comprehensive Plan, and cities and towns a General Plan, under Arizona laws adopted in 1998 and 2000. All subsequent rezoning activity must conform to the plan. Most cities and towns and each of the larger counties, including Pima, are required to plan for growth areas and identify the means to provide necessary public services in the future. In addition to environmental and infrastructure elements, an analysis of available water is also required. Pima County's Comprehensive Plan was updated and adopted in 2001. State law requires that every 10 years the plan be redone or updated and approved by the voters. Also, as a result of these laws, counties have broader authority to adopt development impact fees and review lot splitting. Pima County has been implementing the policies of the Comprehensive Plan since its adoption.

APPENDIX C

PIMA COUNTY, ARIZONA
Financial Information

Introduction

The fiscal year for the County is from July 1 through June 30. The County's budget process is an ongoing function. Each fiscal year's process starts with the issuance in December of guidelines to all departments within which budgets must be developed. Department budget requests are submitted in February. A review process then takes place culminating with the County Administrator's submission of a proposed budget to the Board in time for budget hearings in mid-June. State statutes require that a tentative budget be adopted by the Board no later than the third Monday in July. At the time the final budget is adopted, which can be no later than the first Monday in August of each year, the Board of Supervisors holds a public hearing and meeting to determine the tax levy needed to support the budget. Taxes are then assessed and levied no later than the third Monday in August.

Expenditure Limitation

Beginning in fiscal year 1981-82, the County became subject to an annual expenditure limitation which is set by the Arizona Economic Estimates Commission. This limitation is based on the County's annual expenditures for fiscal year 1979-80, with this base adjusted to reflect interim population, cost of living and boundary changes. Certain expenditures are specifically exempt from the limit, including expenditures made from federal funds and bond sale proceeds, as well as debt service payments. The limitations can be exceeded for certain emergency expenditures or if approved by the voters. The Constitution provisions which relate to the expenditure limitation provide three processes to exceed the spending limit: a permanent base adjustment, a one-time override, and a capital project accumulation.

The County's expenditure limitation for the 2007-08 fiscal year was $464,592,697. The County's expenditures for the 2007-08 fiscal year were under the limit. The County's 2008-09 fiscal year expenditure limitation is $489,886,802.

Ad Valorem Taxes

General

Arizona (the "State" or "Arizona") property taxes are divided into two systems, primary and secondary. Secondary property taxes are those taxes imposed for payment of bonded indebtedness, for exceeding a budget, expenditure or tax limitation pursuant to voter approval and for operating and maintaining certain special districts. Primary property taxes are all ad valorem taxes other than secondary property taxes.

Under the primary system, the full cash value of locally-assessed real property (consisting primarily of residential, commercial, industrial, agricultural and unimproved property) cannot increase by more than 10% per year, except under certain circumstances. This limitation does not apply to mines, utilities and railroads which are assessed by the State. Annual tax levies under the primary system are based on the nature of the property taxed and the taxing authority. Primary taxes levied on residential property only are limited to 1% of the limited full cash value of such property. In addition, primary taxes levied on all types of property by counties, cities, towns and community college districts are limited to a maximum increase of 2% over the prior year's levy plus any amount directly attributable to new construction and annexation. The 2% limitation does not apply to primary taxes levied for local school districts. The County does not currently levy its primary tax levy to the maximum allowed under the law.

Secondary assessed valuation represents the value used in determining property tax levies for the payment of principal and interest on bonds, school district voter-approved budget overrides and special district taxes and the calculation of maximum bonded indebtedness allowed under the State's Constitutional debt limit. See "Debt Limitation" herein. Under the secondary system, there is no limitation on annual increases in full cash value of any

property. In addition, annual tax levies for voter-approved bonded indebtedness, overrides and special district taxes are, except as they are otherwise described herein under the subheading "The Bonds – Security and Source of Payment", unlimited.

Arizona law provides for a property valuation "freeze" for certain residential property owners sixty-five years of age and older. Owners of residential property may obtain such freeze against valuation increases (the "Property Valuation Protection Option") if the owner's total income from all sources does not exceed 400% (500% for two or more owners of the same property) of the "Social Security Income Benefit Rate." The Property Valuation Protection Option must be renewed every three years. If the property is sold to a person who does not qualify, the valuation reverts to its current full cash value. Any freeze on increases in full cash value will translate to the secondary assessed value of the affected property as hereinafter described.

Additionally, all property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) which is multiplied by the limited or full cash values of the property to obtain the assessed valuations.

Tax Procedures

The tax year in Arizona is defined as the calendar year, although tax procedures begin prior to January 1 of each tax year and continue through May of the succeeding calendar year. The first step in the tax process, for taxing entities other than certain special districts, is the determination of the full cash value of each individually-owned parcel of land within the State. Property valuations are established on most property by the individual county assessors, with the State Department of Revenue determining the valuation of centrally assessed properties such as gas, water and electrical utilities, railroads, mines and pipelines. The appropriate property classification assessment ratio is then applied to the full cash value to determine the assessed valuation for such parcel. The assessment ratios utilized over the five-year period 2004-05 through 2008-09 for each class of property are set forth below.

Property Tax Assessment Ratios
2004-05 through 2008-09

Classification (a)	2004-05	2005-06	2006-07	2007-08	2008-09
Mining, Utility, Commercial and Industrial (b)(c)	25%	25%	24.5%	24%	23%
Agriculture and Vacant Land (c)	16%	16%	16%	16%	16%
Owner Occupied Residential	10%	10%	10%	10%	10%
Leased or Rented Residential	10%	10%	10%	10%	10%
Railroad, Private Car Company and Airline Flight Property (d)	21%	21%	22%	21%	(d)

(a) Additional classes of property exist, but seldom amount to a significant portion of a governmental entity's total valuation.
(b) The first $63,242 of full cash value of commercial, industrial and agricultural personal property is exempt from tax for fiscal year 2008-09. This amount is indexed annually for inflation. Any portion of the full cash value in excess of those amounts will be assessed at 24% or 16% as applicable.
(c) Effective January 1, 2007, the assessment ratio for Mining, Utility, Commercial and Industrial property was decreased to 24%. Additionally, this rate will be decreased by one percent annually through 2010, resulting in an assessment ratio of 20% after December 31, 2010.
(d) This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial, and military reuse zone properties and agricultural personal property to (ii) the total full cash (market) value of such properties.

From time to time, bills have been introduced in the Arizona Legislature to reduce the property tax assessment ratios on utility, commercial and/or industrial property and such bills may be introduced in the current or

future legislative sessions. The County cannot determine whether any such measures will become law or how they might affect property tax collections for the County.

Delinquent Tax Procedures

The property taxes due to the County are billed, along with State and other taxes, ordinarily in September of the calendar tax year and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of the month unless the full year's taxes are paid by December 31. After the close of the tax collection period, the County Treasurer prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the tax lien is reoffered for sale from time to time until such time as the taxes, penalties and interest put on the lien is sold, subject to redemption, for an amount sufficient to cover all delinquent and current taxes.

It should be noted that in the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can be attached against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly noninterest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect ad valorem taxes on a property of a taxpayer within the County. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on the property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy would be stayed pursuant to the Bankruptcy Code. While the stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of a bankruptcy court. It is reasonable to conclude that "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of post bankruptcy petition tax collections becomes uncertain.

It cannot be determined what impact any deterioration of the financial condition of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. Neither the County nor their respective agents or consultants have undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

Property Valuations

The following table lists the various property valuations for the County for the current year.

Valuations for Fiscal Year 2008-09	
Estimated Actual Valuation (a)	$79,245,821,370
Net Secondary Assessed Valuation	9,594,861,519
Net Primary Assessed Valuation	8,230,966,534
Valuations for Fiscal Year 2009-10 (b)	
Net Secondary Assessed Valuation	$9,840,619,641
Net Primary Assessed Valuation	8,986,316,666

(a) Actual full cash value net of estimated value of property exempt from taxation.

(b) Estimated valuations for Fiscal Year 2009-10, provided by the Pima County Assessor. Valuations for Fiscal Year 2009-10 are not official until approved by the Board on the third Monday in August for the following fiscal year. Although the final official valuations are not expected to differ materially from the estimated valuations, they are subject to positive or negative adjustments until approved by the Board.

Source: *Abstract of the Assessment Roll*, Arizona Department of Revenue; *Property Rates and Assessed Values*, Arizona Tax Research Association.

Net Secondary Assessed Valuation Comparisons and Trends

The information set forth below is shown to indicate the ratio between assessed values and estimated actual values for the County, as well as changes in the secondary assessed valuations of the County and overlapping municipal units on a comparative basis. The basis of property assessment for these years is shown under "Ad Valorem Taxes - Tax Procedures".

Net Secondary Assessed Value and Estimated Actual Cash Value Comparison

Fiscal Year	Net Secondary Assessed Valuation	Estimated Actual Valuation*	Net Secondary Assessed Valuation as a Percentage of the Estimated Actual Valuation
2008-09	$9,594,861,519	$79,245,821,370	12.11%
2007-08	8,220,395,835	66,494,590,856	12.36%
2006-07	6,869,955,457	59,890,228,997	11.47%
2005-06	6,050,950,040	47,971,147,096	12.61%
2004-05	5,620,156,274	43,778,402,824	12.84%

Source: *Abstract of the Assessment Roll*, Arizona Department of Revenue; *Property Rates and Assessed Values*, Arizona Tax Research Association.

* Actual full cash value net of estimated value of property exempt from taxation.

Net Secondary Assessed Valuation Comparisons

Fiscal Year	City of Tucson	Percent Change	Pima County	Percent Change	State of Arizona	Percent Change
2008-09	$3,895,581,900	11.80%	$9,594,861,519	16.72%	$86,090,579,647	19.84%
2007-08	3,484,462,013	15.52%	8,220,395,835	19.66%	71,837,099,233	31.96%
2006-07	3,016,230,759	10.77%	6,869,955,457	13.54%	54,436,547,031	11.25%
2005-06	2,722,915,853	6.44%	6,050,950,040	7.67%	48,931,946,145	10.05%
2004-05	2,558,231,181	5.40%	5,620,156,274	7.64%	44,461,738,026	8.87%

Source: *Abstract of the Assessment Roll*, Arizona Department of Revenue; *Property Rates and Assessed Values*, Arizona Tax Research Association.

Net Secondary Assessed Valuations of Major Taxpayers

Shown below are the major property taxpayers located within the County, an estimate of their current assessed value and their relative proportion of the County's net secondary assessed value.

Taxpayer (a)	Estimated 2008-09 Net Secondary Assessed Valuation	As Percent of County's 2008-09 Net Secondary Assessed Valuation
Phelps Dodge Sierrita Inc.	$198,694,126	2.07%
Unisource Energy Corporation	158,314,724	1.65%
Qwest Corporation	74,646,811	0.78%
Southwest Gas	64,774,927	0.68%
Asarco Inc., Mission Mine	60,280,033	0.63%
Raytheon Company	33,286,437	0.35%
Arizona Portland Cement Co.	25,556,792	0.27%
Trico Electric Co-Op Inc.	21,029,447	0.22%
Asarco LLC, Silverbell Mine	22,586,993	0.24%
Starr Pass Resort Developments LLC	19,383,738	0.20%
	$678,554,028	7.07%

(a) Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of the Filings can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR data base at http://www.sec.gov. Neither the County, its Financial Advisor nor its Bond Counsel has examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.

Source: Pima County Assessor's office.

Record of Real and Secured Personal Property Taxes Levied and Collected

Property taxes are levied and collected on all taxable property within the County and are certified to by the County Treasurer. The following table sets forth the real and secured personal property tax collection of the County for the current and past five fiscal years.

Fiscal Year	Real and Secured Personal Property Tax Levy	Fiscal Year Collections (a)		Total Collections (b)	
		Amount	Percent of Tax Levy	Amount	Percent of Tax Levy
2008-09	$379,673,888	(c)	(c)	$214,439,562	56.48%
2007-08	362,534,617	$348,740,659	96.20%	360,154,020	99.34%
2006-07	330,240,186	318,519,807	96.45%	329,833,264	99.88%
2005-06	302,126,724	292,019,235	96.65%	302,002,992	99.96%
2004-05	281,171,502	271,480,760	96.55%	280,662,472	99.82%
2003-04	260,569,500	250,928,829	96.30%	260,557,776	100.00%
2002-03	241,415,870	231,618,482	95.94%	241,381,652	99.99%

(a) Reflects collections made through June 30th, the end of the fiscal year, on such year's levy. Property taxes are

payable in two installments. The first installment is due the first day of October and becomes delinquent on November 1, but is waived if the full tax year's taxes are paid in full by December 31. The second installment becomes due the first day of March and is delinquent on May 1. Interest at the rate of 16% per annum attaches on first and second installments following their delinquent dates. Penalties for delinquent payments are not included in the above collection figures.

(b) Reflects collections made through February 28, 2009 against the current and prior levies.

(c) In the process of collection.

Source: Pima County Treasurer's Office.

Tax Rate Data

The tax rates provided below reflect the total property tax rate levied by the County. As such, the rates are the sum of the primary tax rate, which is levied against the primary assessed value within the County, and the secondary tax rate for debt service payments, the County Library District, the County Fire District Assistance Tax and the County Flood Control District, all of which are levied against the County's secondary assessed value (except in the case of the Flood Control District, which is levied against the District's secondary assessed value which excludes the value of personal property).

Fiscal Year	Primary Tax Rate	Secondary Tax Rate	Total Tax Rate
2008-09	$3.3913	$1.2789	$4.6702
2007-08	3.6020	1.4654	5.0674
2006-07	3.8420	1.4986	5.3406
2005-06	4.0720	1.3891	5.4611
2004-05	4.0720	1.4247	5.4967

Source: *Property Tax Rates and Assessed Values,* The Arizona Tax Research Foundation and Pima County Finance and Risk Management Department.

Debt Limitation

Pursuant to the Arizona Constitution, outstanding general obligation debt for County purposes may not exceed 15% of a County's net secondary assessed valuation. The following indicates the County's current bonding capacity after the issuance of the Bonds.

Net Secondary Assessed Valuation (FY 2008-09)	**$9,594,861,519**
15% Constitutional Limitation	1,439,229,228
Net Direct General Obligation Bonds Outstanding	423,335,000
Unused 15% Limitation	$1,015,894,228

General Obligation Bonded Debt Outstanding

The following chart lists the outstanding general obligation bonded debt of the County that will be outstanding after the issuance of the General Obligation, Series 2009 being issued concurrently with the Bonds under a separate Official Statement.

Date of Issue	Original Amount	Original Purpose	Maturity Dates	Average Int. Rates	Remaining Balance Outstanding
05-01-98	$42,420,000	Various Improvements	7-1-99/13	4.620%	$ 11,720,000
10-01-99	50,000,000	Various Improvements	7-1-00/10	5.040%	6,615,000
08-01-00	50,000,000	Various Improvements	7-1-01/14	4.760%	18,000,000
07-01-01	17,835,000	Refunding	7-1-03/09	4.410%	375,000
01-01-02	20,000,000	Various Improvements	7-1-02/16	4.000%	7,000,000
01-15-03	50,000,000	Various Improvements	7-1-03/17	3.900%	33,850,000
06-01-04	65,000,000	Various Improvements	7-1-05/19	4.207%	47,145,000
05-01-05	65,000,000	Various Improvements	7-1-06/20	4.016%	49,265,000
01-01-07	95,000,000	Various Improvements	7-1-07/21	4.028%	84,365,000
02-15-08	100,000,000	Various Improvements	7-1-08/22	3.934%	90,000,000
Total General Obligation Bonded Debt Outstanding					$348,335,000
Plus: The General Obligation Bonds, Series 2009 (a)					75,000,000
Total General Obligation Bonded Debt to be Outstanding					$423,335,000

(a) Being offered under a separate official statement simultaneously with the Bonds.

Annual Debt Service Requirements of General Obligation Bonded Debt Outstanding

The following chart lists the general obligation debt service requirement of the County that will be outstanding after the issuance of the General Obligation Bonds, Series 2009 being issued concurrently with the Bonds under a separate Official Statement.

Fiscal Year June 30	Existing General Obligation Bonded Debt Outstanding		Series 2009 Bonds		Total Debt Service Requirements
	Principal	Interest	Principal	Interest (a)	
2009	$33,660,000	$14,350,530	$9,000,000	$ 529,279	$57,539,809
2010	28,580,000	12,953,480	17,000,000	2,558,956	61,092,436
2011	26,240,000	11,723,450	9,000,000	1,878,956	48,842,406
2012	27,105,000	10,599,100	2,000,000	1,518,956	41,223,056
2013	28,005,000	9,423,800	1,025,000	1,458,956	39,912,756
2014	26,610,000	8,217,200	790,000	1,428,206	37,045,406
2015	24,515,000	7,053,675	2,000,000	1,404,506	34,973,181
2016	25,105,000	5,988,806	2,000,000	1,344,506	34,438,312
2017	25,940,000	4,925,300	2,000,000	1,279,506	34,144,806
2018	23,160,000	3,853,100	2,000,000	1,209,506	30,222,606
2019	26,035,000	2,968,088	2,000,000	1,134,506	32,137,594
2020	21,785,000	1,984,750	4,000,000	1,059,506	28,829,256
2021	16,595,000	1,225,350	5,000,000	899,506	23,719,856
2022	15,000,000	600,000	7,500,000	699,506	23,799,506
2023			9,685,000	399,506	10,084,506

(a) The first interest payment date on the Bonds is July 1, 2009.

Net Direct and Overlapping General Obligation Bonded Debt

Overlapping bonded debt figures were compiled from information obtained from the County Treasurer's Office and individual jurisdictions. A breakdown of each overlapping jurisdiction's applicable general obligation bonded debt, net secondary assessed valuation and combined tax rate per $100 assessed valuation follows.

Jurisdiction	2008-09 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding (a)(f)	Portion Applicable to the County		Combined Tax Rate Per $100 Assessed Valuation (e)
			Percent	Net Debt Amount	
State of Arizona	$86,090,579,647	None	100%	None	$0.0000
Pima County	**9,594,861,519**	**$423,335,000**	**100%**	**$423,335,000**	**4.4767 (b)**
Pima County Flood Control District (c)	8,684,571,743	725,000	100%	725,000	0.2935
Elementary School Districts	441,830,429	1,905,000	100%	1,905,000	2.1897 (d)
Unified School Districts	9,138,571,039	577,030,000	100%	577,030,000	6.0064 (d)
Cities and Towns	5,359,780,485	269,420,610	100%	269,420,610	0.6989 (d)
Pima County Community College District	9,594,861,519	39,905,000	100%	39,905,000	1.1355
Total				$1,312,320,610	

Jurisdiction	2008-09 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding (a)(f)	Combined Tax Rate Per $100 Assessed Valuation (e)
State of Arizona	$86,090,579,647	None	None
Pima County	9,594,861,519	$423,335,000	$4.4767
Pima County Flood Control District (c)	8,684,571,743	725,000	0.2935
Pima County Community College District	9,594,861,519	39,905,000	1.1355
Elementary School Districts:			
San Fernando ESD #35	1,118,849	None	3.7920
Empire ESD #37	6,945,410	None	4.9021
Continental ESD #39	390,323,217	1,905,000	1.7343
Redington ESD #44	1,541,258	None	7.4720
Altar Valley ESD #51	41,901,695	None	5.7451
Unified School Districts:			
Tucson USD #1	3,866,798,844	325,955,000	6.5659
Marana USD #6	952,444,232	52,725,000	5.4815
Flowing Wells USD #8	234,266,869	8,390,000	6.2665
Amphitheater USD #10	1,714,181,348	61,990,000	4.8589
Sunnyside USD #12	488,676,057	31,090,000	7.8009
Tanque Verde USD #13	238,433,926	2,270,000	4.3682
Ajo USD #15	18,351,185	None	4.5964
Catalina Foothills USD #16	717,980,579	33,970,000	6.1053
Vail USD #20	521,676,519	33,220,000	5.5360
Sahuarita USD #30	384,175,980	27,420,000	5.9176
Indian Oasis USD #40	1,585,500	None	0.0000
Cities and Towns:			
City of Tucson	3,895,581,900	269,420,610	0.9601
City of South Tucson	26,758,193	None	0.2143
Town of Marana	528,295,400	None	0.0000
Town of Oro Valley	686,707,506	None	0.0000
Town of Sahuarita	222,437,486	None	0.0000

(a) Includes general obligation bonds outstanding. Does not include outstanding principal amount of various cities and towns improvement districts' bonded debt and outstanding principal amount of various County improvement districts' bonded debt, as the indebtedness of these districts is presently being paid from special assessments levied against property owners residing within the various improvement districts. Also does not include various fire districts.

Also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States of America, Department of the Interior, for repayment of certain capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April of 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at $1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the $1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the entire 50-year repayment period, which commenced October 1, 1993. Effectiveness of the

agreement is subject to a number of conditions including settlement of certain Indian community water claims and other water claims and will require certain State legislation. Federal authorizing legislation was enacted in 2004. If the conditions are not met by May 9, 2012, and the parties do not amend the agreement, the agreement will terminate and litigation will resume. If it appears prior to May 9, 2012, that the conditions will not be met by the deadline, the parties can amend the agreement or either party may petition the U.S. District Court to terminate the agreement and resume litigation. It is not possible to predict whether the agreement will become finally effective, be amended, or terminate, or whether litigation will resume. If litigation resumes, it is not possible to predict the outcome of such litigation. CAWCD is a water conservation district having boundaries coterminous with the exterior boundaries of Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to fourteen cents per $100 of secondary assessed valuation, of which twelve cents is being currently levied. (See Arizona Revised Statutes, Sections 48-3715 and 48-3715.02.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

(b) The County's total tax rate shown includes the County's primary and secondary debt service tax rates, the $0.3393 tax rate of the Free Library District, the $0.1000 tax rate of the Central Arizona Project and the $0.0411 tax rate of the Fire District Assistance Tax.

(c) The boundaries of the Pima County Flood Control District are coterminous with those of Pima County; however, the Flood Control District only levies taxes on real property.

(d) The tax rate shown is a weighted average based on each jurisdiction's proportionate amount of secondary assessed valuation.

(e) The combined tax rate includes the tax rate for debt service payments, which is based on the secondary assessed valuation of the entity, and the tax rate for all other purposes such as maintenance and operation and capital outlay, which is based on the primary assessed valuation of the municipality or school district.

(f) The following table lists general obligation bonds authorized but unissued for the County and jurisdictions within the County after the issuance of the County's Bonds.

Jurisdiction (g)	**Authorized But Unissued General Obligation Bonds**
Pima County	$303,681,000
Tucson Unified School District No. 1	74,000,000
City of Tucson	None**
Indian Oasis Unified School District No. 40	500,000

** Does not include the $5,600,000 aggregate principal amount of general obligation bond authorization from the 1984 bond election which can be sold only to establish capitalize reserve funds.

(g) Additional general obligation bonds may be authorized by these and other jurisdictions within the County at future elections.

Net Direct and Overlapping General Obligation Bonded Debt Ratios

The County's direct and overlapping general obligation bonded debt is shown below on a per capita basis and as a percent of the County's net secondary assessed valuation and estimated actual valuation.

		As Percent of County's 2008-09	
	Per Capita Net Debt (Pop. @ 1,014,023) (a)	**Secondary Assessed Valuation ($9,594,861,519)**	**Est. Actual Valuation ($79,245,821,370)**
Net Direct General Obligation Bonded Debt ($423,335,000) (b)	$ 417.48	4.41%	0.53%
Net Direct and Overlapping General Obligation Bonded Debt ($1,312,320,610)	$1,294.17	13.68%	1.66%

(a) Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Commerce, Population Statistics, July 2008.

(b) Reflects the Net General Obligation Bonds Outstanding after the issuance of the General Obligation Bonds, Series 2009.

Street and Highway Revenue Bonded Debt Outstanding (a)

The following chart indicates the outstanding street and highway bonds of the County.

Date of Issue	Original Amount	Purpose	Original Maturity Dates	Remaining Balance Outstanding
1-01-02	55,000,000	Street & Highway Improvements	7-1-03/12	$24,855,000
1-15-03	35,000,000	Street & Highway Improvements	7-1-04/18	27,600,000
5-01-05	51,200,000	Street & Highway Improvements	7-1-09/20	51,200,000
1-01-07	21,000,000	Street & Highway Improvements	7-1-09/22	21,000,000
2-15-08	25,000,000	Street & Highway Improvements	7-1-09/22	25,000,000
Total Street and Highway Revenue Bonds to be Outstanding				$149,655,000

(a) In 2006, the County received a loan through the Highway Expansion and Extension Loan Program (HELP) of the Arizona Department of Transportation totaling $4.8 million. This loan from the HELP program allowed the County to accelerate by several years the completion of one project that was scheduled to be funded from Federal aid highway revenues in future years. Final payment on this loan which is currently outstanding in the aggregate principal amount of $3.7 million is due in June 2009. HELP loans are payable solely from revenues received by the County from the Arizona Highway User Revenue Fund on a basis junior and subordinate to amounts due on the bonds shown above and all parity bonds. This loan is in addition to the debt listed in this table.

Sewer Revenue Debt Outstanding

The following chart lists the outstanding sewer revenue bonds of the County that will be outstanding after the issuance of the Bonds.

Date of Issue	Original Amount	Purpose	Remaining Maturity Dates	Balance Outstanding
03-01-96	$11,313,350	Refunding (a)	7-1-97/12	$ 4,775,425
08-06-97	7,500,000	Sewer Improvements (a)	7-1-00/11	1,914,924
05-01-98	29,185,000	Sewer Improvements	7-1-99/15	13,355,000
10-27-00	61,180,286	Sewer Improvements (a)(b)	7-1-02-16	39,644,825
04-01-01	19,440,000	Refunding	7-1-02/15	12,655,000
05-01-04	25,770,000	Refunding	7-1-05/15	18,145,000
05-11-04	19,967,331	Sewer Improvements (a)(c)	7-1-05/24	18,262,073
01-01-07	50,000,000	Sewer Improvements	7-1-07/26	45,785,000
05-01-08	75,000,000	Sewer Improvements	7-1-09/23	75,000,000
Total Sewer Revenue Bonds Currently Outstanding				$229,537,247
Plus: The Bonds offered herein				18,940,000
Total Sewer Revenue Bonds to be Outstanding				$248,477,247

(a) Represents funds borrowed under separate Loan Agreements with the Water Infrastructure Finance Authority of Arizona ("WIFA").
(b) On October 27, 2000, the County entered into certain Loan Agreements with WIFA totaling $40,000,000. In December 2001, the County amended those Loan Agreements and added an additional $21,180,286.
(c) May 11, 2004, the County entered into certain Loan Agreements with WIFA totaling $18,015,219. In September 2005, the County amended those Loan Agreements and added an additional $1,952,112.

Lease, Lease-Purchase and Purchase Agreements

The County has various lease purchase agreements outstanding. A list of the County departments benefited by these agreements and the scheduled payments on these agreements over the past four fiscal years appears below.

	Fiscal Year (in Thousands)			
County Department	**2004-05**	**2005-06**	**2006-07**	**2007-08**
Clerk of Superior Court	$147	$31	$ 82	$ 82
Juvenile Court				
Public Works Building				
Sheriff	42	42	21	0
Fiscal Year Total	$189	$74	$103	$82

Source: Pima County Finance and Risk Management Department.

Certificates of Participation

The following chart indicates the outstanding certificates of participation of the County that will be outstanding after the proposed issuance of the Certificates of Participation Obligations, Series 2009.

Date of Issue	Original Amount	Purpose	Original Maturity Dates	Remaining Balance Outstanding
09-01-99	$ 4,875,000	Refunding	1-1-13/14	$ 4,000,000
10-01-03	27,525,000	Refunding	1-1-05/18	20,680,000
05-01-07	30,320,000	New Money	7-1-08/22	29,075,000
06-26-08	50,000,000	New Money	6-1-09/11	50,000,000
Total Certificates of Participation Obligations Outstanding				$103,755,000
Plus: The Proposed Certificates of Participation, Series 2009 (a)				35,000,000
Total Certificates of Participation to be Outstanding				$138,755,000

(a) The Certificates of Participation, Series 2009 are expected to be issued in June, 2009. The principal amount shown is preliminary and subject to change. Prior to the issuance of the Certificates of Participation, Series 2009, the County expects to pay and defease, at or prior to maturity, $40 million of the Outstanding Certificates issued on June 26, 2008.

Retirement Plans

A brief description of the various retirement programs in which County employees participate is located in Footnote 9 in the excerpts from the County's Comprehensive Annual Financial Report in Appendix E.

Other Post Employment Benefits

Beginning with the fiscal year that commenced on July 1, 2007, the County implemented Government Accounting Standards Board Statement Number 45, *Accounting by Employers for Post-Employment Benefits Other than Pensions* ("GASB 45"), which requires reporting the actuarially accrued cost of post-employment benefits, other than pension benefits ("OPEB"), such as health and life insurance for current and future retirees. GASB 45 requires that such benefits be recognized as current costs over the working lifetime of employees, and to the extent such costs are not pre-funded, GASB 45 will require the reporting of such costs as a financial statement liability.

The County currently offers its retired employees, their spouses and survivors continuing access to health care insurance through the County's health plan. However, participating retirees must pay 100% of applicable health care insurance premiums. Participating retirees, their spouses and survivors may also be eligible for certain retiree health care benefits under health care programs provided by the State. Employees on long-term disability and their spouses may also qualify for retiree health care benefits through the State. It is expected that substantially all the County employees that reach normal or early retirement age while working for the County will become eligible for such benefits. The County makes no payments for OPEB costs for such retirees, but there is an implicit rate subsidy incurred by the County and described in Note 10 of the Comprehensive Annual Financial Report.

Management Commentary on Financial Condition

The County's revenues for Fiscal Year 2008-09 and 2009-10 are expected to be less than the budgeted or forecasted amounts for such periods, largely due to lower revenues from residential building permits and State-shared tax revenues. In addition, the State of Arizona had anticipated a budget deficit for Fiscal Year 2008-09 of approximately $1.6 billion and an expected deficit for 2009-10 of approximately $3.0 billion because of lower than expected revenues. In January 2009, the State approved a plan designed to eliminate the State's Fiscal Year 2008-09 deficit; depending on State revenue receipts, additional measures may be enacted by the Legislature for Fiscal Year 2008-09. The Legislature is also currently addressing the projected deficit for 2009-10. Although no specific proposals have been adopted for Fiscal Year 2009-10 to address projected deficits, in past years when the State was

facing budget difficulties, the State has shifted some of its costs to local jurisdictions either by charging cities, towns and counties additional mandatory payments or by reducing the share of State-shared revenues distributed to the cities, towns and counties. The County cannot determine whether any such provisions will be enacted or how they may affect the County or its financial position. The County is required by statute to adopt a balanced budget each year and has implemented cost-cutting measures for the current fiscal year and will be incorporating similar measures in its budget for the 2009-10 fiscal year to address the anticipated reduction in State-shared revenues and any potential increased cost shifting from the State to cities, towns and counties. The County has budgeted for an ending General Fund balance for Fiscal Year 2008-09 of at least five percent of annual General Fund revenues.

In 2004, the County closed the County-operated Kino Community Hospital and leased the hospital ground and buildings to University Physicians Healthcare (UPH), a nonprofit corporation, which opened a privately owned and operated hospital on the site. The original lease agreement between the County and UPH required $127 million of fees to be paid to UPH by the County over the first 10 years of the lease, in decreasing amounts, for the transition to a new hospital. At the request of UPH, the County amended its contract with UPH in Fiscal Year 2006-07 to accelerate, but not increase, the payments required by the lease. UPH is continuing efforts to make the hospital financially self sufficient. To date, the County has paid UPH $110 million of the total $127 million pledged. UPH has requested the County to provide additional long-term funding for its operations. The County has not taken action on this matter. Any future decision by the County to alter the agreement with UPH would be made with full consideration of the impact it would have on other operations of the County and the need for the County to continue to maintain a balanced budget.

Based on actual revenues and expenditures through January 31, 2009, the County is projecting the decrease in State revenues to have a minimal impact on the General Fund this Fiscal Year. The County expects the General Fund ending fund balance to be $29.6 million, which is $5.6 million more than $24.0 million budgeted and representing 6.2% of budgeted General Fund revenues. During the current Fiscal year, Pima County has been experiencing actual decreases in State shared revenues greater than the budgeted decreases. As a result, the County implemented a hiring freeze and called for all departments to reduce expenditures by a minimum of an additional 2.5% of budget. Although General Fund revenues and transfers are expected to be $7.9 million less than budgeted, expenditures are expected to be $5.8 million less than budgeted during the current Fiscal Year. Additionally, due to cost saving measures taken by the County in the last part of Fiscal Year 2007-08, the County's actual expenditures for last year were less than anticipated, resulting in the actual beginning fund balance being $7.7 million more than anticipated at the time of the budget preparation.

PIMA COUNTY, ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF ALL GOVERNMENTAL FUND TYPES
(In $000)

	Actual				
	2003-04	2004-05	2005-06	2006-07	2007-08
Revenues by Source:					
Taxes	$279,527	$300,972	$321,474	$348,700	$381,862
Special Assessments	505	244	215	521	556
Licenses and Permits	6,566	7,265	7,452	7,132	7,710
Intergovernmental	273,225	278,414	291,059	303,392	312,634
Charges for Services	43,505	53,568	63,582	63,508	58,890
Fines and Forfeits	5,010	5,967	6,014	6,550	6,480
Interest Income	2,656	5,181	11,379	13,988	14,218
Miscellaneous	11,918	14,806	13,165	17,544	21,752
Total Revenues	622,912	666,417	714,340	761,335	804,102
Expenditures by Fund:					
General	323,591	372,899	402,811	421,486	460,537
Special Revenues	161,150	160,407	170,562	199,498	218,307
Debt Service	61,394	56,274	66,963	69,689	76,764
Capital Projects	103,167	127,632	121,007	202,659	139,539
Total Expenditures	649,302	717,212	761,343	893,332	895,147
Excess of Revenues Over (Under) Expenditures	(26,390)	(50,795)	(47,003)	(131,997)	(91,045)
Other Financing Sources (Uses):					
Premium on bonds	0	0	0	1,429	1,964
Proceeds of Long-Term Debt	65,148	116,450	4,836	146,320	175,000
Proceeds of Refunding Bonds	6,880	0	0	0	0
Payment to Refunded Bond Escrow Agent	(6,846)	0	0	0	0
Gain on Investment	0	0	3	0	312
Operating Transfers In (Out)	(21,333)	3,046	3,685	(599)	714
Capital Leases	0	0	231	0	0
Sale of General Fixed Assets	406	27	416	1,426	27
Total Other Financing Sources (Uses)	44,255	119,523	9,171	148,576	178,017
Extraordinary item.					
Loss From State Treasurer's Local Government Investment Pool	0	0	0	0	0
Net Change in Fund Balance	17,865	68,728	(37,832)	16,579	86,972
Beginning Fund Balance, as restated	165,395	182,894	252,007	214,292	230,660
Changes in Reserve for Inventory	(379)	398	(188)	(209)	(55)
Changes in Reserve for Prepaids	13	(13)	11	(2)	0
Ending Fund Balance	$182,894	$252,007	$213,998	$230,660	$317,577

Source: Pima County Finance and Risk Management Department. This table has not been the subject to any separate audit procedures.

PIMA COUNTY, ARIZONA
STATEMENT OF FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
(In $000)

	Actual				
	2003-04	**2004-05**	**2005-06**	**2006-07**	**2007-08**
General					
Reserved	$ 7,068	$ 4,056	$ 5,152	$ 8,889	$ 5,415
Unreserved	25,628	33,171	46,423	48,671	35,438
Designated	0	0	0	0	29,536
	32,696	**37,227**	**51,575**	**57,560**	**70,389**
Special Revenue					
Reserved	3,399	2,742	5,111	5,933	4,699
Unreserved	45,325	54,232	64,961	69,773	77,451
Designated	0	0	1,044	0	0
	48,724	**56,974**	**71,116**	**75,706**	**82,150**
Debt Service					
Reserved	4,202	10,004	6,673	7,946	12,395
Unreserved	0	152	162	0	0
	4,202	**10,156**	**6,835**	**7,946**	**12,395**
Capital Projects					
Reserved	2	0	0	120	0
Unreserved	97,270	147,650	84,472	89,328	152,643
	97,272	**147,650**	**84,472**	**89,448**	**152,643**
Total Fund Balance	$182,894	$252,007	$213,998	$230,660	$317,577

Source: Pima County Finance and Risk Management Department. This table has not been the subject of any separate audit procedures.

PIMA COUNTY, ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCE
(In $000)

	Actual				
	2003-04	2004-05	2005-06	2006-07	2007-08
Revenues by Source:					
Taxes	$209,672	$225,959	$242,948	$252,350	$268,493
Licenses and Permits	2,166	2,350	2,536	2,795	2,971
Intergovernmental	120,058	125,203	143,982	152,271	148,158
Charges for Services	24,133	24,905	27,102	33,604	32,307
Fines and Forfeits	4,023	5,035	5,786	5,526	5,020
Interest Income	530	1357	2,491	3,321	3,343
Miscellaneous	2,132	4,435	4,935	6,828	8,314
Total Revenues	362,174	389,244	429,780	456,695	468,606
Expenditures:					
Current					
General Government	120,755	160,378	168,394	181,329	192,839
Public Safety	100,650	84,694	96,687	106,825	118,623
Sanitation	0	0	0	0	0
Health	2,898	2,189	2,401	2,526	2,906
Welfare	76,619	96,996	102,496	96,684	106,502
Culture & Recreation	14,448	11,236	13,104	14,694	16,325
Education & Econ. Opport.	5,578	14,637	16,682	16,407	17,418
Debt Service:					
Principal	1,610	1,440	1,750	1,785	3,115
Interest	1,030	1,324	1,292	1,230	2,805
Miscellaneous	3	5	5	6	4
Total Expenditures	323,591	372,899	402,811	421,486	460,537
Excess of Revenues Over (Under) Expenditures	39,123	16,345	26,969	35,209	8,069
Other Financing Sources (Uses):					
Proceeds of Long-Term Debt	0	0	0	0	0
Sale of General Fixed Assets	2	8	22	0	0
Operating Transfers In (Out)	(39,977)	(11,822)	(12,643)	(29,224)	4,760
Total Other Financing Sources (Uses):	(39,975)	(11,814)	(12,621)	(29,224)	4,760
Extraordinary item:					
Loss from State Treasurer's Local Government Investment Pool	0	0	0	0	0
Net Change in Fund Balance	(852)	4,531	14,348	5,985	12,829
Beginning Fund Balance, as restated	33,548	32,696	37,227	51,575	57,560
Ending Fund Balance	$32,696	$37,227	$51,575	$57,560	$70,389

Source: Pima County Finance and Risk Management Department. This table has not been the subject of any separate audit procedures.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Pima County, Arizona
Tucson, Arizona

Ladies and Gentlemen:

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by Pima County, Arizona (the "County") of its $18,940,000 aggregate principal amount of bonds designated the Pima County, Arizona, Sewer Revenue Bonds, Series 2009 (the "Bonds"). The Bonds are issued pursuant to Title 11, Chapter 2, Article 4 of the Arizona Revised Statutes, as amended (the "Act"), and under the provisions of an authorizing resolution adopted by the Board of Supervisors of the County on June 18, 1991, as supplemented and amended, including a supplemental resolution adopted by the Board of Supervisors of the County on April 21, 2009 (the "Bond Resolution"). The documents in the Transcript include a certified copy of the Bond Resolution. All capitalized terms not defined herein shall have the meanings set forth in the Bond Resolution. We have also examined a conformed copy of a Bond.

Based on this examination, we are of the opinion that, under existing law:

1. The Bonds are valid, legal and binding special obligations of the County which, together with other bonds and obligations issued on a parity therewith and subject to bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion, are to be paid solely from, and secured by a pledge of the revenues derived by the County from the operation of its sewer system, after provision has been made for the expenses of operation and maintenance of the sewer system (the "Net Revenues"), subject to no other liens granted under the Act. The Bonds are issued on a parity with the County's outstanding Sewer Improvement and Refunding Revenue Bonds, Series 1998, Sewer Revenue Refunding Bonds, Series 2001, Sewer Revenue Refunding Bonds, Series 2004, Sewer Revenue Bonds, Series 2007 and Sewer Revenue Bonds, Series 2008, and those certain Loan Agreements between the County, as borrower, and the Water Infrastructure Finance Authority of Arizona, dated March 1, 1996, August 6, 1997, October 27, 2000, as amended, and May 11, 2004, as amended. The Bonds and the payment of principal thereof and interest thereon are not secured by an obligation or pledge of any moneys or property of the County other than the Net Revenues, and the Bonds do not represent or constitute a general obligation or a pledge of the full faith and credit of the County or the State of Arizona.

2. The interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 as amended (the "Code"), and is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. The interest on the Bonds is exempt from Arizona state income tax. We express no opinion as to any other tax consequences regarding the Bonds.

In giving the foregoing opinion with respect to the treatment of the interest on the Bonds under the tax laws, we have assumed and relied upon compliance with the covenants of the County and the accuracy, which we have not independently verified, of the representations and certifications of the County, contained in the Transcript. The accuracy of those representations and certifications, and the County's compliance with those covenants, may be necessary for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain of those covenants subsequent to

issuance of the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Under the Code, interest on the Bonds is excluded from the calculation of a corporation's adjusted current earnings for purposes of the corporate alternative minimum tax, but interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

The opinions expressed in this letter are based on the law in effect on the date hereof and may be affected by actions taken or omitted or events occurring after the date hereof, and we assume no obligations to revise or supplement this opinion should such law be changed by legislative action, judicial decision, or otherwise, or to determine or to inform any person whether any such actions are taken or omitted or any such events occur.

Respectfully submitted,

APPENDIX E

AUDITED FINANCIAL STATEMENTS OF THE PIMA COUNTY REGIONAL WASTEWATER RECLAMATION DEPARTMENT FOR FISCAL YEAR ENDED JUNE 30, 2008

Regional Wastewater Reclamation Department

Enterprise Fund

For the Fiscal Year Ended June 30, 2008

Pima County, Arizona

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Department - Enterprise Fund
Report on Audit of Financial Statements
June 30, 2008

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INDEPENDENT AUDITORS' REPORT

The Board of Supervisors
of Pima County, Arizona

We have audited the accompanying financial statements of the Regional Wastewater Reclamation Department – Enterprise Fund, an enterprise fund of Pima County, Arizona, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the management of the Regional Wastewater Reclamation Department – Enterprise Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Regional Wastewater Reclamation Department – Enterprise Fund are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities and the major fund of Pima County, Arizona that is attributable to the Regional Wastewater Reclamation Department – Enterprise Fund, an enterprise fund of Pima County, Arizona. They do not purport to, and do not, present fairly the financial position of Pima County, Arizona, as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Regional Wastewater Reclamation Department – Enterprise Fund, an enterprise fund of Pima County, Arizona, as of June 30, 2008, and the respective changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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As described in Note 1, Wastewater Reclamation Department – Enterprise Fund implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2008, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2008 on our consideration of the Regional Wastewater Reclamation Department – Enterprise Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 20, 2008

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Department - Enterprise Fund
Statement of Net Assets
June 30, 2008

Assets

Current assets:	
Cash and cash equivalents	$ 56,850,583
Restricted cash and cash equivalents	53,073,803
Interest receivable	285,697
Accounts receivable, net	9,860,450
Due from other Pima County funds	1,988,284
Due from other governments	28,038
Inventory of materials and supplies	3,619,622
Prepaid expenses	178,484
Total current assets	125,884,961
Noncurrent assets:	
Restricted cash and cash equivalents:	
Held in escrow as construction contract retentions	492,372
Capital assets, net of accumulated depreciation where applicable:	
Land and other improvements	8,735,249
Conveyance systems, net	369,513,635
Treatment facilities, net	229,090,138
Equipment, net	27,224,213
Construction in progress	72,060,008
Total capital assets, net	706,623,243
Deferred financing costs	2,400,466
Total noncurrent assets	709,516,081
Total assets	$ 835,401,042

(Continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Department - Enterprise Fund
Statement of Net Assets
June 30, 2008

(continued)

Liabilities

Current liabilities:	
Accounts payable	$ 16,009,542
Accrued payroll and employee benefits	3,979,633
Due to other Pima County funds	3,943,436
Due to other governments	88,014
Interest payable	1,265,097
Current portion of sewer revenue bonds payable	7,870,000
Current portion of wastewater loans payable	5,955,046
Deferred revenue	1,406,869
Total current liabilities	40,517,637
Noncurrent liabilities:	
Construction contract retentions payable	5,842,091
Other postemployment healthcare benefits	718,732
Sewer revenue bonds payable, less current portion	157,070,000
Wastewater loans payable, less current portion	64,616,667
Deferred interest expense and bond discount	(1,385,021)
Total noncurrent liabilities	226,862,469
Total liabilities	267,380,106

Net Assets

Invested in capital assets, net of related debt	474,897,017
Restricted for:	
Debt service	790,848
Capital Projects	37,924,725
Operation and maintenance	5,955,866
Unrestricted	48,452,480
Total net assets	$ 568,020,936

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Department - Enterprise Fund
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Year Ended June 30, 2008

Operating revenues:	
Sewer utility service	$ 74,636,355
Engineering review and inspection fees	65,769
Permits and fines	26,436
Other income	105,114
Total operating revenues	74,833,674
Operating expenses:	
Employee compensation	34,526,659
Operating supplies	8,187,422
Utilities	6,939,725
Sludge and refuse disposal	1,602,233
Repairs and maintenance	3,877,604
General and administrative	11,184,166
Consultants and professional services	9,515,947
Depreciation	24,453,618
Total operating expenses	100,287,374
Operating loss	(25,453,700)
Nonoperating revenues (expenses):	
Intergovernmental revenue	791,630
Interest income	3,759,650
Sewer connection revenue	31,036,931
Loss on disposal of equipment	(538,753)
Interest expense	(6,560,266)
Amortization of deferred charges	(136,318)
Total nonoperating revenues (expenses)	28,352,874
Income before capital contributions and transfers	2,899,174
Capital contributions	23,437,793
Transfers in	6,995,558
Transfers out	(7,632,365)
Increase in net assets	25,700,160
Net assets—July 1, 2007 (as restated)	542,320,776
Net assets—June 30, 2008	$ 568,020,936

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Department
Statement of Cash Flows
Year Ended June 30, 2008

Cash flows from operating activities:	
Receipts from customers	$ 76,214,969
Miscellaneous receipts	105,114
Payments to suppliers for goods and services	(34,322,809)
Payments to other Pima County Funds for goods and services	(8,869,105)
Payments to employees	(33,017,777)
Net cash provided by operating activities	110,392
Cash flows from noncapital financing activities:	
Intergovernmental receipts	82,969
Repayment of interfund borrowings	1,113,745
Net cash provided by noncapital financing activities	1,196,714
Cash flows from capital and related financing activities:	
Sewer connection receipts from customers	30,207,247
Intergovernmental contract receipts	1,066,865
Purchase and construction of capital assets	(67,321,904)
Proceeds from issuance of sewer revenue bonds	75,000,000
Principal payments on revenue bonds and loans	(13,071,589)
Interest payments on revenue bonds and loans	(6,351,490)
Net cash provided by capital and related financing activities	19,529,129
Cash flows from investing activities:	
Interest received on investments	3,881,707
Net cash provided by investing activities	3,881,707
Net increase in cash and cash equivalents	24,717,942
Cash and cash equivalents, July 1, 2007	85,698,816
Cash and cash equivalents, June 30, 2008	$ 110,416,758

(Continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Department - Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2008
(continued)

Reconciliation of operating loss to net cash provided by operating activities:

Operating loss	$	(25,453,700)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		24,453,618
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable		(650,326)
Due from other governments		2,136,735
Inventory of materials and supplies		(507,799)
Prepaid expenses		10,334
Increase (decrease) in liabilities:		
Accounts payable		(1,393,864)
Due to other governments		6,512
Accrued payroll and employee benefits		1,508,882
Net cash provided by operating activities	$	110,392

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2008:

Developers conveyed capital assets with an estimated fair value of $23,667,176. This transaction was recorded as capital contributions.

Pima County Board of Supervisors approved Connection Fee Flow-Through Sewer Credit Agreements totaling $829,684. This transaction was recorded as an increase to deferred revenue and a decrease in capital contributions.

The Fund disposed of capital assets with a net book value of $538,752.

The Fund received capital assets in the amount of $600,301 from the County's general government capital assets. This transaction was recorded as capital contributions.

See accompanying notes to financial statements

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Pima County (County) and its Regional Wastewater Reclamation Department Enterprise Fund (Fund), formerly known as the Wastewater Management Enterprise Fund, conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the regulatory requirements of the State of Arizona. A summary of the County's significant accounting policies affecting the Fund follows.

During the year ended June 30, 2008, the Fund implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. GASB 45 requires systematic measurement and recognition of other postemployment benefits' (OPEB) cost over employees' years of service and provides information about actuarial accrued liabilities associated with OPEB. Although OPEB is not required to be funded, whether and to what extent progress is being made in funding the liabilities must be disclosed. GASB 45 requires prospective application upon adoption and as a result, the Fund has recorded a net OPEB obligation offset by OPEB expense in the accompanying financial statements, related to the post-employment healthcare benefit participation by Fund retirees and their beneficiaries in Pima County's healthcare benefit plan. Further information regarding this measurement and disclosure is available in Note 12. The Fund has implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* for the fiscal year ended June 30, 2008.

A. Reporting Entity

The Fund is accounted for as an enterprise fund of Pima County, Arizona, and the ultimate financial accountability for the Fund remains with Pima County. The Fund's management is responsible for operating all wastewater conveyance and treatment systems and water pollution control programs throughout Pima County.

The financial statements present only the Regional Wastewater Reclamation Department Enterprise Fund as one of the enterprise funds of Pima County and are not intended to present the balances and activity of Pima County and its entirety.

B. Fund Accounting

The Fund's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the Fund's available resources are observed. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with the activities or objectives specified for those resources. Each fund is considered a separate accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses.

The Fund's financial transactions are recorded and reported as an enterprise fund because its operations are financed and operated in a manner similar to private business enterprises. It is the intent of the Board of Supervisors that the costs (expenses, including depreciation) of goods or services provided by the Fund on a continuing basis be financed or recovered primarily through user charges.

C. Basis of Accounting

Basis of accounting relates to the timing of the measurements made and determines when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of the Fund are reported using the economic resources measurement focus and are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. When both restricted and unrestricted net assets are available to finance Fund expenses, restricted resources are used before unrestricted resources. Interfund transactions that would be treated as revenues or expenses if they involved parties external to the County are recorded in the appropriate revenue or expense accounts. Intrafund transactions within the fund are eliminated for the consolidated financial statement presentation.

Note 1 – Summary of Significant Accounting Policies (continued)

Unless in conflict with GASB pronouncements, the Fund follows Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research bulletins. The Fund has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

D. Basis of Presentation

The financial statements include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows. A statement of net assets provides information about the assets, liabilities, and net assets of the Fund at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external restrictions or availability of assets to satisfy the Fund's obligations. Invested in capital assets net of related debt represents the cost of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Restricted net assets represent grants, contracts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in fund net assets provides information about the Fund's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions and transfers. Generally charges for services and fees generated from providing waste services and sewer utility service fees are considered to be operating. Other revenues, such as sewer connection revenues and interest income, are not generated from operations and are considered to be nonoperating revenues. Operating expenses include the costs of providing sewer services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense on debt, are considered to be nonoperating expenses.

A statement of cash flows provides information about the Fund's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital and related financing, or investing.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash and investments held by the Pima County Treasurer, investments with the State Treasurer, and deposits held in escrow accounts from both restricted and unrestricted sources. Unrestricted cash and cash equivalents consist of cash on hand, cash and investments held by the Pima County Treasurer in an investment pool, and investments with the State Treasurer. Restricted cash and cash equivalents consist of cash and investments held by the Pima County Treasurer in an investment pool, and deposits held in escrow accounts. All investments are stated at fair value.

F. Accounts Receivable

Accounts receivable consist primarily of amount due from customers for services provided. These balances are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through charge to earnings and credit to a valuations allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Note 1 – Summary of Significant Accounting Policies (continued)

G. Inventory

Inventories consist of operating supplies and are recorded as assets when purchased and expensed when consumed. These inventories are stated at the lower of cost or market. Cost is determined using the moving average method.

H. Capital Assets

Purchased capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received. The Fund capitalizes all land and developer contributions regardless of cost, sewage conveyance system, buildings and improvements, and infrastructure costing $100,000 or more, and equipment costing $5,000 or more. Costs for internally constructed capital assets include material, direct labor, engineering, interest, and allocated portions of other indirect costs related to the construction projects. Depreciation of such assets is charged as an expense against operations. All assets other than land and construction in-progress are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Treatment facilities and equipment	4 to 30 years
Conveyance systems	50 years

I. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending upon years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate a limited number of sick leave (1,920) hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees; however employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability.

J. Construction Contract Retentions

The Fund has numerous construction projects in process. The Fund retains a percentage of each progress payment until the project's successful completion. In some instances, contract retentions are deposited in escrow accounts so contractors may earn interest during the construction period.

K. Deferred Interest Expense

For advance refundings resulting in defeasance of debt, the difference between the reacquisition price and net carrying amount of the old debt is deferred and amortized as a component of interest expense over the life of the refunded debt or the refunding debt, whichever is shorter. This deferred amount is reported as a deduction from the new debt liability on the statement of net assets.

Note 1 – Summary of Significant Accounting Policies (continued)

L. Revenues

Sewer utility billings are based on the content and volume of wastewater discharged and a minimum service charge.

Land developers contribute capital and aid in the construction of certain portions of the conveyance systems. Contributions are recorded as contributed capital at their estimated fair value. In those instances when a developer makes enhancements that exceed the requirements for the conveyance systems, the Fund establishes reduced fees and credits that can be used to offset future fees charged to developers for each new connection to the conveyance systems. These credits are recorded as deferred sewer connection revenue and recognized as income when connection permits are issued.

Sewer connection fees are assessed to land developers based on the type and number of fixtures attached to the conveyance systems. Fees are established at a level to provide for the recovery of the Fund's operating expenses that are not recovered by the sewer utility service fees. Accordingly, fees collected are classified as nonoperating revenues.

Note 2 – Net Assets Beginning Balance Restated

The beginning net asset balance was restated due to the restructuring of the Fund's sewer conveyance assets. The following summarizes the restatement of net assets:

Net assets - June 30, 2007, as previously reported	$ 543,027,755
Adjustment	(706,979)
Net assets - July 1, 2007, as restated	$ 542,320,776

Note 3 – Cash and Investments

Cash and cash equivalents consisted of the following amounts:

Current	
Cash on hand	$ 2,600
Cash and cash equivalents	56,847,983
Restricted cash and cash equivalents:	
Construction	37,924,725
Debt service	9,193,212
Operation and maintenance	5,955,866
Total restricted cash	53,073,803
Total current cash and cash equivalents	109,924,386
Noncurrent	
Restricted cash and cash equivalents:	
Deposits held in escrow accounts	492,372
Total cash and cash equivalents	$ 110,416,758

Note 3 – Cash and Investments (continued)

Current restricted cash and cash equivalents represents cash received for capital projects, anticipated debt service payments, and an estimated one-twelfth of annual operating expenses. In prior years, only one-twelfth of the annual debt principal and interest was restricted. However, because the Water Infrastructure Finance Authority debt payment is paid July 1, the entire amount of the payment is now included as restricted cash for debt service. Noncurrent restricted cash and cash equivalents are deposits held in escrow pending completion of capital projects.

The Fund's cash and investments in the Pima County Treasurer's investment pool represent a portion of the County Treasurer's investment pool portfolio. There is no oversight provided for the County Treasurer's investment pool, and the pool's structure does not provide for shares. The Fund's portion in the pool is not identified with specific investments and is not subject to custodial credit risk.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk. The Pima County Treasurer's investment pool is unrated.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal investment policy with respect to interest rate risk. The Pima County Treasurer's investment pool had a weighted average maturity of 262 days at June 30, 2008.

Legal Provisions – Arizona Revised Statutes authorize counties to invest public monies in the State Treasurer's investment pool: obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; interest earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; and specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk - Statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's investors' service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors' service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk - Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk - Statutes do not include any requirements for concentration of credit risk.

Interest rate risk - Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk - Statutes do not allow foreign investments.

Note 4 – Capital Asset Activity

Capital asset activity for the year ended June 30, 2008, is presented in the following schedule:

	Balance July 1, 2007 (as restated)	Increases	Decreases	Balance June 30, 2008
Capital assets not being depreciated:				
Land and other improvements	$ 7,833,896	$ 901,353		$ 8,735,249
Construction in progress	35,618,504	56,720,129	$ 20,278,625	72,060,008
Total capital assets not being depreciated	43,452,400	57,621,482	20,278,625	80,795,257
Capital assets being depreciated:				
Conveyance systems	548,573,623	32,083,297	560,540	580,096,380
Treatment facitlites	341,638,602	6,415,043	206,585	347,847,060
Equipment	17,466,967	18,776,404	629,274	35,614,097
Total capital assets being depreciated	907,679,192	57,274,744	1,396,399	963,557,537
Less accumulated depreciation for:				
Conveyance systems	199,825,319	11,015,616	258,190	210,582,745
Treatment facilities	107,529,783	11,310,670	83,531	118,756,922
Equipment	6,778,478	2,127,332	515,926	8,389,884
Total accumulated depreciation	314,133,580	24,453,618	857,647	337,729,551
Total capital assets being depreciated, net	593,545,612	32,821,126	538,752	625,827,986
Capital assets, net	$ 636,998,012	$ 90,442,608	$ 20,817,377	$ 706,623,243

Note 5 – Claims, Judgments, and Risk Management

The Fund is a participant in Pima County's self-insurance program. The County's self-insurance program covers the Fund for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In the opinion of the Fund's management, any unfavorable outcomes from these types of risks would be covered by that self-insurance program. Accordingly, the Fund has no risk of loss beyond adjustments to future years' premium payments to Pima County's self-insurance program. All estimated losses for unsettled claims and actions of Pima County are determined on an actuarial basis and are included in the *Pima County Comprehensive Annual Financial Report.*

Risks of loss arising from contractual breaches are not covered by the County's self-insurance program or commercial insurance. The Fund's management does not believe that these types of losses would be material to the financial statements; therefore, no accrual of losses has been reported in the financial statements. At June 30, 2008, there were no material lawsuits related to contractual breaches.

Note 6 – Long-Term Liabilities

The following schedule details the Fund's long-term liability and obligation activity for the year ended June 30, 2008:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Due Within 1 year
Sewer revenue bonds	$ 97,290,000	$75,000,000	$ 7,350,000	$164,940,000	$ 7,870,000
Less unamortized deferred amounts	2,933,485	1,280,341	413,851	1,239,293	
Total sewer revenue bonds payable	94,356,515			163,700,707	7,870,000
Wastewater loans payable	76,293,302		5,721,589	70,571,713	5,955,046
Less unamortized deferred amounts	182,162		36,433	145,729	
Total wastewater loans payable	76,111,140			70,425,984	5,955,046
Construction contract retention payable	5,279,895	1,411,992	849,796	5,842,091	
Total long-term liabilities	$ 175,747,550	$77,692,333	$13,471,101	$239,968,782	$13,825,046

Sewer Revenue Bonds Payable—The Fund has issued several series of sewer revenue bonds (Series 1998, Refunding 2001, Refunding 2004, Series 2007, and Series 2008) to provide funds for the defeasance of prior sewer revenue bonds, the construction of a utility plant, and the construction of improvements to the sewer system. The bonds are callable at various prices depending on the date of call. Interest on the bonds is payable semiannually. Of the total amount originally authorized, $706,000 from the May 20, 1997, and $28,237,000 from the May 18, 2004 bond election remain unissued.

Wastewater Loans Payable—The Fund has entered into four loan agreements with the Water Infrastructure Financing Authority of Arizona (1996, 1997, 2000, and 2004 loans payable) to provide funds for the defeasance of prior sewer revenue bonds and the construction and improvement of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding.

In May 2008, the County issued for the Fund $75,000,000 in Sewer Revenue Bonds Series 2008. The net proceeds of the issuance were used to provide monies for the construction and improvements of the County's wastewater conveyance systems and treatment facilities.

Debt Covenants—All revenue bonds were issued and the loan agreements were executed with a first lien on the first pledge of the Fund's net revenues and have restrictive covenants, primarily related to minimum utility rates and limitations on future bond issues. The bond covenants also require the Fund to either maintain a surety bond guaranteeing the payment of annual debt service or to maintain in the Bond Reserve Account monies equal to the average annual debt service payment. At June 30, 2008, the Fund had a surety bond to meet the requirements of the debt covenants. The County is also authorized to issue for the Fund additional parity bonds if certain conditions are met, primarily that net revenues for the fiscal year immediately preceding issuance of the parity bonds exceed 120 percent of the maximum annual debt service requirements immediately after such issuance.

Note 6 – Long-Term Liabilities (continued)

Bonds and loans outstanding at June 30, 2008, were as follows:

Description	Interest Rates	Maturity Dates	Outstanding Principal
Series 1998	4.5-5.5%	2009-15	$ 13,355,000
Refunding 2001	4.0-5.4%	2009-15	12,655,000
Refunding 2004	2.63-5.5%	2009-15	18,145,000
Series 2007	4.0-5.0%	2009-26	45,785,000
Series 2008	4.0-5.0%	2009-24	75,000,000
Total sewer revenue bonds payable			$ 164,940,000
1996 loan payable	3.19%	2008-12	$ 5,975,636
1997 loan payable	2.95%	2008-11	2,517,029
2000 loan payable	2.20%	2008-16	42,940,913
2004 loan payable	1.81%	2008-24	19,138,135
Total wastewater loans payable			$ 70,571,713

Revenue bond debt service and loan payment requirements to maturity, are as follows:

	Revenue Bond Debt Service		Loan Payment Requirements	
	Principal	Interest	Principal	Interest
Year ending June 30,				
2009	$ 7,870,000	$ 7,175,358	$ 5,955,046	$ 2,422,506
2010	8,090,000	6,821,420	6,316,650	2,200,458
2011	7,410,000	6,469,720	7,604,514	1,948,065
2012	8,395,000	6,133,883	7,891,095	1,666,783
2013	9,340,000	5,751,425	6,936,540	1,397,140
2014-2018	52,335,000	21,741,737	26,691,540	3,590,807
2019-2023	60,835,000	10,152,931	6,337,797	1,007,886
2024-2027	10,665,000	867,000	2,838,531	94,720
Total	$ 164,940,000	$ 65,113,474	$ 70,571,713	$ 14,328,365

Construction Contract Retentions Payable—State laws and regulations require the Fund to withhold a portion of progress payments made on construction contracts until the successful completion of the construction project.

Note 7 – Due To Other Pima County Funds

Due to other Pima County funds represents payables for goods or services. At June 30, 2008, the payables included $2,038,729 due to the General Fund, $11,792 due to the Environmental Quality Fund-Solid Waste Management, $9,950 due to the Self Insurance Trust Fund, and $1,882,965 due to the Capital Projects Fund.

Note 8 – Related Party Transactions

Administrative and Fiscal Services—The Fund incurred expenses from Pima County for a variety of administrative and fiscal services, including $2,079,545 for the allocation of overhead; $1,638,621 for self-insurance premiums; $1,426,419 for interdepartmental supplies and services charges; $1,809,796 for motor pool charges; $196,273 for professional charges; $918,948 for repair and maintenance charges; $110,616 for printing charges; and $480,166 for miscellaneous other charges.

Public Works Center—The Fund occupies a portion of the Public Works Center and pays rent based on a pro rata share of the building expenses incurred by the Pima County Facilities Management department. The Fund's rent totaled $208,721 for the year ended June 30, 2008.

Note 9 – Construction and Other Significant Commitments

At June 30, 2008, the Fund had construction contractual commitments of $28,524,935 and other contractual commitments related to service contracts of $3,863,826. Funding for these expenditures will be primarily from Sewer Revenue Bonds and related fees.

Note 10 – Intergovernmental Agreement

The City of Tucson, Metropolitan Domestic Water Improvement District (MDWID), Town of Marana Water, and Oro Valley Water provide sewer utility billing and collection services, certain computer services, accounting information, and statistical data to the Fund. During the year ended June 30, 2008, the Fund paid fees totaling $2,250,521, $137,716, $27,828, and $138,836, respectively, for such services. As part of its agreement, the City of Tucson invests cash collected from utility customers and held for remittance to the Fund. Interest earnings on such investments are remitted to the Fund. The MDWID, Town of Marana Water and Oro Valley Water submit cash receipts to the Fund regularly. However, cash collections are not invested, and therefore, MDWID, Town of Marana Water, and Oro Valley Water do not remit interest to the Fund.

Note 11 – Retirement Plan

Plan Description—The Fund contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (ASRS) that covers general employees of the Fund. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statutes Title 38, Chapter 5, Article 2.

Note 11 – Retirement Plan (continued)

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910, by calling (602) 240-2000 or on-line at http://www.ASRS.state.az.us/web/Aboutus.do.

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the Fund's contribution rates. For the year ended June 30, 2008, active plan members and the Fund were each required by statute to contribute at the actuarially determined rate of 9.60 percent (9.10 percent retirement and 0.50 percent long-term disability) of the members' annual covered payroll. The Fund's contributions to the ASRS for the years ended June 30, 2008, 2007, and 2006, were $2,374,127, $2,024,877, and $1,528,578, respectively, which were equal to the required contributions for the year.

Note 12 – Postemployment Healthcare Benefits

In compliance with GASB Statement No, 45; the Fund reported an accrued actuarial liability or *Net OPEB obligation* and related OPEB expense at June 30, 2008. The short-term portion is reported with accrued employee compensation. The long-term portion is reported separately.

Retiree Insurance Program
Employees retiring from Pima County service, who receive monthly income from one of the Arizona State Retirement Plans, are eligible to continue medical and dental insurance coverage at group rates through the County (the Program). It is a single-employer plan and the benefits and premium rates are approved by the Board of Supervisors on an annual basis for active and retired members. Although Pima County does not explicitly pay a portion of the retiree's premiums, because of the inclusion of this risk class in the insured pool, there is an implicit rate subsidy or "premium rate differential" that is incurred by the County. No separate report is provided for the Program.

Funding Policy
The Program is currently funded on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation
The Fund's annual healthcare pension cost and net pension obligation as of and for the fiscal year ended June 30, 2008 were as follows:

Annual healthcare pension contribution	$ 1,056,148
Interest on net pension obligation	40,614
Annual pension cost	1,096,762
Contributions made	(136,603)
Increase in net pension obligation	960,159
Net pension obligation at beginning of year	
Net pension obligation at end of year	$ 960,159
Current portion	(241,427)
Non-current portion	$ 718,732

Note 12 – Postemployment Healthcare Benefits (continued)

Actuarial Methods and Assumptions

The more significant actuarial assumptions and methods used in the calculation of employer contributions to the Retiree Insurance Program for the fiscal year ended June 30, 2008 are as follows:

Valuation date	July 1, 2007
Actuarial cost method	Entry age normal cost method
Amortization method for actuarial accrued liabilities	Level percentage of payroll
Remaining amortization period	30 Years open
Actuarial cost method	Projected unit credit
Investment rate of return	4.50%
Medicare coverage age	65
Retirement and disability age	Based on EORP, CORP, ASRS, and PSRS pension valuations
Salary increases	2.50%
Payroll growth	2.50%
Active members	472
LTD/Retiree and spouses currently receiving benefits	14

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Supervisors
of Pima County, Arizona

Members of the Board:

We have audited the financial statements of the Regional Wastewater Reclamation Department -- Enterprise Fund, an enterprise fund of Pima County, Arizona as of and for the year ended June 30, 2008, and have issued our report thereon dated October 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Regional Wastewater Reclamation Department -- Enterprise Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Regional Wastewater Reclamation Department -- Enterprise Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Regional Wastewater Reclamation Department – Enterprise Fund's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Regional Wastewater Reclamation Department – Enterprise Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, Board of Supervisors, others within the entity and governmental agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 20, 2008

APPENDIX F

EXCERPTS FROM PIMA COUNTY, ARIZONA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The following are excerpts from the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. The County has not requested the State of Arizona Auditor General to perform any review of the County's Comprehensive Annual Financial Report subsequent to June 30, 2008. These are the most recent audited financial statements available to the County and may not represent the current financial position of the County.

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, two major funds, and the component unit, which account for the following percentages of the assets, liabilities, revenues, and expenses or expenditures of the opinion units affected:

Opinion Unit/Department	Assets	Liabilities	Revenues	Expenses/ Expenditures
Government-Wide Statements				
Governmental Activities:				
Stadium District	0.09%	0.04%	0.42%	0.42%
School Reserve Fund	0.15%	0.05%	0.51%	0.51%
Self Insurance Trust	2.39%	4.19%	0.25%	0.11%
Business-Type Activities:				
Regional Wastewater Reclamation Department	92.16%	86.05%	24.82%	25.67%
Pima Health System & Services	6.17%	13.34%	67.45%	70.59%
Development Services	0.67%	0.48%	2.19%	3.56%
Self Insurance Trust	0.00%	0.00%	0.00%	0.06%
Component Unit—Southwestern Fair Commission	100.00%	100.00%	100.00%	100.00%

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Opinion Unit/Department	Assets	Liabilities	Revenues	Expenses/ Expenditures
Fund Statements				
Major Funds:				
Regional Wastewater Reclamation Department	100.00%	100.00%	100.00%	100.00%
Pima Health System & Services	100.00%	100.00%	100.00%	100.00%
Aggregate Remaining Fund Information:				
Stadium District	0.28%	0.19%	0.96%	0.92%
School Reserve Fund	0.46%	0.26%	1.16%	1.13%
Development Services	1.41%	0.98%	2.69%	4.24%
Self Insurance Trust	7.28%	21.25%	5.91%	5.25%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the County implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement Nos. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions;* 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues;* 49, *Accounting and Financial Reporting for Pollution Remediation Obligations;* and 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27),* for the year ended June 30, 2008, which represent changes in accounting principles.

The Management's Discussion and Analysis on pages 13 through 29, the Budgetary Comparison Schedules on pages 79 and 80, and the Schedule of Retirement Plans' Funding Progress on pages 81 and 82 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

December 19, 2008

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Management's Discussion and Analysis

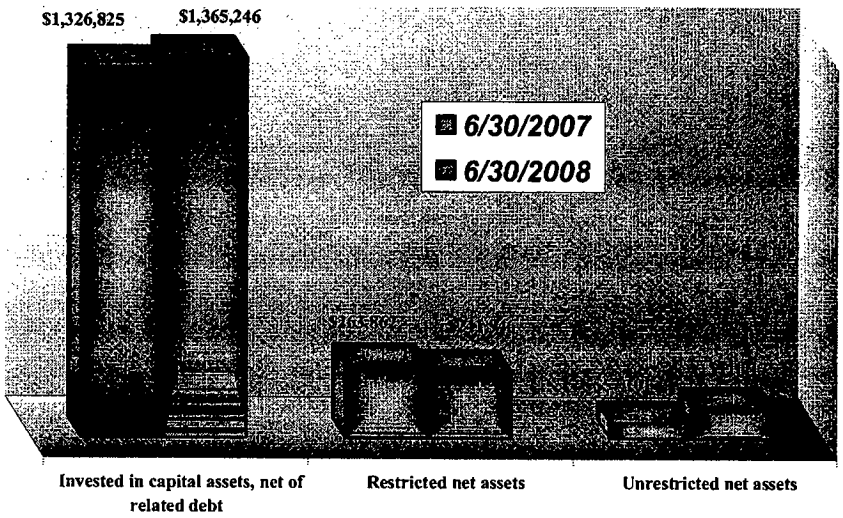
Management's Discussion & Analysis

This section of Pima County's comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the year ended June 30, 2008, and should be read in conjunction with the County's basic financial statements in the following sections. All dollar amounts are expressed in thousands (000's) unless otherwise noted.

FINANCIAL HIGHLIGHTS

- At June 30, 2008, the County's combined assets exceeded combined liabilities (*net* assets) by $1,717,367, an increase of 4.2% from the prior year. Of this amount, $110,175 is available for general government expenses (*unrestricted net assets)*, $241,946 is restricted for specific purposes (*restricted net assets)*, and $1,365,246 is invested in capital assets, net of related debt and accumulated depreciation.

Comparative Composition of Pima County Net Assets



- Of the total fund balances of the County's governmental funds, total fund balance increased $86,917 to $317,577, with $295,068 of this amount available for expenditure. The amount available for expenditure is comprised of $64,974 for the General Fund, $152,643 for the Capital Projects Fund and $77,451 for the County's other governmental funds.

- The General Fund unreserved, undesignated fund balance decreased $13,233 from the previous year to $35,438. This balance represents approximately 7.7% of the County's General fund expenditures and 4.0% of total governmental funds expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation or sick leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include Pima Health System & Services, Regional Wastewater Reclamation Department, Development Services and the County's downtown parking garages.

A discretely presented component unit is included in the basic financial statements and consists of a legally separate entity for which the County is financially accountable. The County reports the Southwestern Fair Commission, which operates the County Fairgrounds and the annual Pima County Fair, as a discretely presented component unit.

The government-wide financial statements can be found on pages 31 - 33 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance with applicable State statutes and federal Office of Management and Budget (OMB) budgeting guidelines. All of the funds can be divided into three categories: (1) *governmental funds,* (2) *proprietary funds,* and (3) *fiduciary funds.*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General and Capital Projects funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental fund financial statements can be found on pages 34 - 37 of this report.

Proprietary funds are maintained in two ways. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The County uses enterprise funds to account for certain health care services, including medical and long-term health care, sewer systems maintenance and operation, real estate-related development services, and parking garage operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for risk management, automotive fleet maintenance and operations, printing services, telecommunications, wireless and IT network infrastructure. Because these services predominantly benefit governmental rather than business-type functions, the assets and liabilities of these services have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Regional Wastewater Reclamation Department and Pima Health System & Services operations are considered to be major funds of the County. Data from the other enterprise funds are combined into a single, aggregated presentation. Similarly, the County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the other enterprise and internal service funds are provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages 38 - 41 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs.

The fiduciary fund financial statements can be found on pages 42 - 43 of this report.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 44 -78 of this report.

Required Supplementary Information (RSI) is presented concerning the County's General Fund budgetary schedule and the Schedule of Retirement Plans' funding progress. Required supplementary information can be found on pages 79 - 82 of this report.

Combining Statements and Other Schedules referred to earlier provide information for non-major governmental, enterprise, internal service and fiduciary funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 84 - 114 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. County assets exceeded liabilities by $1,717,367 at June 30, 2008. The following table shows condensed information for the Schedule of Assets, Liabilities, and Net Assets:

Table 1
Schedule of Assets, Liabilities, and Net Assets
At June 30, 2008

	Governmental Activities Fiscal Year		Business-type Activities Fiscal Year		Total Fiscal Year	
	2007-2008	2006-2007*	2007-2008	2006-2007*	2007-2008	2006-2007*
Current and other assets	$ 460,995	$ 369,780	$ 189,217	$ 153,227	$ 650,212	$ 523,007
Capital assets:						
Land, buildings, equipment, infrastructure & other	1,413,881	1,335,344	714,548	645,602	2,128,429	1,980,946
Total assets	1,874,876	1,705,124	903,765	798,829	2,778,641	2,503,953
Current and other liabilities	87,975	90,562	63,919	51,327	151,894	141,889
Long-term liabilities	667,157	538,529	242,223	175,747	909,380	714,276
Total liabilities	755,132	629,091	306,142	227,074	1,061,274	856,165
Net assets :						
Invested in capital assets, net of related debt	882,424	850,582	482,822	476,243	1,365,246	1,326,825
Restricted	183,542	179,195	58,404	84,667	241,946	263,862
Unrestricted	53,778	46,256	56,397	10,845	110,175	57,101
Total net assets	$ 1,119,744	$ 1,076,033	$ 597,623	$ 571,755	$ 1,717,367	$ 1,647,788

*As restated - See Note 2 in notes to the financial statements

The largest portion of the County's net assets reflects its investment in capital assets (i.e. land, buildings, infrastructure and equipment), less any related outstanding debt used to acquire those assets. As of June 30, 2008, investment in capital assets totaled $1,365,246, comprising approximately 79.5% of total net assets. The County uses a portion of these capital assets to provide services to its citizens, with the other portion available to its citizens for use; consequently, these assets are *not* available for future spending. The $38,421 increase in capital assets, net of related debt, is primarily due to the significant amount of capital project activity that has been completed and capitalized over the past year. Although the County's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. As of June 30, 2008, restricted net assets totaled $241,946 and comprised approximately 14.1% of total net assets. This represents a $21,916 decrease in restricted net assets from the $263,862 balance of fiscal year 2006-07.

The remaining balance of the County's net assets represents *unrestricted net assets*, which may be used to meet the County's ongoing obligations to citizens and creditors. As of June 30, 2008, unrestricted net assets totaled $110,175 and comprised approximately 6.4% of total net assets.

Governmental activities

The change in net assets for governmental activities was $43,711, an increase of $3,907 from the prior year. The following table shows details of the changes in net assets for governmental activities:

Table 2
Governmental Activities
Schedule of Changes in Net Assets
For the Years Ended June 30, 2008 and 2007

	Fiscal Year		Variance	
	2007-2008	2006-2007*	Amount	Percent
Program revenues:				
Charges for services	$ 64,010	$ 66,898	$ (2,888)	-4.3%
Operating grants and contributions	144,479	139,324	5,155	3.7%
Capital grants and contributions	48,672	15,085	33,587	222.7%
Total program revenues	257,161	221,307	35,854	16.2%
General revenues:				
Property taxes	377,809	343,525	34,284	10.0%
State-shared taxes	130,337	133,952	(3,615)	-2.7%
Investment earnings	16,326	16,439	(113)	-0.7%
Other general revenues	39,657	41,525	(1,868)	-4.5%
Total general revenues	564,129	535,441	28,688	5.4%
Total revenues	821,290	756,748	64,542	8.5%
Expenses:				
General government	239,398	223,266	16,132	7.2%
Public safety	165,715	148,831	16,884	11.3%
Highways and streets	88,488	92,985	(4,497)	-4.8%
Sanitation	9,658	9,623	35	0.4%
Health	36,977	33,800	3,177	9.4%
Welfare	106,546	97,154	9,392	9.7%
Culture and recreation	60,616	55,482	5,134	9.3%
Education and economic opportunity	47,296	42,483	4,813	11.3%
Amortization	138	168	(30)	-17.9%
Interest on long-term debt	22,860	18,924	3,936	20.8%
Total expenses	777,692	722,716	54,976	7.6%
Excess before contributions and transfers	43,598	34,032	9,566	28.1%
Contributions		5,051	(5,051)	-100.0%
Transfers in	113	721	(608)	-84.3%
Change in net assets	43,711	39,804	3,907	9.8%
Ending net assets (as restated)	$ 1,119,744	$ 1,076,033	$ 43,711	4.2%

*As restated - See Note 2 in notes to the financial statements

Key elements of the change in net assets from governmental activities include:

- Revenue from capital grants and contributions increased by $33,587. $23,597 of the increase is due to a change in reporting from fiscal year 2006-07, from "Contributions", a general revenue, to "Capital grants and contributions", a program revenue. The $23,597 change was comprised of $14,708 received from developers for roadways and $8,889 in land contributions. In addition, there was a $4,701 increase in Regional Transportation Authority (RTA) funding, a $1,982 increase in outside contributions to Transportation capital improvement projects for utility infrastructure relocation and a $1,392 increase from the Pima Association of Governments (PAG) HURF funds to repay the HELP loan on a roadway project.

- Property taxes increased by $34,284 as a result of an increase in property valuations for primary and secondary taxes that was partially offset by a decrease in the primary tax rate.

- General government expenses increased by $16,132, of which $11,510 were increases in the General Fund that reflect a 45% increase in personal services, 30% increases in utilities and repair & maintenance, and a 25% increase due to the state-wide Qwest property lawsuit settlement. In addition, there was $3,013 of other postemployment benefits (OPEB) expenses not reported in the prior fiscal year.

- Public Safety expenses increased by $16,884 due to a $14,578 increase within the General Fund as a result of a $9,000 increase in personal services for the Sheriff's department and the addition of $2,047 for OPEB expenses not reported in the prior fiscal year.

- Welfare expenses increased by $9,392 due to an increase in the payments to University Physicians, Inc. from approximately $14,800 to $25,000.

Business-type activities

Business-type activities added $25,868, or 37.2%, of the County's $69,579 change in total net assets for the year ended June 30, 2008. The following table shows changes in net assets for business-type activities:

Table 3
Business-type Activities
Schedule of Changes in Net Assets
For the Years Ended June 30, 2008 and 2007

	Fiscal Year		Variance	
	2007-2008	2006-2007*	Amount	Percent
Program revenues:				
Charges for services	$ 409,140	$ 376,195	$ 32,945	8.8%
Operating grants and contributions	4,806	5,174	(368)	-7.1%
Capital grants and contributions	22,952	803	22,149	2758.3%
Total program revenues	436,898	382,172	54,726	14.3%
General revenues:				
Investment earnings	6,721	5,510	1,211	22.0%
Other general revenues	1,286	1,522	(236)	-15.5%
Total general revenues	8,007	7,032	975	13.9%
Total revenues	444,905	389,204	55,701	14.3%
Expenses:				
Wastewater Management	106,803	98,222	8,581	8.7%
Pima Health System & Services	295,494	261,859	33,635	12.8%
Development Services	14,750	15,400	(650)	-4.2%
Parking Garages	1,877	1,579	298	18.9%
Total expenses	418,924	377,060	41,864	11.1%
Excess before contributions and transfers	25,981	12,144	13,837	113.9%
Contributions		25,217	(25,217)	-100.0%
Transfers in (out)	(113)	(721)	608	84.3%
Change in net assets	25,868	36,640	(10,772)	-29.4%
Ending net assets (as restated)	$ 597,623	$ 571,755	$ 25,868	4.5%

*As restated - See Note 2 in notes to financial statements

Key elements of the change in net assets from business-type activities include:

- Charges for services revenue increased by $32,945 due primarily to a $30,712 increase in capitation revenue associated with the AHCCCS/ALTCS program for Pima Health System & Services fund. Both the contractual rate and number of members increased for both programs for fiscal year 2007-08 compared to the prior year. This increase was partially offset by a decrease in revenue for Development Services due to a decline in the number of permits issued.

- Capital grants and contributions increased by $22,149 as a result of a change in reporting from the prior year. In fiscal year 2006-07, outside contributions of assets were reported as "Contributions", a general revenue. In the current fiscal year, contributions of $22,910 are reported under "Capital grants and contributions", a program revenue.

- Investment earnings increased by 22%, or $1,211, due to higher cash balances generated from capitation revenue within Pima Health System & Services. Capitation revenue is advanced prior to the payment of related expenses during the fiscal year.

- Expenses for Regional Wastewater Reclamation Department increased by $8,581 due primarily to increased costs for operations, such as employee compensation ($4,846), general and administrative ($2,707) and consultants and professional services ($2,371).

- Expenses for Pima Health System & Services increased by $33,635 due to higher expenses for medical claims that were based on increased member enrollment and rates paid to providers for both the AHCCCS and ALTCS programs.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The County's general government functions are accounted for in the General, Special Revenue, Debt Service, and Capital Project funds. Included in these funds are special districts governed by the Board of Supervisors (i.e. Flood Control, Library and Stadium Districts). The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Major Governmental Funds

General Fund

The General Fund is the chief operating fund of the County. At June 30, 2008, unreserved, undesignated fund balance of the general fund was $35,438 while total fund balance was $70,389. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 7.7% of total General Fund expenditures, while total fund balance represents 15.3% of that same amount.

Total fund balance for the General Fund increased $12,829 compared to the prior fiscal year. Revenue increased by $11,911 and reflects the following changes:

- An increase of $16,143 for property taxes was primarily due to higher assessed property valuations that were partially offset by lower tax rates.

- Intergovernmental revenue declined by $4,113 as a result of decreases of $3,000 in State Sales Tax and $789 in Hotel/Motel Tax revenues.

- Charges for services declined by $1,297, as the prior year reported a one-time receipt of $1,235 for the RTA special election.

Expenditures increased by $39,051 as a result of the following changes:

- $11,510 for general government expenditures due to higher personal services reflecting increased rates for salaries and retirement contributions, increased utility costs based on occupation of newly-added County facilities such as the Abrams Public Health Center, higher costs for motor pool charges due to the rising cost of fuel and the settlement of the state-wide Qwest property tax lawsuit.

- $11,798 for public safety expenditures that also reflect higher costs for personal services related to salaries, medical/dental and retirement benefits costs and increased motor pool costs associated with the higher cost of fuel.

- $9,818 for welfare expenditures related to increased payments to University Physicians, Inc. and their management of the Kino Campus.

The excess of revenues over expenditures was $8,069, which is further increased by net operating transfers in of $4,760. During fiscal year 2007-08, funds to be used for the repayment of the 2008 COPs issue were transferred into the General Fund.

Budget to Actual Comparison for the General Fund

Overall, actual revenues were less than budgeted revenues by $611 and actual expenditures were less than budgeted expenditures by $28,233. No variances between the budget to actual amounts were significant enough to affect the County's ability to provide future services.

Capital Projects Fund
Total fund balance for the Capital Projects Fund increased $63,195 compared to the prior fiscal year. Revenue increased by $4,821 and reflects the following changes:

- Intergovernmental revenue increased by $5,996 due to the construction on a larger number of RTA-funded roadway projects and also because of funding from the City of Tucson for utility relocation work on several roadway projects.

- Charges for services revenue is predominately a reflection of developer fees collected for a number of benefit areas. Fiscal year 2007-08 marks the second straight year that this revenue source has declined, dropping $3,578 during the year, as home construction activity continues to be depressed, especially for the Mountain View, San Xavier and Avra Valley benefit areas.

- Miscellaneous revenue increased $2,904 due to the following changes:

    - $237 from the Tucson Unified School District for the Arroyo Chico Detention Basin project to alleviate flooding problems along the High School Wash.

    - $300 from the Continental Family Medical Center for the Continental Health Clinic project for building construction.

    - $768 from Kinder Morgan for the Thomas Jay Park Improvements project to compensate for environmental impact resulting from construction of a new oil pipeline.

    - $1,705 from several companies, such as Tucson Electric Power Co., Southwest Gas, Comcast and Cox Communications, for utility relocation work on several roadway projects.

Capital project expenditures decreased by $63,120 in fiscal year 2007-08 compared to the prior year. The following events identify significant portions of the decrease:

- Building acquisitions decreased significantly relative to the prior year, as the Bank of America building ($25,000) and new emergency communications center ($6,258) were acquired last fiscal year.

- Acquisitions under the Open Space Preservation program decreased by $8,201. In fiscal year 2006-07, significant open space acquisitions totaled $18,768, compared to the following acquisitions totaling $9,920 that occurred in the current fiscal year:

    - Brown property for $4,614

    - Cochie Canyon property for $2,929

    - Tang property for $2,377

- Spending on park improvement projects declined by $5,283 due to the completion of the Flowing Wells Community Center, Curtis Park improvements, Brandi Fenton Park improvements and Picture Rocks Pool.

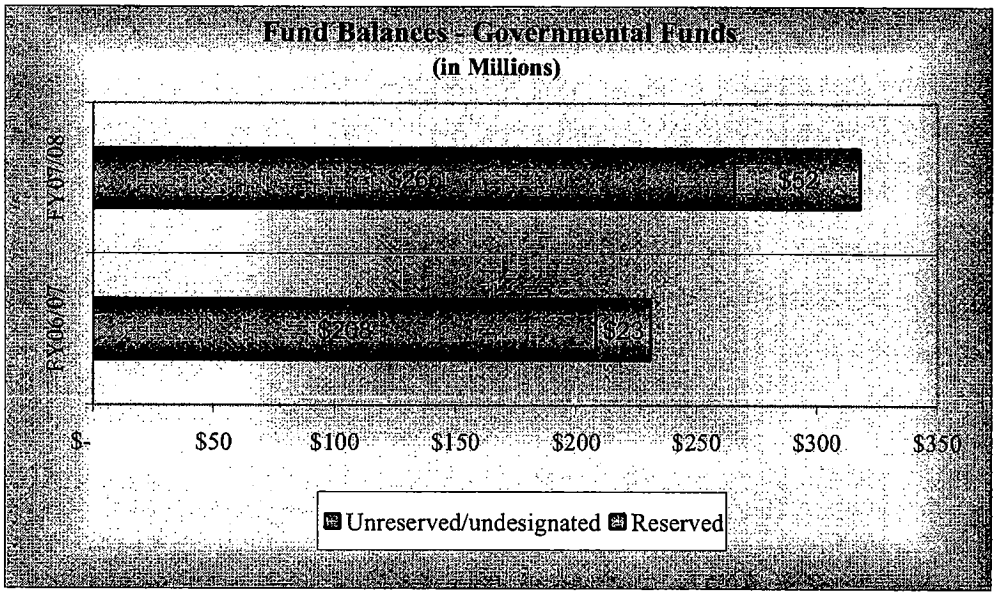
- The Sahuarita landfill expansion project was completed last fiscal year with spending of $6,356 and minimal costs in the current year.

- Spending in the Transportation program decreased by $17,614 due to the completion of several projects last fiscal year. In fiscal year 2006-07, there were 12 roadway projects that expended more than $1,000 compared to 5 in the current year.

The deficiency of revenues under expenditures was $105,698. Other financing sources during the year were the issuance of general obligation bonds of $100,000, transportation bonds of $25,000, and certificates of participation of $50,000, resulting in a net change in fund balance for the Capital Projects Fund of $63,195.

Overview of all governmental funds

At June 30, 2008, the County's governmental funds reported combined fund balances of $317,577, an increase of $86,917 from the prior year. Approximately 84% of the combined fund balances, or $265,532, constitutes unreserved and undesignated fund balance, which is available to meet the County's current and future needs.



The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has been committed to the following:

- $29,536 for debt service specifically for the 2008 Certificates of Participation (COPs)
- $12,395 for debt service on various bond and other debt instruments
- $5,985 to reflect inventories and prepaid amounts
- $2,766 for specified programs
- $1,264 to reflect a loan receivable
- $99 for capital repairs and refurbishments

Revenues for governmental functions totaled approximately $804,102 in fiscal year 2007-08, which represents an increase of $42,767 (5.6%) from the previous year.

The following table presents the amount of revenues from various sources and increases or (decreases) from the prior year.

Table 4
Governmental Funds
Revenues Classified by Source

	Fiscal Year					
	2007-2008		2006-2007		Variance	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenues by source:						
Taxes	$ 381,862	47.5%	$ 348,700	45.8%	$ 33,162	9.5%
Special assessments	556	0.1%	521	0.1%	35	6.7%
Licenses and permits	7,710	0.9%	7,132	0.9%	578	8.1%
Intergovernmental	312,634	38.9%	303,392	39.9%	9,242	3.1%
Charges for services	58,890	7.3%	63,508	8.3%	(4,618)	-7.3%
Fines and forfeits	6,480	0.8%	6,550	0.9%	(70)	-1.1%
Interest	14,218	1.8%	13,988	1.8%	230	1.6%
Miscellaneous	21,752	2.7%	17,544	2.3%	4,208	24.0%
Total revenues	$ 804,102	100.0%	$ 761,335	100.0%	$ 42,767	5.6%

The following provides an explanation of revenues by source that changed significantly over the prior year:

- Taxes Revenues from property taxes increased $33,162 reflecting higher primary tax revenues of $16,143 and secondary tax revenues of $17,019. Increased property tax revenue resulted from higher property valuations that were partially offset by a decrease in the primary tax rate.

- Intergovernmental The $9,242 increase in intergovernmental revenue was due primarily to a $5,996 increase within the Capital Projects Fund previously discussed. In addition, there was a $4,804 increase in grant funding reimbursements for pass-through expenditures in Sheriff Department grants, $1,500 for the Homeland Security grant and $757 from the Arizona DPS Border Crimes grants.

- Charges for services The $4,618 decrease in charges for services revenue resulted from a drop in permits issued and no revenue from RTA for special elections, as previously discussed, for both the General and Capital Projects Funds. In addition, there was a $1,812 decrease in contributions compared to the prior year. However, the Solid Waste Fund reported an increase of $1,096 due to the re-opening of the Sahuarita landfill to commercial traffic.

The following table presents expenditures by function compared to prior year amounts:

Table 5
Governmental Funds
Expenditures by Function

Government Function	Fiscal Year 2007-2008 Amount	Percent	2006-2007 Amount	Percent	Variance Amount	Percent
General government	$ 237,640	26.6%	$ 222,434	24.9%	$ 15,206	6.8%
Public safety	149,475	16.7%	132,930	14.9%	16,545	12.4%
Highways and streets	43,741	4.9%	42,683	4.8%	1,058	2.5%
Sanitation	8,310	0.9%	6,766	0.8%	1,544	22.8%
Health	34,352	3.8%	32,311	3.6%	2,041	6.3%
Welfare	106,607	11.9%	97,168	10.9%	9,439	9.7%
Culture and recreation	50,509	5.7%	45,197	5.1%	5,312	11.8%
Education and economic opportunity	42,286	4.7%	38,474	4.3%	3,812	9.9%
Capital outlay	139,539	15.6%	202,659	22.7%	(63,120)	-31.1%
Debt service:						
- Principal	59,719	6.7%	53,733	5.9%	5,986	11.1%
- Interest	22,639	2.5%	18,965	2.1%	3,674	19.4%
- Miscellaneous	330	0.0%	12	0.0%	318	2650.0%
Total expenditures	$ 895,147	100.0%	$ 893,332	100.0%	$ 1,815	0.2%

Total expenditures in governmental funds increased during fiscal year 2007-08 by $1,815.

- General government expenditures increased by $15,206. Of this amount, 75.7% occurred within the General Fund, which has been previously discussed. Within the Recorder's office, there was an increase of $1,958 due to the conversion from a PC-based to a mainframe system for document storage and retrieval. In addition, the County Attorney's anti-racketeering program had increased costs of $424.

- Public safety expenditures increased by $16,545 primarily due to a $9,000 increase in personal services for the Sheriff's Department that was based on a $1,100 increase in step pay, range adjustments and new positions, a $2,400 pay increase for commissioned & corrections officers, an $1,800 pay increase for civilian positions and a $1,500 and $650 increase in retirement contributions and medical/dental insurance costs, respectively. In addition, there was a $2,000 increase in motor pool charges over last fiscal year.

- Welfare expenditures increased by $9,439 for payments to University Physicians, Inc., as previously discussed under the General Fund section.

- Capital outlay expenditures decreased by $63,120 as previously discussed under the Capital Projects Fund section.

- Debt service principal and interest costs increased $5,986 and $3,674, respectively. The most significant changes were as a result of the issuance of general obligation bonds with increases in both principal and interest of $4,535 and $1,832, respectively.

Proprietary funds

The County's proprietary fund functions are contained in the enterprise and internal service funds. The enterprise funds of the County are Pima Health System and Services, Regional Wastewater Reclamation Department, Development Services and Parking Garages. These business-type activities are accounted for in a similar fashion to private-sector businesses, and the costs for services provided are expected to be covered either fully or in part by current revenues generated, which include fees charged to external users.

The following table presents a comparison of this year's enterprise fund activities with the prior year:

Table 6
Enterprise Funds
Schedule of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years ended June 30, 2008 and 2007

	Fiscal Year		Variance	
	2007-2008	2006-2007	Amount	Percent
Operating revenues:				
Net patient services	$ 289,651	$ 255,275	$ 34,376	13.5%
Charges for services	87,770	84,106	3,664	4.4%
Other	1,302	1,526	(224)	-14.7%
Total net operating revenues	378,723	340,907	37,816	11.1%
Operating expenses:				
Employee compensation	85,298	77,627	7,671	9.9%
Medical claims	237,926	208,122	29,804	14.3%
Operating supplies & services	10,078	11,140	(1,062)	-9.5%
Utilities	7,737	7,253	484	6.7%
Sludge and refuse disposal	1,602	1,649	(47)	-2.9%
Repair and maintenance	4,498	6,441	(1,943)	-30.2%
General and administrative	22,466	18,761	3,705	19.8%
Consultants and professional services	11,911	9,649	2,262	23.4%
Depreciation and amortization	25,288	23,844	1,444	6.1%
Total operating expenses	406,804	364,486	42,318	11.6%
Operating loss	(28,081)	(23,579)	(4,502)	-19.1%
Nonoperating revenues (expenses):				
Intergovernmental revenue	5,514	12,029	(6,515)	-54.2%
Invesment earnings	6,822	5,556	1,266	22.8%
Sewer connection fees	31,037	30,757	280	0.9%
Interst expense	(6,653)	(6,540)	(113)	-1.7%
Loss on disposal of capital assets	(534)	(1,601)	1,067	66.7%
Amortization of deferred charges	(136)	(109)	(27)	-24.8%
Premium tax	(5,893)	(5,091)	(802)	-15.8%
Total nonoperating revenues	30,157	35,001	(4,844)	-13.8%
Income (loss) before contributions and transfers	2,076	11,422	(9,346)	-81.8%
Capital contributions	23,510	25,217	(1,707)	-6.8%
Transfers in	9,545	17	9,528	56047.1%
Transfers (out)	(10,259)	(738)	(9,521)	-1290.1%
Change in net assets	$ 24,872	$ 35,918	$ (11,046)	-30.8%

While net operating revenues for the County's Enterprise Funds increased $37,816, operating expenses increased $42,318, resulting in an operating loss of $28,081, an operating loss increase of $4,502 from the prior year. The operating loss was due to reported losses of $25,454 by the Regional Wastewater Reclamation Department, $5,720 by Development Services and $161 by Parking Garages, offset by operating income reported by Pima Health System and Services of $3,254.

Key activity within the enterprise funds for fiscal year 2007-08 includes the following:

- Net patient services revenues increased by $34,376 from fiscal year 2006-07. This is attributable to increased membership enrollment and rates for Pima Health System and Services, which generated increases in capitation revenues.

- Employee compensation expenses increased by $7,671 from fiscal year 2006-07, due to an increase of $4,846 for Regional Wastewater Reclamation Department and $2,419 for Pima Health System & Services. Both increases were primarily due to the Board of Supervisors' approved salary and retirement rate increases, as well as the introduction of the OPEB liability not previously reported.

- Medical claims expense increased by $29,804 due to an increase in the vendor rates and member enrollment for both the AHCCCS and ALTCS programs within Pima Health System and Services during the fiscal year.

- General and administrative expenses increased $3,705, due primarily to sewer relocation projects undertaken by the City of Tucson of $1,285 and to the cost-sharing agreement with the Transportation department for various sewer relocation projects of $964.

- Intergovernmental revenue decreased $6,515, as no revenues were received in the current year from Regional Wastewater Reclamation Department projects completed last fiscal year (i.e. Federal Prison Sewer System).

- Transfers in and out reflect the movement of 2008 COPs funding into and System Development Funding (SDF) out of the Regional Wastewater Reclamation Department. In addition, there was a budgeted transfer out of the Development Services Fund for a building remodel project that was cancelled. These funds, less expenses already incurred, were transferred back into the fund.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounted to $2,128,429 (net of accumulated depreciation), an increase of 7.5%. Of the $147,483 increase in net capital assets, $78,537 (53.3%) came from governmental activities and $68,946 (46.7%) came from business-type activities. The County's investment in capital assets consists of land, buildings, sewage conveyance systems, infrastructure, equipment and construction in progress.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Table 7
Governmental and Business-type Activities
Capital Assets

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2007-2008	2006-2007*	2007-2008	2006-2007*	2007-2008	2006-2007*
Land	$ 303,646	$ 276,126	$ 10,596	$ 9,695	$ 314,242	$ 285,821
Construction in progress	90,098	109,307	72,060	35,637	162,158	144,944
Buildings and improvements	366,370	355,608	234,142	239,576	600,512	595,184
Sewage conveyance system			369,514	348,748	369,514	348,748
Equipment	44,655	39,560	28,236	11,946	72,891	51,506
Infrastructure	609,112	554,743			609,112	554,743
Total	$ 1,413,881	$ 1,335,344	$ 714,548	$ 645,602	$ 2,128,429	$ 1,980,946

*As restated - See Note 2 in notes to the financial statements

Major capital asset events during the current fiscal year included the following:

Land increased by $27,520 due primarily to the following acquisitions for governmental activities:

- $4,614 for the Brown property,
- $2,929 for the Cochie Canyon property,
- $2,377 for the Tang property,
- $967 for the Chilton property,
- $1,758 for various other open space acquisitions,
- $3,169 for land acquisition related to flood control projects,
- $2,426 for land acquisition related to transportation road projects.

In addition, the County received contributions in the form of land as follows:

- $6,332 for land under developer-contributed roadways,
- $1,239 for preservation easements on cultural resources projects,
- $864 from the City of Tucson for the Animal Shelter & Jackson Employment Center projects,
- $450 from the Town of Marana for the Library District.

Infrastructure for governmental activities increased by $54,369 due primarily to completion of the following Transportation roadway projects:

- Craycroft Rd. - River to Sunrise for $28,902,
- Valencia Rd. - Mark to Camino de la Tierra for $17,947,
- Colossal Cave Rd. - Camino Loma Alta to Vail for $8,312,
- Sunrise Dr. - Craycroft to Kolb for $6,675,
- Country Club Rd. - 36th to Irvington for $3,337.

In addition, the County received contributions from developers in the form of roadways in the amount of $14,708. Flood Control District had several drainage improvement projects that were completed during the fiscal year in the amount of $4,100.

Sewage conveyance systems increased by $20,766 due primarily to the contribution of developer-built conveyance systems for $23,667, as opposed to any significant project completion.

Construction-in-progress for governmental activities decreased by $19,209, while construction-in-progress for business-type activities increased $36,423. Construction-in-progress for governmental activities decreased due to a decline in spending for all governmental departments, primarily with Transportation and Facilities projects. In contrast, with the sale of Sewer Revenue bonds, spending within the Regional Wastewater Reclamation

Department's program significantly increased by $55,500, which was partially reduced by capitalization of completed projects for $18,600.

The County's infrastructure assets are recorded at historical cost and estimated historical cost in the government-wide financial statements. Additional information regarding the County's capital assets can be found in Note 5 to the financial statements on pages 56-57 of this report.

Long-term Debt

Significant, comparative long-term debt entered into during the last two fiscal years is presented below:

Table 8
Long-Term Debt

	Fiscal Year	
	2007-2008	**2006-2007**
Bonds issued (at face value):		
General obligation	$ 100,000	$ 95,000
Street and highway revenue	25,000	21,000
Sewer revenue	75,000	50,000
COPs	50,000	30,320
Capital leases	312	
Total	$ 250,312	$ 196,320

During the fiscal year, the county received $100,000 in proceeds from the sale of general obligation bonds and $25,000 from the sale of transportation revenue bonds. As of June 30, 2008, $51,338 of proceeds from general obligation (GO) bonds and $9,914 from transportation revenue (HURF) bonds were unspent. The majority of the general obligation bonds were spent on projects for Facilities Management, Flood Control District, open space and parks and recreational facilities, while proceeds from transportation revenue bonds were allocated to various roadway projects.

In addition, during the fiscal year, the County sold $50,000 in certificates of participation (COPs) primarily to fund wastewater and transportation infrastructure as well as to fund County-wide capital equipment purchases.

Pima County maintains the following ratings for its bonds and COPs as of June 30, 2008:

	Moody's Investor Service	Standard and Poor's
Certificates of Participation	A1	A+
General Obligation	Aa3	AA-
Transportation	A1	AA
Sewer Revenue	A1	A+

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its net assessed valuation. The current debt limitation for Pima County is $1,233,059, which is significantly in excess of Pima County's outstanding general obligation debt.

Additional information regarding the County's debt can be found in Note 7 to the financial statements on pages 60-68 of this report.

Economic Factors and Next Year's Budget

General fund

General government revenues, excluding property tax revenues, are budgeted in fiscal year 2008-09 at $158.2 million, approximately $6.2 million less than the amount budgeted for fiscal year 2007-08. The decline of several

types of projected revenues is reflective of slowing in the local and national economies and the significant shift of expenditures from the State of Arizona to local governments. Numerous factors, including a downturn in residential construction, a decline in housing prices, problems in the credit and capital markets and rising energy prices have all contributed to the current financial condition.

As of October 31, 2008, the most current projections of general government revenues for fiscal year 2008-09 indicate an additional decrease of $11 million below the fiscal year 2008-09 budgeted revenues. After the County's adoption of the fiscal year 2008-09 budget, the State legislature shifted additional State costs to Pima County for fiscal year 2008-09. The State is experiencing a deficit estimated as of November 6, 2008 to be $1.2 billion which could result in additional cost shifts to local governments before the end of fiscal year 2008-09.

The adopted budget for fiscal year 2008-09 has expenditures for the General Fund increasing by approximately $12.6 million primarily due to the following:

- $4.8 million to fund the costs of the primary and general elections held in 2008
- $2.6 million net increase in state mandated employer contributions to the various state retirement systems; and $1.1 million net increase in the County's contribution towards the cost of non-retirement benefits
- $2.4 million increase to annualize the cost of fiscal year 2007-08 salary increases awarded to corrections and peace officers
- $2.3 million of additional funding related to detention health care costs
- $1.1 million for increased cost of fuel for vehicles and equipment

As part of its budget for fiscal year 2008-09, the County set aside $7.2 million into the Budget Stabilization Fund in order to prepare for the potential negative financial impacts of cost shifts which the State may impose on the County to balance the State's budget for fiscal year 2008-09.

Transportation

By the end of October 2009, the County is projecting that the fiscal year 2008-09 HURF and VLT revenues received by the County will decrease by $5.8 million below the amount adopted in the fiscal year 2008-09 budget. In an effort to reduce expenditures to deal with the revenue shortfall, the County has initiated cost saving measures within the Transportation department. Additionally, revenues from impact fees are substantially lower than budgeted for fiscal year 2008-09.

Development Services

Consistent with the slowdown in the housing industry for the last two fiscal years, the Development Services department is projecting further decline in housing permits and associated revenues by approximately $5 million (46% of budgeted revenues) in fiscal year 2008-09. The economic situation is not expected to improve in the near future. The County has therefore initiated major cost saving measures within the Development Services department to reduce expenditures.

Regional Wastewater System

As with other activities impacted by real estate development, the number of new connections to the County's sewer system has declined during fiscal year 2008-09 as compared to prior years. The County expects an approximate $10 million reduction in connection fees. To address this, the department is reducing expenditures within the system and requesting rate increases. The County has also requested permission to extend the time limits required by the Arizona Department of Environmental Quality for infrastructure improvements to the system.

Pima Health System and Services (PHS&S)

Effective October 1, 2008, Pima County's ambulatory services contract with the Arizona Healthcare Cost Containment System (AHCCCS) was not renewed. In response to the loss of that contract, the County reduced the budget for PHS&S by $84 million, from the recommended expenditure budget of $312 million to a final adopted budget of $228 million.

Request for Information

This financial report is designed to provide a general overview of the County's finances. Any questions concerning the information provided in this report or requests for additional financial information should be addressed to the Finance and Risk Management Department, 130 W. Congress, 6th Floor, Tucson, AZ, 85701.

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Basic Financial Statements

PIMA COUNTY, ARIZONA
Statement of Net Assets
As of June 30, 2008
(in thousands)

Exhibit A-1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Southwestern Fair Commission
Assets				
Cash and cash equivalents	$ 376,539	$ 107,190	$ 483,729	$ 1,805
Property taxes receivable (net)	11,968		11,968	
Interest receivable	1,172	448	1,620	
Internal balances	510	(510)		
Due from other governments	49,341	959	50,300	
Accounts receivable (net)	3,492	21,263	24,755	38
Inventories	2,204	3,701	5,905	32
Prepaids	5,036	199	5,235	
Special assessments receivable	1,340		1,340	
Other assets	7,058	2,401	9,459	
Restricted assets:				
Cash and cash equivalents	1,071	53,566	54,637	
Loans receivable	1,264		1,264	
Capital assets not being depreciated:				
Land	303,646	10,596	314,242	
Construction in progress	90,098	72,060	162,158	38
Capital assets being depreciated (net):				
Buildings and improvements	366,370	234,142	600,512	1,590
Sewage conveyance system		369,514	369,514	
Equipment	44,655	28,236	72,891	594
Infrastructure	609,112		609,112	
Total assets	1,874,876	903,765	2,778,641	4,097
Liabilities				
Accounts payable	36,668	17,229	53,897	258
Accrued medical and healthcare claims		34,375	34,375	
Interest payable	13	1,270	1,283	
Contract retentions	564		564	
Employee compensation	39,060	7,565	46,625	
Due to other governments	2,053	2,072	4,125	
Deposits and rebates	1,279		1,279	21
Deferred revenues	8,338	1,408	9,746	72
Noncurrent liabilities:				
Due within one year	83,744	14,414	98,158	
Due in more than one year	583,413	227,809	811,222	
Total liabilities	755,132	306,142	1,061,274	351
Net Assets				
Invested in capital assets, net of related debt	882,424	482,822	1,365,246	2,222
Restricted for:				
Facilities, justice, library, tax stabilization and community development	71,618		71,618	
Highways and streets	17,390		17,390	
Debt service	13,612	791	14,403	
Capital projects	80,922	37,925	118,847	
Regional wastewater		5,956	5,956	
Healthcare		13,732	13,732	
Unrestricted	53,778	56,397	110,175	1,524
Total net assets	$ 1,119,744	$ 597,623	$ 1,717,367	$ 3,746

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2008
(in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 239,398	$ 25,502	$ 31,834	$ 370
Public safety	165,715	9,550	12,868	1,160
Highways and streets	88,488	9,316	60,202	44,898
Sanitation	9,658	5,930	1,152	
Health	36,977	9,965	12,630	
Welfare	106,546		99	
Culture and recreation	60,616	3,031	4,826	1,904
Education and economic opportunity	47,296	716	20,868	340
Amortization - unallocated	138			
Interest on long-term debt	22,860			
Total governmental activities	777,692	64,010	144,479	48,672
Business-type activities:				
Regional Wastewater Reclamation Department	106,803	106,448	83	22,880
Pima Health System & Services	295,494	291,980	4,723	72
Development Services	14,750	8,992		
Parking Garages	1,877	1,720		
Total business-type activities	418,924	409,140	4,806	22,952
Total primary government	$ 1,196,616	$ 473,150	$ 149,285	$ 71,624
Component unit:				
Southwestern Fair Commission	$ 5,144	$ 5,472	$ 120	
Total component units	$ 5,144	$ 5,472	$ 120	

General revenues:
- Property taxes, levied for general purposes
- Property taxes, levied for regional flood control district
- Property taxes, levied for library district
- Property taxes, levied for debt service
- Hotel/motel taxes, levied for sports facility and tourism
- Other taxes, levied for stadium district
- Unrestricted share of state sales tax
- Unrestricted share of state vehicle license tax
- Grants and contributions not restricted to specific programs
- Interest and penalties on delinquent taxes
- Investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year, as restated

Net assets at end of year

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				Component Unit
Governmental Activities	Business-type Activities	Total	Southwestern Fair Commission	Functions/Programs
				Primary government:
				Governmental activities:
$ (181,692)		$ (181,692)		General government
(142,137)		(142,137)		Public safety
25,928		25,928		Highways and streets
(2,576)		(2,576)		Sanitation
(14,382)		(14,382)		Health
(106,447)		(106,447)		Welfare
(50,855)		(50,855)		Culture and recreation
(25,372)		(25,372)		Education and economic opportunity
(138)		(138)		Amortization - unallocated
(22,860)		(22,860)		Interest on long-term debt
(520,531)		(520,531)		**Total governmental activities**
				Business-type activities:
	$ 22,608	22,608		Regional Wastewater Reclamation Department
	1,281	1,281		Pima Health System & Services
	(5,758)	(5,758)		Development Services
	(157)	(157)		Parking Garages
	17,974	17,974		**Total business-type activities**
(520,531)	17,974	(502,557)		**Total primary government**
				Component unit:
			$ 448	Southwestern Fair Commission
			448	**Total component units**
				General revenues:
263,681		263,681		Property taxes, levied for general purposes
25,468		25,468		Property taxes, levied for regional flood control district
32,564		32,564		Property taxes, levied for library district
56,096		56,096		Property taxes, levied for debt service
8,176		8,176		Hotel/motel taxes, levied for sports facility and tourism
1,952		1,952		Other taxes, levied for stadium district
103,171		103,171		Unrestricted share of state sales tax
27,166		27,166		Unrestricted share of state vehicle license tax
7,748		7,748		Grants and contributions not restricted to specific programs
6,365		6,365		Interest and penalties on delinquent taxes
16,326	6,721	23,047		Investment earnings
15,416	1,286	16,702	116	Miscellaneous
113	(113)			Transfers
564,242	7,894	572,136	116	Total general revenues and transfers
43,711	25,868	69,579	564	Change in net assets
1,076,033	571,755	1,647,788	3,182	Net assets at beginning of year, as restated
$ 1,119,744	$ 597,623	$ 1,717,367	$ 3,746	Net assets at end of year

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Balance Sheet - Governmental Funds
June 30, 2008
(in thousands)

Exhibit A-3

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 61,446	$ 167,986	$ 93,326	$ 322,758
Property taxes receivable (net)	8,070		3,898	11,968
Interest receivable	167	474	359	1,000
Due from other funds	12,031	5,650	2,568	20,249
Due from other governments	24,714	4,200	20,247	49,161
Accounts receivable	1,480	540	1,325	3,345
Inventory			1,646	1,646
Prepaid expenditures	4,151		188	4,339
Special assessments receivable			1,340	1,340
Loan receivable	1,264			1,264
Other assets	160		5,200	5,360
Restricted cash equivalents		1,071		1,071
Total assets	$ 113,483	$ 179,921	$ 130,097	$ 423,501
Liabilities and fund balances				
Liabilities:				
Accounts payable	$ 11,759	$ 11,997	$ 11,165	$ 34,921
Interest payable	2	5	6	13
Contract retentions	2	562		564
Employee compensation	8,840	46	3,330	12,216
Due to other funds	6,575	11,628	2,212	20,415
Due to other governments	58	1,206	784	2,048
Deposits and rebates	208	1,071		1,279
Deferred revenues	15,650	763	18,055	34,468
Total liabilities	43,094	27,278	35,552	105,924
Fund balances:				
Reserved for:				
Inventory			1,646	1,646
Prepaid expenditures	4,151		188	4,339
Debt service			12,395	12,395
Capital repairs and refurbishments			99	99
Specified programs			2,766	2,766
Loan receivable	1,264			1,264
Unreserved, designated for:				
Debt service	29,536			29,536
Unreserved, undesignated:				
General fund	35,438			35,438
Capital projects		152,643		152,643
Special revenue			77,451	77,451
Total fund balances	70,389	152,643	94,545	317,577
Total liabilities and fund balances	$ 113,483	$ 179,921	$ 130,097	$ 423,501

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2008
(in thousands)

Exhibit A-4

Fund balances - total governmental funds		$ 317,577
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	$ 2,033,522	
Less accumulated depreciation	(639,242)	1,394,280
Some liabilities and their associated issuance costs are not due and payable in the current period and therefore are not reported in the governmental funds		
Bonds payable	(500,069)	
Certificates of participation payable	(81,612)	
Loans and leases payable	(24,223)	
Unamortized deferred issuance costs reported as other assets	1,698	(604,206)
Some compensated absences are not due and payable shortly after June 30, 2008, and therefore are not reported in the governmental funds		
Employee compensation		(26,958)
Some liabilities are not due and payable shortly after June 30, 2008, and are therefore not reported in the governmental funds		
Landfill liability	(18,419)	
Future postemployment health benefit liability	(8,779)	
Pollution remediation liability	(1,784)	(28,982)
Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements		26,130
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets		41,903
Net assets of governmental activities		$ 1,119,744

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-5

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 268,493		$ 113,369	$ 381,862
Special assessments			556	556
Licenses and permits	2,971		4,739	7,710
Intergovernmental	148,158	$ 17,023	147,453	312,634
Charges for services	32,307	8,839	17,744	58,890
Fines and forfeits	5,020		1,460	6,480
Investment earnings	3,343	4,812	6,063	14,218
Miscellaneous	8,314	3,167	10,271	21,752
Total revenues	468,606	33,841	301,655	804,102
Expenditures:				
Current:				
General government	192,839		44,801	237,640
Public safety	118,623		30,852	149,475
Highways and streets			43,741	43,741
Sanitation			8,310	8,310
Health	2,906		31,446	34,352
Welfare	106,502		105	106,607
Culture and recreation	16,325		34,184	50,509
Education and economic opportunity	17,418		24,868	42,286
Capital outlay		139,539		139,539
Debt service - principal	3,115		56,604	59,719
- interest	2,805		19,834	22,639
- miscellaneous	4		326	330
Total expenditures	460,537	139,539	295,071	895,147
Excess (deficiency) of revenues over (under) expenditures	8,069	(105,698)	6,584	(91,045)
Other financing sources (uses):				
Proceeds on capital leases			312	312
Premium on long-term debt		1,219	745	1,964
Face amount of long-term debt		175,000		175,000
Proceeds from sale of capital assets			27	27
Transfers in	47,854	29,160	51,392	128,406
Transfers (out)	(43,094)	(36,486)	(48,112)	(127,692)
Total other financing sources	4,760	168,893	4,364	178,017
Net change in fund balances	12,829	63,195	10,948	86,972
Fund balance at beginning of year	57,560	89,448	83,652	230,660
Change in reserve for inventory			(55)	(55)
Fund balance at end of year	$ 70,389	$ 152,643	$ 94,545	$ 317,577

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-6

Net change in fund balances - total governmental funds		$ 86,972
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense		
Expenditures for capital assets	$ 105,819	
Less current year depreciation	(51,609)	54,210
Transfers of capital assets between governmental activities and proprietary funds or internal service funds are not reported in the governmental funds but are recognized in the statement of activities		(615)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds but increases long-term liabilities in the statement of net assets. Repayment of the principal of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items		
Proceeds of long-term debt	(175,312)	
Debt service - principal payments	59,719	
Premium on long-term debt	(1,964)	
Deferred issuance costs	459	
Amortization expense	(138)	(117,236)
Some revenues reported in the statement of activities do not represent the collection of current financial resources and, therefore, are not reported as revenues in the governmental funds.		
Donations of capital assets	23,943	
Property tax revenues	2,313	
Changes to other revenues	(135)	26,121
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		
Change in compensated absences	(2,215)	
Future postemployment health benefit liability	(8,779)	
Change in landfill liability	(1,089)	
Pollution remediation liability	(1,784)	
Net book value of capital asset disposals	(111)	
Change in reservation of fund balances	(55)	(14,033)
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net expense of the internal service funds is reported with governmental activities		8,292
Change in net assets of governmental activities		$ 43,711

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Net Assets - Proprietary Funds
June 30, 2008
(in thousands)

Exhibit A-7

	Business-type Activities Enterprise Funds				
	Pima Health System & Services	Regional Wastewater Reclamation Department	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	$ 42,624	$ 56,850	$ 7,716	$ 107,190	$ 53,781
Restricted cash and cash equivalents		53,074		53,074	
Interest receivable	144	287	17	448	172
Due from other funds	1	1,988	2,641	4,630	1,414
Due from other governments	931	28		959	180
Accounts receivable (net)	11,390	9,860	13	21,263	147
Inventory	81	3,620		3,701	558
Prepaid expense	14	178	7	199	697
Total current assets	55,185	125,885	10,394	191,464	56,949
Noncurrent assets:					
Restricted cash and cash equivalents		492		492	
Capital assets:					
Land and other improvements		8,735	1,861	10,596	592
Buildings and improvements	694	347,847	12,927	361,468	614
Sewage conveyance system		580,096		580,096	
Equipment	1,138	35,614	1,707	38,459	33,364
Less accumulated depreciation	(1,231)	(337,729)	(9,171)	(348,131)	(14,969)
Construction in progress		72,060		72,060	
Total capital assets (net of accumulated depreciation)	601	706,623	7,324	714,548	19,601
Deferred financing costs		2,401		2,401	
Total noncurrent assets	601	709,516	7,324	717,441	19,601
Total assets	55,786	835,401	17,718	908,905	76,550
Liabilities					
Current liabilities:					
Accounts payable	864	16,010	355	17,229	1,747
Accrued medical and health care claims	34,375			34,375	
Employee compensation	3,016	3,980	1,158	8,154	771
Interest payable	5	1,265		1,270	
Due to other funds	1,087	3,943	8	5,038	840
Due to other governments	1,880	88	104	2,072	5
Deferred revenues	1	1,407		1,408	
Current portion of sewer revenue bonds		7,870		7,870	
Current portion of wastewater loans payable		5,955		5,955	
Current portion of reported but unpaid losses					3,908
Current portion of incurred but not reported losses					2,321
Total current liabilities	41,228	40,518	1,625	83,371	9,592
Noncurrent liabilities:					
Contracts and notes		5,842		5,842	
Other postemployment healthcare benefits	689	718	258	1,665	181
Sewer revenue bonds		155,831		155,831	
Regional wastewater loans payable		64,471		64,471	
Reported but unpaid losses					15,514
Incurred but not reported losses					9,462
Total noncurrent liabilities	689	226,862	258	227,809	25,157
Total liabilities	41,917	267,380	1,883	311,180	34,749
Net assets					
Invested in capital assets, net of related debt	601	474,897	7,324	482,822	19,601
Restricted for:					
Debt service		791		791	
Capital projects		37,925		37,925	
Regional wastewater		5,956		5,956	
Healthcare	13,732			13,732	
Unrestricted	(464)	48,452	8,511	56,499	22,200
Total net assets	$ 13,869	$ 568,021	$ 15,835	597,725	$ 41,801

Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.	(102)
Net assets of business-type activities	$ 597,623

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-8

	Business-type Activities Enterprise Funds				
	Pima Health System & Services	Regional Wastewater Reclamation Department	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Operating revenues:					
Net patient services	$ 289,651			$ 289,651	
Charges for services	2,329	$ 74,729	$ 10,712	87,770	$ 45,420
Other	987	105	210	1,302	2,207
Total net operating revenues	292,967	74,834	10,922	378,723	47,627
Operating expenses:					
Employee compensation	39,096	34,527	11,675	85,298	7,398
Medical claims	237,926			237,926	
Operating supplies and services	1,587	8,187	304	10,078	6,918
Utilities	400	6,940	397	7,737	917
Sludge and refuse disposal		1,602		1,602	
Repair and maintenance	386	3,878	234	4,498	3,967
Incurred losses					10,227
Insurance premiums					4,911
General and administrative	8,332	11,184	2,950	22,466	2,721
Consultants and professional services	1,771	9,516	624	11,911	435
Depreciation	215	24,454	619	25,288	2,759
Total operating expenses	289,713	100,288	16,803	406,804	40,253
Operating income (loss)	3,254	(25,454)	(5,881)	(28,081)	7,374
Nonoperating revenues (expenses):					
Intergovernmental revenue	4,723	791		5,514	
Investment earnings	2,402	3,760	660	6,822	2,106
Sewer connection fees		31,037		31,037	
Interest expense	(93)	(6,560)		(6,653)	
Gain/(loss) on disposal of capital assets		(539)	5	(534)	(206)
Amortization of deferred charges		(136)		(136)	
Premium tax	(5,893)			(5,893)	
Total nonoperating revenues	1,139	28,353	665	30,157	1,900
Income (loss) before contributions and transfers	4,393	2,899	(5,216)	2,076	9,274
Capital contributions	72	23,438		23,510	20
Transfers in		6,995	2,550	9,545	4,352
Transfers (out)		(7,632)	(2,627)	(10,259)	(4,358)
Change in net assets	4,465	25,700	(5,293)	24,872	9,288
Net assets at beginning of year, as restated	9,404	542,321	21,128	572,853	32,513
Net assets at end of year	$ 13,869	$ 568,021	$ 15,835	597,725	$ 41,801

Some amounts reported for business-type activities in the Statement of Activities are different because a portion of the net expense of certain internal service funds is reported with business-type activities.	996
Change in net assets of business-type activities	$ 25,868

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-9

	Pima Health System & Services	Regional Wastewater Reclamation Department	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Cash flows from operating activities:					
Cash received from other funds for goods and services provided	$ 257		$ 100	$ 357	$ 45,420
Cash received from customers for goods and services provided	299,344	$ 76,216	10,710	386,270	
Cash received from miscellaneous operations	987	105	224	1,316	2,183
Cash payments to suppliers for goods and services	(235,385)	(34,323)	(2,550)	(272,258)	(17,377)
Cash payments to other funds for goods and services	(4,270)	(8,869)	(3,389)	(16,528)	(3,583)
Cash payments for incurred losses					(11,879)
Cash payments to employees for services	(39,822)	(33,018)	(10,317)	(83,157)	(6,380)
Net cash provided by (used for) operating activities	21,111	111	(5,222)	16,000	8,384
Cash flows from noncapital financing activities:					
Interest paid on short-term credit	(87)			(87)	
Cash transfers out to other funds		(636)		(636)	
Loans with other funds	(62)	1,750	(2,603)	(915)	447
Premium tax	(5,893)			(5,893)	
Intergovernmental revenues	4,803	83		4,886	
Net cash provided by (used for) noncapital financing activities	(1,239)	1,197	(2,603)	(2,645)	447
Cash flows from capital and related financing activities:					
Proceeds from issuance of bonds and loans		75,000		75,000	
Principal paid on bonds and loans		(13,071)		(13,071)	
Interest paid on bonds and loans		(6,351)		(6,351)	
Sewer connection fees		30,207		30,207	
Proceeds from sale or transfer of capital assets			39	39	216
Proceeds from intergovernmental contract		1,066		1,066	
Purchase of capital assets	(118)	(67,322)		(67,440)	(4,277)
Net cash provided by (used for) capital and related financing activities	(118)	19,529	39	19,450	(4,061)
Cash flows from investing activities:					
Interest received on cash and investments	2,324	3,881	693	6,898	2,268
Net cash provided by investing activities	2,324	3,881	693	6,898	2,268
Net increase (decrease) in cash and cash equivalents	22,078	24,718	(7,093)	39,703	7,038
Cash and cash equivalents at beginning of year	20,546	85,698	14,809	121,053	46,743
Cash and cash equivalents at end of year	$ 42,624	$ 110,416	$ 7,716	$ 160,756	$ 53,781

(Continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-9.1

(Continued)

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	Pima Health System & Services	Regional Wastewater Reclamation Department	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Operating income (loss)	$ 3,254	$ (25,454)	$ (5,881)	$ (28,081)	$ 7,374
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	215	24,454	619	25,288	2,759
Changes in assets and liabilities:					
Decrease (increase) in assets:					
Accounts receivable	3,662	(650)	12	3,024	64
Due from other governments	1,964	2,137		4,101	(88)
Inventory and other assets	7	(508)		(501)	(101)
Prepaid expenses	(3)	11	50	58	97
Increase (decrease) in liabilities:					
Accounts payable	8,706	(1,394)	(337)	6,975	(381)
Due to other governments	1,880	6	5	1,891	5
Reported but unpaid losses					(3,517)
Incurred but not reported losses					1,865
Other current liabilities	1,426	1,509	310	3,245	307
Net cash provided by (used for) operating activities	$ 21,111	$ 111	$ (5,222)	$ 16,000	$ 8,384

Noncash investing, capital and noncapital financing activities during the year ended June 30, 2008:

Pima Health System and Services received equipment worth $91. Of this amount, $19 was transferred from construction in progress and $72 was a capital contribution.

Pima Health System and Services disposed of capital assets with a net book value of $1.

Regional Wastewater Reclamation Department Enterprise Fund disposed of capital assets with a net book value of $539.

Regional Wastewater Reclamation Department Enterprise Fund received contributed developer-built conveyance systems with estimated fair values totaling $23,667. These contributions were recorded as increases to capital assets and capital contributions.

Regional Wastewater Reclamation Department Enterprise Fund recorded a Board of Supervisor approved connection fee credit agreement of $830. This credit was recorded as an increase to deferred revenue and a decrease to capital contributions.

Regional Wastewater Reclamation Department Enterprise Fund transferred in capital assets with a net book value of $601 from the County's general government.

Other Enterprise Funds had a gain of $5 on the disposal of capital assets with a net book value of $34.

Internal Service Funds disposed of capital assets with a net book value of $206.

Internal Service Funds transferred in capital assets with a net book value of $20 from the County's general government.

Internal Service Funds transferred out capital assets with a net book value of $6 to the County's general government.

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Fiduciary Net Assets - Fiduciary Funds
June 30, 2008
(in thousands)

Exhibit A-10

	Investment Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 314,745	$ 75,004
Interest receivable	584	
Due from other governments		1,809
Total assets	$ 315,329	$ 76,813
Liabilities		
Employee compensation		$ 4,751
Due to other governments		46,048
Deposits and rebates		26,014
Total liabilities		$ 76,813
Net Assets		
Held in trust for pool participants	$ 315,329	

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-11

	Investment Trust Funds
Additions	
Contributions from participants	$ 2,818,067
Total contributions	2,818,067
Investment earnings	12,359
Total investment earnings	12,359
Total additions	2,830,426
Deductions	
Distributions to participants	2,813,849
Total deductions	2,813,849
Change in net assets	16,577
Net assets held in trust July 1, 2007	298,752
Net assets held in trust June 30, 2008	$ 315,329

See accompanying notes to financial statements

Note 1: Summary of Significant Accounting Policies

The accounting policies of Pima County (County) conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the regulatory requirements of the State of Arizona. A summary of the County's significant accounting policies follows.

During the year ended June 30, 2008, Pima County implemented GASB Statements, Nos. 45, 48 and 50, and early implemented GASB Statement No. 49.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions,* requires systematic measurement and recognition of other postemployment benefits' (OPEB) cost over employees' years of service and provides information about actuarial accrued liabilities associated with OPEB. Although OPEB is not required to be funded, whether and to what extent progress is being made in funding the liabilities must be disclosed. As a result of the implementation of GASB 45, the County has recorded a net OPEB obligation offset by OPEB expense in the financial statements, related to the postemployment healthcare benefit participation by County retirees and their beneficiaries in Pima County's healthcare benefit plan. Further information regarding this measurement and disclosure is available in Note 10. GASB Statement No. 50, *Pensions Disclosure (an amendment of GASB Statements No. 25 and No. 27)* requires governmental employers to present certain additional pension disclosures in the notes and additional required supplementary information.

The provisions for GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity transfers of Assets and Future Revenues* require that the County disclose pledged revenue that is committed to collateralize or secure debt. Further information is available in Note 7.

The provisions for GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* require the County to disclose current or potential detrimental effects of existing pollution. Further information is available in Note 6.

A. Reporting Entity

The County is a general-purpose local government that is governed by a separately elected board of Pima County supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the County's operations. Therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended and discretely presented component unit discussed below has a June 30 year-end.

The Pima County Stadium District, a legally separate entity, was formed to promote and establish major league baseball spring training in Pima County. The Pima County Board of Supervisors is the Board of Directors of the District. Acting in the capacity of the Board of Directors, the Pima County Board of Supervisors is able to impose its will on the District. The Board of Directors levies the car rental surcharge rates and the recreation vehicle (RV) park tax for the District. The District is reported

Note 1: Summary of Significant Accounting Policies (continued)

as a special revenue fund (blended component unit) in these financial statements. Complete financial statements for the District can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

The Pima County Library District was established in 1986 when legislation allowed full taxing authority and the ability to enter into agreements with other jurisdictions for the provision of library services. The Pima County Board of Supervisors is the Board of Directors of the District. The Library District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Pima County Regional Flood Control District was established in 1978. The District is responsible for floodplain management activities for the unincorporated areas of Pima County (except national forests, parks, monuments and Native American Nations), the City of South Tucson, and the Town of Sahuarita. The Pima County Board of Supervisors is the Board of Directors for the Flood Control District. The Regional Flood Control District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Southwestern Fair Commission, Inc. (SFC) is a nonprofit corporation, which manages and maintains the fairgrounds owned by the County and conducts an annual fair and other events at the fairgrounds. The Commission's members are appointed and can be removed at any time by the Pima County Board of Supervisors. Based on these factors, and because SFC does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, SFC is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements for SFC can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

Related Organization

The Industrial Authority of Pima County (Authority) is a legally separate entity that was created to promote economic development and the development of affordable housing. The Authority fulfills its function through the issuance of tax-exempt bonds. The County Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County and the County is not financially accountable for the Authority. Therefore, the financial activities of the Authority have not been included in the accompanying financial statements.

B. Basis of Accounting

Primary government:

The government-wide, proprietary funds and fiduciary funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting with the exception of agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds in the fund-based financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method,

Note 1: Summary of Significant Accounting Policies (continued)

revenues are recognized when measurable and available. The County considers all revenues reported in the government funds to be available if the revenues are collected within 30 days after year-end. Revenues that are collected after 30 days are reported as deferred revenues. The County's major revenue sources that are susceptible to accrual are property taxes, intergovernmental and charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The County applies grant resources to such programs before using general revenues.

The County's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

Discretely presented component unit:

SFC's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Commission's policy is to apply all FASB pronouncements issued after November 30, 1989.

C. Basis of Presentation

The basic financial statements include both government-wide statements and fund-based financial statements. The government-wide statements focus on the County as a whole, while the fund-based financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component unit. Governmental activities are financed primarily through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

Note 1: Summary of Significant Accounting Policies (continued)

- Charges for services (fines and forfeitures, licenses and permits, and special assessments)
- Operating grants and contributions
- Capital grants and contributions

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues. The net effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities.

Fund-based financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary and fiduciary fund categories. The emphasis of fund-based financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary funds are financed mainly by fees and charges received from users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The **Capital Projects Fund** accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The County reports the following major enterprise funds:

Pima Health System and Services (PHS&S) provides payment for health care services including inpatient hospital care and outpatient clinical care for medical and psychiatric problems, indigent health care under the Arizona Health Care Cost Containment System (AHCCCS), an alternative to Medicaid, home health services and long-term nursing care.

Regional Wastewater Reclamation Department (RWRD) accounts for the management and operation of wastewater treatment and water pollution control programs.

The County reports the following fund types:

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis. These funds account for fleet maintenance and operation, insurance, graphic services and telecommunications services.

Investment Trust Funds account for assets held by the County Treasurer in an external investment pool and individual investment accounts for the benefit of outside jurisdictions.

Note 1: Summary of Significant Accounting Policies (continued)

Agency Funds account for the assets, held by the County as an agent, for individuals, private organizations or other governmental units. The agency fund is custodial in nature and does not present results of operations.

D. Cash and Investments

Primary government:

For purposes of its statements of cash flows, the County considers only those highly liquid investments, with a maturity period of 3 months or less when purchased, to be cash equivalents. All investments are stated at fair value.

If an individual fund has a deficit balance in the amount on deposit with the County Treasurer at year-end, that balance is reclassified as an amount due to other funds.

Discretely presented component unit:

SFC's cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

E. Inventories and Prepaids

The County accounts for its inventories in the Health and Animal Control Fund using the purchase method. Inventories of the Health and Animal Control Fund consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources." These inventories are stated at cost using the first-in, first-out method or average cost method.

During the current fiscal year, Transportation transitioned from the purchase method to the consumption method eliminating the need to report a change in inventory reserve. Purchases are recorded as inventory and expensed when used. Amounts on hand at year-end are shown on the balance sheet as an asset and are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources." Inventories in Transportation are valued at lower of cost or market, cost being determined using the moving average method.

Inventories in the government-wide and proprietary funds' financial statements are recorded as assets when purchased and expensed when consumed.

Inventories of Pima Health System and Services, an enterprise fund, are valued at the lower of cost or market, cost being determined on the first-in, first-out method.

Inventories of RWRD, an enterprise fund, are valued at lower of cost or market, cost being determined using the moving average method.

Inventories of Fleet Services, an internal service fund, are valued at lower of cost or market, cost being determined using the moving average method.

Prepaid expenses/expenditures are accounted for using the consumption method, except for the School Reserve Fund reported as an Other Governmental Fund, which uses the purchase method.

Note 1: Summary of Significant Accounting Policies (continued)

F. Property Tax Calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

G. Capital Assets

Capital assets are reported at actual cost or estimated historical cost, if historical records are not available. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds, depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows (excluding component unit):

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Land improvements	All	Straight Line	20 - 30 Years
Buildings and building improvements	$100	Straight Line	10 - 50 Years
Equipment	$5	Straight Line	4 - 25 Years
Fleet service vehicles	$5	Units of Production based on number of hours or miles	5 - 15 Years
Infrastructure	$100	Straight Line	10 - 50 Years

Discretely presented component unit:

SFC capital assets are reported at actual cost. Depreciation is provided by the straight-line method over the assets' estimated useful life, which range from 3 to 40 years.

H. Investment Earnings

Investment earnings are composed of interest, dividends and net changes in the fair value of applicable investments.

I. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Note 1: Summary of Significant Accounting Policies (continued)

Employees may accumulate up to 240 hours of vacation depending upon years of service, but any vacation hours in excess of the maximum amount that are unused at their year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements in Employee Compensation.

Employees may accumulate up to 1920 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees; however employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability in the government-wide financial statements in Employee Compensation.

Note 2: Net Asset Beginning Balances Restated

The beginning net assets for Governmental Activities were restated due to the addition of Transportation dedicated roadways and land parcels. These dedicated roadways and land parcels were not reported in prior fiscal years.

The following summarizes the restatement of net assets:

	Governmental Activities
Net assets – June 30, 2007, as previously reported	$ 999,451
Infrastructure	57,843
Land	18,739
Net assets – July 1, 2007, as restated	$ 1,076,033

In addition, due to restructuring of the Regional Wastewater Reclamation Department Enterprise Fund sewer conveyance assets, beginning net asset balances were restated as follows:

	Business-type Activities	Regional Wastewater Reclamation Department
Net assets – June 30, 2007, as previously reported	$ 572,462	$ 543,028
Sewer conveyance system	(707)	(707)
Net assets – July 1, 2007, as restated	$ 571,755	$ 542,321

Note 3: Cash and Investments

Primary Government

The County's cash and investment policies are governed by State statutes and by bond covenants. The County Treasurer is authorized to invest public monies in the State Treasurer's Investment Pool; interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations issued or guaranteed by the United States government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; specified commercial paper, bonds, debentures and notes issued by corporations organized and doing business in the United States; and bonds of the State of Arizona or any of its counties, cities, towns, or school districts as specified by statute. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk—The State statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.

2. Corporate bonds, debentures and notes must be rated A or better by Moody's Investors Service or Standard and Poor's rating service.

3. Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk—Statutes require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk—Statutes do not include any requirements for concentration of credit risk.

Interest rate risk—Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk—Statutes do not allow foreign investments.

Deposits—At June 30, 2008, the carrying amount of the County's deposits was $16,506 and the bank balance was $36,096.

Custodial credit risk—Custodial credit risk is the risk that the County will not be able to recover its deposits if a financial institution fails. The County does not have a formal policy with respect to custodial credit risk. As of June 30, 2008, $3,775 of the County's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 3: Cash and Investments (continued)

Investments—At June 30, 2008, the County's investments consisted of $271,549 invested in marketable securities and $639,977 invested in the State Treasurer's Investment Pool. Cash from the County and from externally legally separate governments are pooled to purchase the investments in marketable securities and the State Treasurer's Pool. The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

Credit risk—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk.

At June 30, 2008, credit risk for the County's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
Commercial paper	A1/P1	S&P / Moody's	$ 39,929
Corporate bonds	A/A1	S&P / Moody's	84,024
Federal Farm Credit Bank	AAA/Aaa	S&P / Moody's	18,536
Federal Home Loan Bank	AAA/Aaa	S&P / Moody's	35,892
Fannie Mae (Federal National Mortgage Association)	AA-/Aa2	S&P / Moody's	25,498
Freddie Mac (Federal Home Loan Mortgage Corp)	AAA/Aaa	S&P / Moody's	19,616
U. S. Treasury money market Fund	AAA/Aaa	S&P / Moody's	3,717
Tri-party Repurchase agreement	Unrated		1,090
State Treasurer Investment Pool	Unrated		639,977
Total			$ 868,279

Custodial credit risk—For an investment, custodial risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy with respect to custodial credit risk. Of the County's $911,526 of investments, $267,832, consisting of the commercial paper, corporate bonds, Federal Farm Credit, Federal Home Loan Bank, Fannie Mae and Freddie Mac discount notes, U.S. Treasury notes and tri-party repurchase agreement, is uninsured and held by a counterparty in the County's name in book form. An additional $3,717 in a U.S. Treasury money market fund is held by a counterparty as trustee.

Concentration of credit risk—The County has no formal policy with respect to limiting the amount the Treasurer may invest in any one issuer. The County's exposure as of June 30, 2008 is less than 5% per issuer.

Interest rate risk—Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal investment policy with respect to interest rate risk.

Note 3: Cash and Investments (continued)

As of June 30, 2008, the County had the following investments:

Investment Type	Amount	Weighted Average Maturity (Years)
State Treasurer Investment Pool 5	$ 530,676	0.12
State Treasurer Investment Pool 7	109,301	0.06
Commercial paper	39,929	0.08
Corporate bonds	84,024	1.72
Federal Farm Credit Bank	18,536	2.62
Federal Home Loan Bank	35,892	1.27
Fannie Mae (Federal National Mortgage Association)	25,498	1.13
Freddie Mac (Federal Home Loan Mortgage Corp)	19,616	2.43
U.S. Treasury	43,247	2.12
U.S. Treasury money market fund	3,717	0.05
Tri-party repurchase agreement	1,090	0.00
Total	$ 911,526	

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Assets follows:

	Cash on Hand	Amount of Deposits	Amount of Investments	Total
Cash, deposits and investments:	$ 83	$ 16,506	$ 911,526	$928,115

	Governmental Activities	Business-type Activities	Investment Trust Funds	Agency Funds	Totals
Statement of Net Assets:					
Cash and cash equivalents	$ 376,539	$ 107,190	$ 314,745	$ 75,004	$873,478
Restricted cash and cash equivalents	1,071	53,566			54,637
Total	$ 377,610	$ 160,756	$ 314,745	$ 75,004	$928,115

County Treasurer's Investment Pool - Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The County Treasurer has a fiduciary responsibility to administer those and the County monies under her stewardship. The County Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the County Treasurer determines the fair value of those pooled investments annually at June 30. The County Treasurer's Investment Pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. The structure of the Pool does not provide for shares and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments. The County Treasurer allocates interest earnings to each of the Pool's participants.

Note 3: Cash and Investments (continued)

The Pool's assets are subject to applicable risks as discussed above and consist of the following:

	Principal	Interest Rates	Maturities	Fair Value
Commercial paper	$40,000	2.1-2.4%	07/08-08/08	$ 39,929
Corporate bonds	82,433	3.4-6.3%	08/08-04/13	84,024
Federal Farm Credit Bank	17,500	5.0-5.4%	09/10-07/11	18,536
Federal Home Loan Bank	35,000	2.2-5.3%	08/08-08/10	35,892
Fannie Mae (Federal National Mortgage Association)	25,155	2.0-4.6%	07/08-05/11	25,498
Freddie Mac (Federal Home Loan Mortgage Corp)	19,200	3.3-4.1%	10/10-02/11	19,616
U.S. Treasury	42,050	2.8-4.8%	10/08-02/13	43,247
Tri-party repurchase agreement	1,090	1.7%	07/08	1,090
State Treasurer Investment Pool	359,249	N/A	N/A	359,249
Interest Receivable	522	N/A	N/A	522
Total assets				627,603
Less: Reduction to Pool's assets- warrants payable				(7,386)
Total				$ 620,217

A condensed statement of the investment pool's net assets and changes in net assets follows:

Statement of Net Assets	
Assets held in trust for:	
Internal participants	$ 414,251
External Participants	205,966
Total liabilities	620,217
Total net assets held in trust	$ 620,217
Statement of Changes in Net Assets	
Total additions	$ 7,960,413
Total deductions	(7,906,718)
Net increase	53,695
Net assets held in trust:	
July 1, 2007	566,522
June 30, 2008	$ 620,217

Discretely Presented Component Unit

Southwestern Fair Commission—At June 30, 2008, the commission's cash and cash equivalents of $1,805 consisted of deposits with financial institutions. Of the total balance, $1,400 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4: Due from Other Governments

Governmental activities:

	General Fund	Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal government:					
Grants and contributions	$ 166	$ 455	$ 8,055		$ 8,676
State of Arizona:					
Taxes and shared revenues	22,800	1,327	8,415		32,542
Grants and contributions			2,491	$ 10	2,501
City of Tucson:					
Reimbursement for services	1,561	38	832		2,431
Due from other governments:					
Reimbursement for services	187	2,380	454	170	3,191
Total due from other governments fund based statements	$ 24,714	$ 4,200	$ 20,247	$ 180	$ 49,341

Business-type activities:

	Pima Health System and Services	Regional Wastewater Reclamation Department	Business-type Activities Total
Federal government:			
Grants and contributions		$ 28	$ 28
Reimbursement for services	$ 286		286
State of Arizona:			
Grants and contributions	645		645
Total due from other Governments	$ 931	$ 28	$ 959

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007 (as restated)	Increases	Decreases	Balance June 30, 2008
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 276,126	$ 27,520		$ 303,646
Construction in progress	109,307	76,051	$ (95,260)	90,098
Total capital assets not being depreciated	385,433	103,571	(95,260)	393,744
Capital assets being depreciated:				
Buildings and improvements	476,934	22,611	(321)	499,224
Infrastructure	980,568	87,634	(321)	1,067,881
Equipment	97,436	15,483	(5,676)	107,243
Total capital assets being depreciated	1,554,938	125,728	(6,318)	1,674,348
Less accumulated depreciation for:				
Buildings and improvements	(121,326)	(11,570)	42	(132,854)
Infrastructure	(425,825)	(32,944)		(458,769)
Equipment	(57,876)	(9,854)	5,142	(62,588)
Total accumulated depreciation	(605,027)	(54,368)	5,184	(654,211)
Total capital assets being depreciated, net	949,911	71,360	(1,134)	1,020,137
Governmental activities capital assets, net	$ 1,335,344	$ 174,931	$ (96,394)	$ 1,413,881

	Balance July 1, 2007 (as restated)	Increases	Decreases	Balance June 30, 2008
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 9,695	$ 901		$ 10,596
Construction in progress	35,637	56,720	$ (20,297)	72,060
Total capital assets not being depreciated	45,332	57,621	(20,297)	82,656
Capital assets being depreciated:				
Buildings and improvements	355,260	6,415	(207)	361,468
Infrastructure	548,573	32,083	(560)	580,096
Equipment	20,252	18,984	(777)	38,459
Total capital assets being depreciated	924,085	57,482	(1,544)	980,023
Less accumulated depreciation for:				
Buildings and improvements	(115,684)	(11,726)	84	(127,326)
Infrastructure	(199,825)	(11,015)	258	(210,582)
Equipment	(8,306)	(2,547)	630	(10,223)
Total accumulated depreciation	(323,815)	(25,288)	972	(348,131)
Total capital assets being depreciated, net	600,270	32,194	(572)	631,892
Business-type activities capital assets, net	$ 645,602	$ 89,815	$ (20,869)	$ 714,548

Note 5: Capital Assets (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government	$	7,252
Public safety		9,654
Highway and streets		28,342
Sanitation		436
Health		672
Welfare		5
Culture and recreation		4,525
Education and economic opportunity		723
Internal service funds		2,759
Total governmental activities depreciation expense	$	54,368
Business-type activities:		
Pima Health System & Services	$	215
Parking Garages		336
Regional Wastewater Reclamation Department		24,454
Development Services		283
Total business-type activities depreciation expense	$	25,288

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Discretely presented component units:				
Southwestern Fair Commission (SFC):				
Capital assets not being depreciated:				
Construction in progress	$ 3	$ 38	$ (3)	$ 38
Total capital assets not being depreciated	3	38	(3)	38
Capital assets being depreciated:				
Buildings and improvements	3,906	113		4,019
Equipment	1,773	233	(9)	1,997
Total capital assets being depreciated	5,679	346	(9)	6,016
Less accumulated depreciation for:				
Buildings and improvements	(2,308)	(121)		(2,429)
Equipment	(1,298)	(114)	9	(1,403)
Total accumulated depreciation	(3,606)	(235)	9	(3,832)
Total capital assets being depreciated, net	2,073	111		2,184
SFC capital assets, net	$ 2,076	$ 149	$ (3)	$ 2,222

Note 6: Claims, Judgments and Risk Management

Risk Management and Claims Liability

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; environmental claims; and natural disasters. Claims against the County are accounted for in the Self Insurance Trust Fund (the Fund), an internal service fund. Annually, an actuarial evaluation is performed to determine the County's anticipated losses except for environmental, unemployment and dental losses. Environmental losses are based on reported claims and the County risk manager's knowledge and experience. Unemployment and dental losses are based on claims that have been submitted but not yet paid by the Fund. Losses accounted for include reported and paid, reported but unpaid, and incurred but not reported. All liabilities of the Fund except for environmental, unemployment and dental losses are reported at their present value using an expected future investment yield assumption of four percent.

The Fund is liable for any single general or automobile liability claim up to $2,000,000 per occurrence, any workers' compensation claim up to $750,000 per occurrence or any medical malpractice claims in aggregate up to $5,000,000 in any policy year. The County purchases commercial insurance for claims in excess of coverage provided by the Fund and for some other risks of loss. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

Payment of unemployment and dental claims is fully self-funded. Payment of environmental claims is generally self-funded, although some claims filed could result in past insurers being liable for such losses.

All of the County's departments participate in the Fund. With the exception of environmental, dental, and unemployment losses, charges are based on actuarial estimates of the amounts needed to pay prior and current-year claims. Charges for environmental losses are based on historical experience. Charges for dental and unemployment losses are based on actual claims paid.

The claims liability of $31,205 reported in the Fund at June 30, 2008, is based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. The ultimate cost of claims includes incremental claim adjustment expenses that have been allocated to specific claims, as well as salvage and subrogation. No other claim adjustment expenses have been included.

	2008	2007
Claims liability - beginning	$ 32,857	$ 35,508
Current-year claims and changes in estimates	10,227	8,118
Claims payment	(11,879)	(10,769)
Claims liability - ending	$ 31,205	$ 32,857

Note 6: Claims, Judgments and Risk Management (continued)

Litigation

Pima County is a defendant in a number of court actions. In the opinion of County management, the final disposition of these actions, if unfavorable, will not have a material effect upon the County's financial statements.

Pollution Remediation - El Camino del Cerro Site

The County has estimated and reported an environmental liability of $1,784 in the government-wide financial statements for governmental activities (in noncurrent liabilities). Remediation efforts are currently underway at the El Camino del Cerro site which is approximately bordered by the Santa Cruz River on the west, Interstate 10 on the east and north of El Camino del Cerro Road. The groundwater contamination is suggested to resonate from the municipal and solid waste landfill operated on the site from 1973 to 1977.

In communication with the Arizona Department of Environmental Quality, the County has begun remediation efforts that will include a groundwater pump-and-treat system.

The estimated liability was calculated based upon the expected future outlays associated with the cost of one to three pump-and-treat systems for one to two years. The estimate of one pump-and-treat system for one year was considered to be a better estimate than any other amount.

There is potential for changes due to increased costs associated with sewage disposal costs, construction costs for extraction wells and/or changes in the estimated extent of contamination.

There are no estimated recoveries at this time.

Note 7: Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2008.

	Balance July 1, 2007	Additions	Reductions	Balance July 1, 2008	Due within 1 year
Governmental activities:					
General obligation bonds	$ 289,590	$100,000	$ 41,255	$ 348,335	$ 33,660
Plus unamortized deferred amount	560	714	66	1,208	99
Total general obligation bonds	290,150	100,714	41,321	349,543	33,759
Flood control bonds	1,470		745	725	725
Transportation revenue bonds	136,400	25,000	11,745	149,655	12,365
Plus unamortized deferred amount	141	31	26	146	29
Total transportation revenue bonds	136,541	25,031	11,771	149,801	12,394
Certificates of participation	30,320	50,000	1,244	79,076	21,545
Plus unamortized deferred amount	1,411	1,219	94	2,536	500
Total certificates of participation	31,731	51,219	1,338	81,612	22,045
Loans and Leases:					
Transportation loans payable	3,714		2,714	1,000	1,000
Capital leases payable:					
Jail capital lease	26,550		1,870	24,680	1,965
Less unamortized deferred amount	(1,914)		(191)	(1,723)	(191)
Other capital leases	100	312	146	266	123
Total capital leases	24,736	312	1,825	23,223	1,897
Total loans and leases	28,450	312	4,539	24,223	2,897
Reported but unpaid losses (Note 6)	22,939	8,362	11,879	19,422	3,908
Incurred but not reported losses (Note 6)	9,918	1,865		11,783	2,321
Landfill closure and post-closure care costs (Note 9)	17,330	1,089		18,419	
Pollution remediation (Note 6)		1,784		1,784	566
Future postemployment health benefit liability (Note 10)		14,147	4,302	9,845	5,129
Total governmental activities long-term liabilities	$ 538,529	$204,523	$ 75,895	$ 667,157	$ 83,744

Note 7: Long-Term Liabilities (continued)

	Balance July 1, 2007	Additions	Reductions	Balance July 1, 2008	Due within 1 year
Business-type activities:					
Sewer revenue bonds	$ 97,290	$ 75,000	$ 7,350	$ 164,940	$ 7,870
Less unamortized deferred amount	(2,934)	1,281	(414)	(1,239)	
Total revenue bonds payable	94,356	76,281	6,936	163,701	7,870
Regional Wastewater Reclamation Department (RWRD) loans payable	76,293		5,721	70,572	5,955
Less unamortized deferred amount	(182)		(36)	(146)	
Total loans payable	76,111		5,685	70,426	5,955
Contracts and notes	5,280	1,412	850	5,842	
Future postemployment health benefit liability (Note 10)		2,634	380	2,254	589
Total business-type activities long-term liabilities	$ 175,747	$ 80,327	$ 13,851	$ 242,223	$ 14,414

GENERAL OBLIGATION BONDS OUTSTANDING

Governmental Activities

(Payments made from property tax revenues of the Debt Service Fund)

General obligation bonds payable at June 30, 2008, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, $20,541 from the May 20, 1997, $306,096 from the May 18, 2004, and $52,044 from the May 16, 2006 bond election remain unissued. The following table presents amounts outstanding by issue.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2008
Series of 1998	$ 42,420	4.50 - 4.60%	2009-13	$ 11,720
Series of 1999	50,000	5.00 - 5.07%	2009-10	6,615
Series of 2000	50,000	4.00 - 5.00%	2009-14	18,000
Series of 2001 Refunding	17,835	5.00%	2009	375
Series of 2002	20,000	4.25 - 4.50%	2009-16	7,000
Series of 2003	50,000	3.50 - 4.25%	2009-17	33,850
Series of 2004	65,000	3.00 - 5.00%	2009-19	47,145
Series of 2005	65,000	3.50 - 5.00%	2009-20	49,265
Series of 2007	95,000	3.00 - 4.50%	2009-21	84,365
Series of 2008	100,000	3.00 - 4.00%	2009-22	90,000
G.O. bonds outstanding				348,335
Plus unamortized deferred amount:				1,208
		Total G.O. bonds outstanding		$ 349,543

Note 7: Long-Term Liabilities (continued)

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2008.

Year Ending June 30,	Principal	Interest
2009	$ 33,660	$14,351
2010	28,580	12,954
2011	26,240	11,723
2012	27,105	10,599
2013	28,005	9,424
2014 - 2018	125,330	30,038
2019 - 2022	79,415	6,778
Total	$348,335	$95,867

ADVANCED REFUNDINGS OF GENERAL OBLIGATION BONDS

In prior years, the County defeased certain General Obligation Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for these defeased bonds are not included in the County's financial statements. At June 30, 2008, the following outstanding bonds were considered defeased:

Issue	Outstanding June 30, 2008
1979 General Obligation Refunding Bonds	$ 33
Series of 1999	$ 5,785

FLOOD CONTROL REFUNDING BONDS OUTSTANDING

Governmental Activities

(Payments made from property tax revenues of the Debt Service Fund of the District)

The Pima County Regional Flood Control District outstanding bonds payable at June 30, 2008 is presented below.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2008
Series 2001 Refunding	$ 4,585	4.20%	2009	$ 725

Note 7: Long-Term Liabilities (continued)

The following schedule details flood control bond debt service requirements to maturity at June 30, 2008.

Year Ending June 30,	Principal	Interest
2009	$ 725	$ 30
Total	$ 725	$ 30

TRANSPORTATION BONDS AND LOANS PAYABLE
Governmental Activities
(Payments made from street and highway revenues)

Pima County transportation revenue bonds of 1998 were issued to provide monies to construct improvements to the County's streets and highways. Of the total amount originally authorized, $122,800 from the November 4, 1997 bond election remains unissued.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2008
Series of 2002	$55,000	4.13 - 4.38%	2009-12	$ 24,855
Series of 2003	35,000	3.38 - 4.38%	2009-18	27,600
Series of 2005	51,200	3.50 - 5.00%	2009-20	51,200
Series of 2007	21,000	3.25 - 4.75%	2009-22	21,000
Series of 2008	25,000	3.00 - 4.50%	2009-22	25,000
	Transportation bonds outstanding			149,655
	Plus unamortized deferred amount:			146
	Total transportation bonds outstanding			$ 149,801

The following schedule details transportation bond debt service requirements to maturity at June 30, 2008.

Year Ending June 30,	Principal	Interest
2009	$ 12,365	$ 6,147
2010	12,870	5,652
2011	13,430	5,091
2012	14,015	4,503
2013	9,970	3,912
2014 - 2018	57,160	13,098
2019 - 2022	29,845	2,452
Total	$ 149,655	$ 40,855

Note 7: Long-Term Liabilities (continued)

During the fiscal year ended June 30, 2006, Pima County Transportation Department entered into a loan agreement to provide funds for roadway improvements of Alvernon Way. Interest on the Alvernon HELP loan is calculated and paid on an annual basis.

Issue	Issue Amount	Interest Rate	Maturities	Outstanding June 30, 2008
2006 HELP Loan - Alvernon	$ 4,836	3.06%	2009	$ 1,000
	Total transportation loan payable			$ 1,000

The following schedule details transportation loans debt service requirements to maturity at June 30, 2008.

Year Ending June 30,	Principal	Interest
2009	$ 1,000	$ 61
Total	$ 1,000	$ 61

Pima County has pledged future highway user revenues, net of specified operating expenses, to repay $149,655 in transportation revenue bonds issued between 2002 and 2008, and $1,000 in a transportation HELP loan issued in 2006. Proceeds from the bonds and loans provided financing for construction of various highways and streets within Pima County. The bonds and loans are payable from net highway user revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require approximately 78 percent of net revenues. The annual principal and interest payments on the loan are expected to require approximately 9 percent of net revenues. Total principal and interest remaining to be paid on the bonds is $190,510. Total principal and interest remaining to be paid on the loan is $1,061. Principal and interest paid for bonds and the loan in the current year and total customer net revenues were $17,734, $2,828 and $21,325, respectively.

CERTIFICATES OF PARTICIPATION
Governmental Activities
(Payments made from General Fund revenues)

Certificates of Participation represent proportionate interests in semiannual lease payments. The County's obligation to make lease payments is subject to annual appropriations being made by the County for that purpose. On May 1, 2007, the County issued Certificates of Participation Series 2007-A for $28,765 to finance the acquisition of and improvements to a 22-story office tower located in downtown Tucson, and Taxable Series 2007-B for $1,555 to acquire and construct replacement facilities for the Pima County Community Services Department. On June 26, 2008, the County issued Certificates of Participation Series 2008 for $50,000 to finance capital costs for public infrastructure of the County, including expansion and upgrades to the County's sewer treatment system and major road corridors.

Note 7: Long-Term Liabilities (continued)

The following schedule details outstanding Certificates of Participation payable at June 30, 2008.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2008
Series of 2007 A Justice Building Project	$ 28,765	4.00 - 5.00%	2009-22	$ 28,765
Series of 2007-B Justice Building Project - Taxable	1,555	5.04%	2009	311
Series of 2008	50,000	5.00%	2009-11	50,000
	Certificates of participation outstanding			79,076
	Plus unamortized deferred amount:			2,536
	Total certificates of participation outstanding			$ 81,612

The following schedule details debt service requirements to maturity for the County's Certificates of Participation payable at June 30, 2008.

Year Ending June 30,	Principal	Interest
2009	$ 21,545	$ 3,689
2010	21,610	2,799
2011	11,675	1,734
2012	1,740	1,167
2013	1,810	1,097
2014 - 2018	10,375	4,172
2019 - 2022	10,320	1,321
	$ 79,075	$ 15,979

CAPITAL LEASES
Governmental Activities

On February 1, 1997, the County entered into an agreement to sell certain jail facilities and then lease them back for a 15-year term. The jail facilities were sold for $34,500, and the proceeds were used to finance the construction of the baseball stadium. On September 1, 1999 and October 1, 2003, Pima County amended the capital lease agreement between U.S. Bank Trust National Association and Pima County. The amendments extended the lease term to 2014 and 2018 respectively, increased the range of interest rates and increased the County's obligation under the lease agreement.

The County has also entered into capital leases for computer equipment. The outstanding balance as of June 30, 2008, for these leases totaled $266.

The net book value of assets acquired through capital leases consists of $18,697 of buildings and $117 equipment.

The following schedule details capital lease debt service requirements to maturity at June 30, 2008.

Note 7: Long-Term Liabilities (continued)

Governmental Activities:

	Buildings		Equipment	
Year Ending June 30,	Principal	Interest	Principal	Interest
2009	$ 1,965	$ 1,062	$ 123	$ 8
2010	2,025	982	107	4
2011	2,125	878	36	1
2012	2,230	775		
2013	2,780	648		
2014 - 2018	13,555	1,446		
	$ 24,680	$ 5,791	$ 266	$ 13

SEWER REVENUE BONDS AND LOANS
Business-type Activities
(Payments made from user charges received in the Regional Wastewater Reclamation Department Enterprise Fund)

Pima County sewer revenue bonds, as presented below, were issued to provide monies to construct improvements to the County's Regional Wastewater Reclamation Department system. Of the total amount originally authorized, $706 from the May 20, 1997, and $28,237 from the May 18, 2004 bond election remain unissued.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2008
Series of 1998	$ 29,185	4.00 - 5.50%	2009-15	$ 13,355
Series 2001 Refunding	19,440	4.00 - 5.40%	2009-15	12,655
Series of 2004 Refunding	25,770	3.50 - 5.50%	2009-15	18,145
Series of 2007	50,000	3.75 - 5.00%	2009-26	45,785
Series of 2008	75,000	4.00 - 5.00%	2009-23	75,000
		Sewer revenue bonds outstanding		164,940
		Less unamortized deferred amount:		(1,239)
		Total sewer revenue bonds outstanding		$ 163,701

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2008.

Year Ending June 30,	Principal	Interest
2009	$ 7,870	$ 7,175
2010	8,090	6,821
2011	7,410	6,470
2012	8,395	6,134
2013	9,340	5,751
2014 - 2018	52,335	21,742
2019 - 2023	60,835	10,153
2024 - 2026	10,665	867
	$164,940	$ 65,113

Note 7: Long-Term Liabilities (continued)

The Regional Wastewater Reclamation Department entered into loan agreements (1996, 1997, 2000 and 2004 loans payable) to provide funds for the defeasance of prior sewer revenue bonds and the construction and improvement of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2008
1996 Loans Payable	$ 11,313	3.19%	2009-12	$ 5,976
1997 Loans Payable	7,500	2.95%	2009-11	2,517
2000 Loans Payable	61,180	2.20%	2009-16	42,941
2004 Loans Payable	19,967	1.81%	2009-24	19,138
Loans payable				70,572
Less unamortized deferred amount				(146)
Total loans payable				$ 70,426

The following schedule details loans payable debt service requirements to maturity at June 30, 2008.

Year Ending June 30,	Principal	Interest
2009	$ 5,955	$ 2,423
2010	6,317	2,200
2011	7,605	1,948
2012	7,891	1,667
2013	6,937	1,397
2014 - 2018	26,691	3,591
2019 - 2023	6,338	1,007
2024	2,838	95
	$ 70,572	$ 14,328

Pima County has pledged future user charges, net of specified operating expenses, to repay $164,940 in sewer revenue bonds issued between 1998 and 2008, and $70,572 in sewer revenue loans issued between 1996 and 2004. Proceeds from the bonds and loans provided financing for construction of various treatment facilities and sewer infrastructure within Pima County. The bonds and loans are payable from net sewer revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require approximately 33 percent of net revenues. The annual principal and interest payments on the loans are expected to require approximately 23 percent of net revenues. Total principal and interest remaining to be paid on the bonds is $230,053. Total principal and interest remaining to be paid on the loans is $84,900. Principal and interest paid for bonds and loans in the current year and total customer net revenues were $11,954, $8,312 and $34,203, respectively.

CONTRACTS AND NOTES
Business-type Activities
(Payments made from restricted assets in the Regional Wastewater Reclamation Department Enterprise Fund)

Contracts and notes consist of contract retentions for several construction projects. Generally, interest is not accrued and the timing of payments is based on completion of the related construction projects.

Note 7: Long-Term Liabilities (continued)

LEGAL DEBT MARGIN
County General Obligation Bonds

General obligation debt may not exceed 6 percent of the value of the County's taxable property as of the latest assessment. However, Pima County received voter approval to increase the debt limit to 15 percent of the value of taxable property. The legal debt margin at June 30, 2008, is as follows:

Net assessed valuation		$ 8,220,396
Debt Limit (15% of net assessed valuation):		1,233,059
Amount of debt applicable to debt limit:		
General obligation bonds outstanding	$ 348,335	
Less net assets in debt service fund available for payment of general obligation bond principal	(10,241)	(338,094)
Legal debt margin available		$ 894,965

Flood Control General Obligation Bonds

Flood Control general obligation debt may not exceed 5 percent of the value of the Flood Control District's taxable property as of the latest assessment. Legal debt margin at June 30, 2008, is as follows:

Net assessed valuation		$ 7,412,190
Debt Limit (5% of net assessed valuation):		370,610
Amount of debt applicable to debt limit:		
Flood Control obligation bonds outstanding	$ 725	
Less net assets in debt service fund available for payment of flood control bond principal	(40)	(685)
Legal debt margin available		$ 369,925

Note 8: Short-term Debt

Line of Credit

The County maintains a revolving line of credit with Bank of America National Trust and Savings Association to meet its short-term cash needs. At June 30, 2008, the County had an outstanding balance of $0. Advances on the line of credit are payable on demand. The credit line is secured by the County's general taxing authority.

	July 1, 2007 Balance	Draws	Repayments	June 30, 2008 Balance
Line of credit	$0	$ 112,053	$112,053	$0

Note 9: Landfill Liabilities

SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS:

State and Federal laws and regulations require the County to place a final cover on its solid waste landfill sites when these sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after their closure. Although closure and post-closure care costs will not be paid until near or after the date the landfills stop accepting waste, the County records a portion of these closure and post-closure care costs as a long-term liability in each period, based on landfill capacity used. The $18,419 reported as landfill closure and post-closure care long-term liability within the governmental activities represents the cumulative amount reported to date, based on the percentage used of each landfill's total estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of $5,819 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and post-closure care in the fiscal year ended June 30, 2008; actual costs may change due to inflation, changes in technology, or changes in regulations.

Landfill Site	Capacity Used June 30, 2008	Estimated Remaining Service Life
Ajo *	100%	0 Year
Sahuarita **	44%	25 Years
Tangerine	88%	2 Years

*Life extending facility development options are presently being considered for the Ajo Landfill, including vertical and/or horizontal expansion.

**Sahuarita's facility has incurred a decrease in annual solid waste tipping, because of this the expected service life of the landfill has increased.

The County plans to fund the estimated closure and post-closure care costs with proceeds of general obligation bonds and with solid waste tipping fees.

Note 9: Landfill Liabilities (continued)

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, post-closure, and corrective action when needed. The County is in compliance with these requirements. The Ina Road Landfill facility is closed to municipal solid waste and only receives green waste and construction debris. It is not subject to the closure and post-closure cost requirements referred to above. Pima County estimates that it will cost approximately $9,520 when closure occurs and plans to fund the cost with proceeds of general obligation bonds and with solid waste tipping fees. At this time, there is no closure date available, and there is no known pollution.

Note 10: Pensions and Other Postemployment Benefits (OPEB)

Pension Plan Descriptions

The County contributes to the Arizona State Retirement System **(ASRS),** the Corrections Officer Retirement Plan **(CORP),** the Public Safety Personnel Retirement System **(PSPRS),** consisting of Pima County Sheriffs and Pima County - County Attorney Investigators, and the Elected Officials Retirement Plan **(EORP).** The **EORP** and the **PSPRS** - Pima County, County Attorney Investigators, are not described due to their relative insignificance to the County's financial statements. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The **ASRS** administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions, including general employees of the County, and school districts. The **ASRS** is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The **PSPRS** administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers Pima County Sheriff's public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The **PSPRS,** acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The **CORP** administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers certain employees of the State of Arizona's Departments of Corrections and Juvenile Corrections, and County employees whose primary duties require direct inmate contact. The **CORP** is governed by The Fund Manager of **PSPRS** and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by contacting the applicable plan.

Note 10: Pensions and Other Postemployment Benefits (OPEB) (continued)

ASRS	PSPRS and CORP
3300 N. Central Ave Phoenix, AZ 85012 (602) 240-2000 or (800) 621-3778	3010 East Camelback Road Suite 200 Phoenix, AZ 85016-4416 (602) 255-5575

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates for **ASRS, PSPRS** and **CORP.**

Cost-sharing plans
For the year ended June 30, 2008, active **ASRS** members were required by statute to contribute at the actuarially determined rate of 9.60 percent (9.10 percent for retirement and 0.50 percent for long-term disability) of the members' annual covered payroll. The County was required by statute to contribute at the actuarially determined rate of 9.60 percent (8.05 percent for retirement, 1.05 percent for health insurance premium, and 0.50 percent for long-term disability) of the members' annual covered payroll.

The County's contributions for the current and 2 preceding years, all of which was equal of the required contributions, were as follows:

	ASRS Retirement Fund	Health Benefit Supplement Fund	Long-term Disability Fund
Year ended June 30,			
2008	$ 20,981	$ 2,737	$ 1,303
2007	19,169	2,666	1,270
2006	13,685	2,680	1,186

Agent plans
For the year ended June 30, 2008, active **PSPRS** members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 18.25 percent, the aggregate of which is the actuarially required amount. As allowed by statute, the County contributed 3.65 percent of the members' required contribution, with the members contributing 4.00 percent. The health insurance premium portion of the contribution was set at 1.74 percent of covered payroll. Active **CORP** members were required by statute to contribute 7.96 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 7.44 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.15 percent of covered payroll.

Note 10: Pensions and Other Postemployment Benefits (OPEB) (continued)

Actuarial methods and assumptions

The contribution requirements for the year ended June 30, 2008 were established by the June 30, 2006 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on 1) the plans as understood by the County and plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2008 contribution requirements, are as follows:

	PSPRS	CORP
Actuarial valuation date	June 30, 2006	June 30, 2006
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial Assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	5.50% - 8.50%	5.50% - 8.50%
includes inflation at	5.00%	5.00%
Amortization method	Level percentage open	Level percentage open
Remaining amortization period	30 Years for unfunded actuarial accrued liability, 20 years for excess	30 Years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value	Smoothed market value

Annual Pension and OPEB Cost

The County's pension/OPEB cost for the PSPRS and CORP agent plans for the year ended June 30, 2008, and related information follows:

	PSPRS		CORP	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	$ 6,923	$ 565	$ 1,513	$ 247
Contibutions made	$ 6,923	$ 444	$ 1,513	$ 163

Note 10: Pensions and Other Postemployment Benefits (OPEB) (continued)

Trend Information

Annual pension cost information for the current and 2 preceding years follows for the PSPRS and CORP agent plans. Annual OPEB cost information for the current year (i.e., transition year) is as follows. Information about preceding years will be added over the next 2 years.

Plan	Year Ended June 30	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
PSPRS				
Pension	2008	$ 6,923	100%	
Health insurance	2008	$ 565	79%	$ 121
Pension & health insurance	2007	$ 5,422	100%	
Pension & health insurance	2006	$ 4,720	100%	
CORP				
Pension	2008	$ 1,513	100%	
Health insurance	2008	$ 247	66%	$ 84
Pension & health insurance	2007	$ 1,224	100%	
Pension & health insurance	2006	$ 782	100%	

Funded Status

The funded status of the plans, as of the most recent valuation date June 30, 2008, along with the actuarial assumptions and methods used in those valuations follow. Additionally, the required schedule of funding progress, presented as Exhibit B-2 following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

	PSPRS		CORP	
	Pension Insurance	Health Insurance	Pension Insurance	Health Insurance
Actuarial accrued liability	$ 198,116	$ 8,056	$ 55,365	$ 2,958
Actuarial value of assets	$ 133,286	0	$ 45,957	0
Unfunded actuarial accrued liability (funding excess)	$ 64,830	$ 8,056	$ 10,292	$ 2,958
Funded ratio	67.30 %	0 %	83.00 %	0 %
Covered payroll	$ 32,495	$ 32,495	$ 21,455	$ 21,455
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	199.50 %	24.79 %	43.8 %	13.79 %

Note 10: Pensions and Other Postemployment Benefits (OPEB) (continued)

	PSPRS	CORP
Actuarial valuation date	June 30, 2008	June 30, 2008
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial Assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	5.50% - 8.50%	5.50% - 8.50%
includes inflation at	5.00%	5.00%
Amortization method	Level percentage closed for unfunded actuarial accrued liability, open for excess	Level percentage closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	28 Years for unfunded actuarial accrued liability, 20 years for excess	28 Years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value	Smoothed market value

Postemployment Healthcare Plan

Retiree Insurance Program

Employees retiring from Pima County service, who receive monthly income from any of the Arizona State individual retirement plans, are eligible to continue medical and dental insurance coverage at group rates through the County (the Program). It is a single-employer plan and the benefits and premium rates are approved by the Board of Supervisors on an annual basis for active and retired members. Although Pima County does not explicitly pay a portion of the retiree's premiums, because of the inclusion of this risk class in the insured pool, there is an implicit rate subsidy or "premium rate differential" that is incurred by the County. No separate financial report is provided for the Program.

Funding Policy

The Program is currently funded on a pay-as-you-go basis.

Acturarial valuation date		7/1/2007
Actuarial accrued liability	$	155,437
Actuarial value of assets		0
Unfunded actuarial accrued liability (funding excess)	$	155,437
Funded ratio		0 %
Covered payroll	$	292,249
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll		53.2 %

Note 10: Pensions and Other Postemployment Benefits (OPEB) (continued)

Annual Pension Cost and Net Pension Obligation	Governmental Activities	Business-type Activities	Total Obligation
Annual required contribution	$ 13,626	$ 2,536	$ 16,162
Interest on net pension obligation	521	98	619
Annual pension cost	14,147	2,634	16,781
Contributions made	(4,302)	(380)	(4,682)
Increase in net pension obligation	9,845	2,254	12,099
Net pension obligation at beginning of year			
Net pension obligation at end of year	$ 9,845	$ 2,254	$ 12,099

Method/Assumption	
Valuation date	July 1, 2007
Actuarial cost method	Projected unit credit
Amortization method for actuarial accrued liabilities	Level percentage of payroll
Remaining amortization period	30 years open
Investment rate of return	4.50%
Medicare coverage age	65
Retirement and disability age	Based on EORP, CORP, ASRS, and PSRS pension valuations
Salary increases	2.50%
Payroll growth	2.50%
Active members	6,728
LTD/Retiree and spouses currently receiving benefits	1,613

Note 11: Interfund Transactions

A. Interfund Assets/ Liabilities

Due from / Due to Other Funds are used to record loans or unpaid operating transfers between funds.

Amounts recorded as due from:

Amounts recorded as due to:	General	Capital Projects	Other Governmental	PHS & Services	RWRD	Other Enterprise	Internal Service	Total
General		$ 7,943	$ 117	$ 1,085	$ 2,038	$ 8	$ 840	$ 12,031
Capital Projects	$ 3,019		748		1,883			5,650
Other Governmental	744	1,044	768		12			2,568
Pima Health System & Services			1					1
RWRD	1,986			2				1,988
Other Enterprise		2,641						2,641
Internal Service	826		578		10			1,414
Total	$ 6,575	$ 11,628	$ 2,212	$ 1,087	$ 3,943	$ 8	$ 840	$ 26,293

B. Transfers

Transfers are used to record transactions between individual funds to subsidize their operations and fund debt service payments and capital construction projects.

Amounts recorded as transfers out:

Amounts recorded as transfers in:	General	Capital Projects	Other Governmental	RWRD	Other Enterprise	Internal Services	Total
General		$ 32,716	$ 3,791	$ 6,995		$ 4,352	$ 47,854
Capital Projects	$ 3,090		22,806	637	$ 2,627		29,160
Other Governmental	28,657	1,220	21,515				51,392
RWRD	6,995						6,995
Other Enterprise		2,550					2,550
Internal Service	4,352						4,352
Total	$ 43,094	$ 36,486	$ 48,112	$ 7,632	$ 2,627	$ 4,352	$ 142,303

The table above does not include transfers of capital assets between the proprietary funds and the governmental activities because these are not reported in the governmental funds. The following proprietary funds transferred capital assets from/(to) the capital assets of Governmental Activities:

Transfer from	Transfer to		Transfer from	Transfer to
		$ (601)	Capital assets	RWRD
		(20)	Capital assets	Internal services
	Subtotal	(621)		
Internal services	Capital assets	6		
	Total	$ (615)		

Note 12: Stewardship, Compliance, and Accountability (Deficit Fund Balances)

The Special Districts Fund (non-major governmental fund) had a deficit fund balance at June 30, 2008, of $1,302. This deficit can be eliminated in the future through normal operations.

Note 13: Construction and Other Significant Commitments

At June 30, 2008, Pima County had the following major contractual commitments related to Cultural Resources, Facilities Management, General Government, Library District, Pima Health Systems & Services, Transportation and Regional Wastewater Reclamation Department.

Cultural Resources
At June 30, 2008, the Pima County Cultural Resources Department had construction contractual commitments of $6,336. Funding for these expenditures will be provided from general obligation bonds.

Facilities Management
At June 30, 2008, the Pima County Facilities Management Department had construction contractual commitments of $8,828. Funding for these expenditures will be provided from general obligation bonds.

General Government
At June 30, 2008, Pima County had contractual commitments related to service contracts for Human Resources of $1,370, Institutional Health of $60,156 and Real Property of $5. Funding for these expenditures will be primarily provided from general fund revenues.

Library District
At June 30, 2008, Pima County had contractual commitments related to service contracts for Library District of $2,555. Funding for these expenditures will be primarily provided from library district revenues.

Pima Health Systems & Services
At June 30, 2008, Pima County had contractual commitments related to service contracts for Pima Health Systems & Services of $155,062. Funding for these expenditures will be primarily provided from federal and state funding sources.

Transportation
At June 30, 2008, the Pima County Transportation Department had construction contractual commitments of $42,918 and other contractual commitments related to service contracts of $12,216. Funding for these expenditures will be primarily provided from Transportation Revenue Bonds and Highway User Tax Revenue, the primary source of revenue for the Transportation Department.

Regional Wastewater Reclamation Department
At June 30, 2008, the Regional Wastewater Reclamation Department Enterprise Fund had construction contractual commitments of $28,525 and other contractual commitments related to service contracts of $3,864. Funding for these expenditures will be primarily from Sewer Revenue Bonds and related fees.

Note 14: Subsequent Event

On May 13, 2008, PHS&S was notified that their ambulatory services contract with AHCCCS serving Pima and Santa Cruz counties would not be renewed. Effective October 1, 2008, PHS&S would be only providing care to an estimated 3,000 members that are both eligible through AHCCCS and Arizona Long Term Care System. This results in a reduction of approximately 27,000 members and $84 million in reduced revenues and expenses. As a result of this contract termination, PHS&S has implemented a plan to significantly reduce expenses, initially through a reduction in workforce of 53 employees, effective September 30, 2008.

APPENDIX G

SUMMARY OF RESOLUTION NO. 1991-138 (AS AMENDED AND SUPPLEMENTED) AUTHORIZING THE ISSUANCE OF SEWER REVENUE BONDS

The following is a summary of certain provisions of Resolution No. 1991-138, authorizing the issuance of the Sewer Bonds, which was adopted by the County Board of Supervisors on June 18, 1991 and amended on August 6, 1991 and as supplemented by the adoption of the authorizing resolution for the Sewer Revenue Bonds, Series 2009 (the "Sewer Bond Resolution"). The summary does not purport to be a full statement of the terms of the Sewer Bond Resolution and, accordingly, is qualified by reference hereto and is subject to the full text thereof.

Authority. The Bonds authorized herein are issued pursuant to A.R.S. Section 11-264.01. The Sewer Resolution will stay in full force and effect until all Bonds are fully paid or provided for and all Policy Costs have been paid.

Definitions; Interpretation.

A. Definitions.

"Accreted Value" - with respect to Parity Bonds, which are Capital Appreciation Bonds, as of the calculation date, the initial principal amount plus interest then accrued thereon compounded at the interest rate thereof on the stated dates set forth in the resolution authorizing such Capital Appreciation Bonds.

"Agreement" - any Reserve Fund Guaranty Agreement.

"Assumed Interest Rate" - with respect to Variable Rate Obligations only, an interest rate at the computation date computed to be the lesser of (i) the maximum rate which Bonds of such series may bear under their terms or (ii) the rate of interest then established for long-term bonds by the 30-year revenue bond index published by The Bond Buyer immediately prior to the computation date.

"Average Annual Debt Service" - at computation, the average of each Bond Year's aggregate scheduled Bond principal (including mandatory redemptions) and interest requirements (with Variable Rate Obligations bearing interest at the Assumed Interest Rate).

"Board" - the County's Board of Supervisors.

"Bond Insurer" - an issuer of a Municipal Bond Insurance Policy pertaining to any of the Bonds.

"Bonds" - the Series 1991 Bonds and all Parity Bonds (including the Series 2009 Bonds).

"Bond Year" - the one-year period commencing each July 2 and ending on the next forthcoming July 1. A Bond Year shall correspond to the Fiscal Year beginning on July 1 of the same year and ending on June 30 of the next year.

"Capital Appreciation Bond" - a Parity Bond the interest component of which is compounded semiannually on stated dates until maturity or until such Capital Appreciation Bond is converted to a Bond paying interest semiannually, if so permitted or required.

"Deficiency" - the difference between (i) the total amount due on any of the Bonds' principal or interest payment dates and (ii) the amount then in the Bond Fund (which amount shall not include payments made pursuant to a Municipal Bond Insurance Policy or a Reserve Fund Guaranty but shall include all moneys transferred from the Reserve Fund to the Bond Fund or available in the Reserve Fund for such transfer).

"Drawdown" - any amount drawn by the Paying Agent under any Reserve Fund Guaranty.

"Drawdown Date" - the date of any Drawdown.

"DTC" - the Depository Trust Company, the depository for the Book-Entry Bonds.

"Finance Director" - the person or persons employed by the County who is responsible for the management or supervision of the County's financial matters, including bond transactions.

"Fiscal Year" - the twelve month period beginning each July 1 and ending on the next June 30.

"Maximum Annual Debt Service" - at the time of computation, the greatest scheduled Bond principal (including mandatory redemptions) and interest requirements (with Variable Rate Obligations bearing interest at the Assumed Interest Rate) occurring in the then-current, or any subsequent, Bond Year.

"Municipal Bond Insurance Policy" - any insurance policy insuring the payment of principal of and interest on any Bonds.

"Net Revenues" - those Revenues remaining after deducting Operating Expenses.

"Operating Expenses" - the costs of System operation, maintenance, and repair but excluding depreciation and payments into the Bond, Reserve, Reimbursement and Rebate Funds.

"Owner" - any person registered as the owner of any Bond (for Book-Entry Bonds - DTC or any successor depository).

"Parity Bonds" - any additional Bonds (including the Sewer Improvement and Refunding Revenue Bonds, Series 1998, the Sewer Revenue Refunding Bonds, Series 2001, the Sewer Revenue Refunding Bonds, Series 2004, Sewer Revenue Bonds, Series 2007, the Sewer Revenue Bonds, Series 2008 and the Series 2009 Bonds and the Loan Agreements between the Water Infrastructure Finance Authority of Arizona and the County, as borrower, dated February 1, 1996, June 1, 1997, October 27, 2000, as amended, and May 11, 2004, as amended, issued or incurred on a parity with the Series 1991 Bonds.

"Policy Costs" - the amount necessary to reimburse a Reserve Fund Guarantor for any Drawdown pursuant to an Agreement including the Drawdown amount (and the Reserve Fund Guarantor's expenses) plus interest at the Reimbursement Rate until paid.

"Reimbursement Period" - for any Drawdown, the period from the Drawdown Date to the first anniversary of such Drawdown Date.

"Reimbursement Rate" - the rate of interest to be paid by the County pursuant to the respective Agreement to pay a Reserve Fund Guarantor after a Drawdown.

"Reserve Fund Guarantor" - with respect to any series of Bonds, the issuer of a surety bond, letter of credit, line of credit or insurance policy used as a Reserve Fund Guaranty, if issued by an entity whose Guaranty will not adversely affect the Bonds' then-current rating.

"Reserve Fund Guaranty" - any irrevocable surety bond, letter of credit or line of credit or insurance policy issued by a Reserve Fund Guarantor and used as a reserve fund guaranty hereunder.

"Reserve Fund Value" - the value of moneys and investments credited to the Reserve Fund plus the aggregate penal sum of all Reserve Fund Guaranties.

"Reserve Requirement" - initially, Average Annual Debt Service on all Outstanding Bonds, which amount shall be adjusted upon the issuance of Parity Bonds to equal Average Annual Debt Service immediately after such issuance or the maximum amount the Reserve Fund is then permitted to increase under Section 148 of the Internal Revenue Code.

"Revenues" - all income, moneys and receipts derived from System ownership, use and operation; however, the term Revenues shall not include Bond proceeds or the interest received on any Bond proceeds placed in trust to pay any Bonds or retained in either the Construction or System Development Funds, nor any amounts received by the County for which it is contractually obligated to pay out as reimbursement for acquisition, construction or installation of system facilities.

"Series 2009 Bonds" – the $18,940,000 principal amount of Sewer Revenue Bonds, Series 2009, of the County, dated the date of initial delivery thereof.

"System" - the County's entire sewer system and all acquisitions, improvements and extensions added thereto while any Bonds are Outstanding.

"Variable Rate Obligations" - any Parity Bonds which may, in the future, bear interest at rates which cannot be determined with specificity on their original issue date.

Source of Payment and Pledge of Revenues.

A. The Bonds shall be payable solely from the Net Revenues. The Bonds shall be equally and ratably secured by a pledge thereof and lien thereon without priority one over the other.

B. The Bonds are special obligations payable solely from the Net Revenues and secured in accordance with this resolution. The Net Revenues are pledged as security for the Bonds. All Net Revenues shall be immediately subject to the pledge of this resolution and the lien of this pledge shall be valid and binding. Nothing contained in this section shall limit the authority granted herein to issue Parity Bonds.

Rate Covenant. The County covenants and agrees with the Owners that it will establish and maintain System charges sufficient to pay all Operating Expenses and produce aggregate Net Revenues in each Fiscal Year equal to at least 120% of the principal and interest requirements on all Outstanding Bonds for the corresponding Bond Year (treating Variable Rate Obligations as bearing interest at the Assumed Interest Rate and Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates) and said rates, fees and other charges shall also be established and maintained at rates sufficient to provide an amount of Net Revenues for the then current fiscal year which, net of the aggregate amounts required to be deposited to the Bond Fund during such fiscal year, will be sufficient to provide at least one hundred percent (100%) of the County's Policy Costs due and owing in such Fiscal Year.

Creation of Funds; Application of Revenues.

A. The County Treasurer shall create the following special funds and accounts:

1. The Revenue Fund.

2. The Operation and Maintenance Fund.

3. The Bond Fund.

4. The Reimbursement Fund.

5. The Reserve Fund containing separate accounts: the Capitalized Reserve Account and the Contributed Reserve Account.

6. The Rebate Fund.

7. The System Development Fund.

8. The Construction Fund.

B. All Revenues shall be deposited in the Revenue Fund and disbursed only as follows:

1. Operation and Maintenance Fund. First, to the Operation and Maintenance Fund, by the tenth day of each month, an amount sufficient to pay the month's Operating Expenses; such Fund shall be used only to pay Operating Expenses. The County may accumulate therein equitable allowances for accruals and accumulations to cover periodic Operating Expenses, including insurance premiums and expenditures for renewals, replacements and repairs normally classified as Operating Expenses. Where the County purchases items such as insurance, gasoline and electrical energy at large, it may allocate to the System only its share of such expenditure.

2. Bond Fund. Second, to the Bond Fund:

(a) Commencing the tenth day of the month immediately succeeding the date of delivery of the Series 2009 Bonds through the next June 10 or December 10, as applicable, such amount necessary to allocate equally among such months, the interest due (net of accrued interest on the Series 2009 Bonds) on the next July 1 or January 1, as applicable, and thereafter on the tenth day of each month one-sixth (1/6) of the interest becoming due on the next interest payment date on all Bonds Outstanding; and

(b) Commencing the tenth day of the month immediately succeeding the date of delivery of the Series 2009 Bonds through the next June 10 such amount necessary to allocate equally among such months the principal due on the next July 1, and thereafter on the tenth day of each month one-twelfth (1/12) of the principal amount becoming due on the next principal payment date on all Bonds Outstanding.

The Bond Fund shall be a trust fund used solely to pay Bond principal and interest.

When Parity Bonds are issued, Bond Fund deposits shall be expanded to satisfy all additional or modified debt service requirements.

3. Reimbursement Fund. Third, if a Drawdown occurs, deposit to the Reimbursement Fund commencing the tenth day of the first month following a Drawdown and each month thereafter for the next succeeding 11 months, or until the Reimbursement Fund contains amounts sufficient to reimburse all Policy Costs, an amount equal to at least one-twelfth (1/12) of such Policy Costs. The Reimbursement Fund shall be used only to pay Reserve Fund Guarantors' Policy Costs.

If the County fails to pay any Policy Costs, the Reserve Fund Guarantor(s) may exercise all remedies available to the Owners at law or under this resolution or to any Reserve Fund Guarantor under any Agreement other than (i) acceleration of the Bonds or (ii) remedies adversely affecting the Owners' rights.

All Reserve Fund Guaranties shall be held by the Paying Agent as the Owners' fiduciary. Reserve Fund Guaranties shall expire no earlier than the final maturity date of the series for which said Guaranty applies.

4. Reserve Fund. Fourth, by the tenth day of each month, to the Reserve Fund the amounts required by Section 13(A)(4)(ii) of Resolution No. 1991-138, if applicable, or one-twelfth (1/12) of the amount required to restore the Reserve Fund to the Reserve Requirement after a Reserve Fund withdrawal.

If, on any principal or interest payment date, a Deficiency exists, then:

(a) If there are investments or cash in the Reserve Fund, such investments shall be liquidated and the cash and investment proceeds transferred to the Bond Fund; and

(b) If the Deficiency is not then cured, the Paying Agent shall deliver a Drawdown request to each Reserve Fund Guarantor.

Drawdowns and Reserve Fund proceeds shall be used solely to pay Bond principal and interest then due.

Reserve Fund moneys used to pay such principal and interest shall be replaced from the first Revenue Fund moneys thereafter received which are not required to be transferred to the Operation and Maintenance, Bond or Reimbursement Funds.

The two Reserve Fund accounts are created to segregate Reserve Fund moneys and investments for arbitrage rebate purposes. All Reserve Fund deposits made from Net Revenues or other available moneys of the County shall be deposited in the Contributed Reserve Account. All Bond proceeds deposited to the Reserve Fund shall be deposited in the Capitalized Reserve Account.

If, after a Reserve Fund withdrawal, the Reserve Requirement exceeds the Reserve Fund Value such deficiency shall be made up over a twelve month period by deposit of twelve (12) substantially equal payments to the Contributed Reserve Account.

5. Rebate Fund. Fifth, to the Rebate Fund the balance remaining in the Revenue Fund until the amount in the Rebate Fund equals the amount to be deposited therein during such Bond Year as determined by the Finance Director.

6. System Development Fund. Sixth, any Revenue Fund moneys exceeding those necessary to meet the above requirements shall be deposited in the System Development Fund. The System Development Fund may be used (without priority): (1) for System extensions and betterments; (2) for unbudgeted maintenance and operation expenses; (3) to redeem Bonds subject to optional redemption or to purchase Bonds in the open market; (4) to pay general obligation bonds issued by the County for System purposes; (5) to make loans to the County under equitable terms prescribed by the Board; or (6) any lawful System purpose.

7. Deficiencies. If in any month the Revenue Fund is insufficient to make the required deposits to any Fund in any month, the insufficiency shall be made up in the following month or months after payment into all Funds enjoying a prior claim to the Revenues have been met in full.

8. Investment of Funds. Money on deposit in the Revenue, Operation and Maintenance, Bond, Reserve, Reimbursement and Rebate Funds may be invested in Permitted Investments. All income derived therefrom shall be Revenues and shall be deposited in the Revenue Fund. Such investments shall be liquidated as needed and applied to the purpose for which the respective Fund was created. Moneys in the Construction and System Development Funds may be invested in any lawful investment. At the option of the Finance Director, income derived from Construction Fund investments shall be either retained in the Construction Fund or deposited to the Revenue Fund.

Covenants Regarding the System. The County covenants and agrees with each Owner that it will:

A. Permit no free sewer services to be furnished to any consumer or user;

B. Maintain the System in good condition and operate the same in an efficient manner and at reasonable cost;

C. Maintain insurance on all System properties (which may include an adequately-funded self-insurance program) with the coverage normally carried by municipalities or private companies engaged in a similar business. Self-insurance may be maintained either separately or with a County-wide program if (i) such program is in writing and (ii) an independent consultant annually reviews the program and certifies that such program is adequate and actuarially sound. The proceeds of any insurance covering the System, except public liability insurance, received by the County shall be pledged as security for the Bonds until used to replace the System parts damaged or destroyed, or if not so used, shall be placed in the Revenue Fund;

D. Keep proper books and accounts for the System, which shall be audited after each Fiscal Year in accordance with generally accepted governmental accounting practices; the County will furnish copies of such audits to any Owner upon request, no later than one hundred eighty (180) days after the end of each Fiscal Year;

E. Faithfully and punctually perform all its legal duties concerning the System;

F. Not sell, lease, mortgage or in any manner dispose of the System or any part thereof until all Bonds have been paid or provided for in full. This covenant shall not prevent the disposition of inexpedient property. All proceeds from such disposition shall be deposited in the Revenue Fund;

G. Prior to each Fiscal Year, prepare and adopt a budget showing the estimated System Revenues and Operating Expenses for the ensuing Fiscal Year, and will operate the System within such budget to the best of its ability. Copies of such budgets will be available to any Owner on request;

H. To the extent allowed by law, discontinue the service to any premises for which the owner or occupant thereof shall be delinquent in the payment of System charges beyond the period allowed by County policy and not resume service until all delinquent charges, with interest and penalties, shall have been paid;

I. Duly pay and discharge all taxes, assessments or other governmental charges lawfully imposed upon the System, or upon any Revenues when due, as well as any lawful claims for labor, materials and supplies which might by law become a lien on the System, or the Revenues, or impair the security of the Bonds;

J. Deposit the net proceeds realized from any eminent domain proceeding concerning the System in the Revenue Fund;

K. To the extent allowed by law, refuse to grant any franchise or permit for any competing sewer system operation in the County.

L. Not cause or permit the moneys in the Bond Fund, the Reimbursement Fund, the Reserve Fund or the Construction Fund to be invested in any investments except Permitted Investments.

M. Not violate the terms of any Agreement and will give all notices and perform all acts and abide by all promises contained in such Agreement or Agreements.

Remedies of Owners. Any Owner may by suit, in any court of competent jurisdiction protect the lien on the Net Revenues, enforce performance of all duties imposed hereby or for the appointment of a receiver. Except the giving of notice of default to bondholders, the Bond Insurer shall be deemed to be the sole holder of the Bonds it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy.

If any default occurs in the payment of principal of or interest on any Bonds, a court may appoint a receiver to administer the System and charge and collect sufficient fees to pay Operating Expenses and make all payments to the Bond, Reimbursement and Reserve Funds required hereunder.

For all purposes in exercising remedies, except the giving of notice of default to Bondholders, the Bond Insurer of each series of Bonds shall be deemed to be the sole holder of the Bonds it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy.

Equality of Lien; Parity Bonds.

The Bonds shall each enjoy complete parity of lien on the Net Revenues.

A. Parity Bonds may be issued on a parity with the Bonds herein authorized only if all the following conditions are met:

1. The Net Revenues for the completed Fiscal Year immediately preceding the Parity Bonds' issuance must have been at least equal to one hundred twenty percent (120%) of Maximum Annual Debt Service immediately after such issuance and said Net Revenues must also have been sufficient to provide an amount of Net Revenues for the then current fiscal year which, net of the aggregate amounts required to be deposited to the Bond Fund during such fiscal year, will be sufficient to provide at least one hundred percent (100%) of the County's Policy Costs due and owing in such Fiscal Year as shown by a Finance Director's certificate. The computation of Net Revenues may additionally include: (i) if Parity Bond proceeds are to be expended to acquire existing sewer properties, the net revenues which would have been derived from such properties during the entire immediately preceding Fiscal Year; (ii) if during such preceding Fiscal Year the County has acquired existing sewer properties, the net revenues which would have been derived from the operation of such sewer properties during such Fiscal Year had such sewer properties been acquired and operating throughout such Fiscal Year; and (iii) if any System rate increase occurred during such preceding Fiscal Year, the increased Net Revenues which would have been received if such increase had been in effect throughout such Fiscal Year; in each case such additions to Net Revenues must be estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters;

2. The payments into the various Funds must be current at such Parity Bonds' issuance;

3. The Parity Bond proceeds must be used solely for System extensions, renewals, improvements, or replacements or to refund Outstanding Bonds; and

4. The Reserve Fund Value shall be increased at the Board's option, by: (i) the immediate deposit of Parity Bond proceeds or available moneys to the Reserve Fund or the immediate delivery of a Reserve Fund Guaranty, or any combination thereof in order for the Reserve Fund Value to equal or exceed the Reserve Requirement immediately after such Parity Bonds' issuance or (ii) deposits of Net Revenues to the Reserve Fund in approximately equal monthly installments so that the Reserve Fund Value will equal or exceed the increased Reserve Requirement not later than five years following such Parity Bonds' issuance; or (iii) any combination of such methods.

Resolution Incorporated Into the Bonds. The provisions of this resolution are deemed incorporated into the Bonds themselves and no change, variation or alteration of any kind in the provisions hereof shall be made in any manner, except as provided hereafter.

Resolution Modification.

A. Without the consent of or notice to any Owner, this resolution may be modified for one or more of the following purposes:

(1) To cure any ambiguity, formal defect, omission or inconsistency;

(2) To grant to the Owners additional rights, remedies, powers or authority;

(3) To secure additional Revenues or provide additional security or reserves for Bond payment;

(4) To comply with any federal securities laws or the Trust Indenture Act of 1939, if and to the extent applicable to the Bonds;

(5) To permit, preserve or continue (in the event of a change in federal income tax laws (the "Code") which requires a Supplement in order to continue such exclusion) the exclusion of the interest income borne on the Bonds from gross income or the exemption from State income taxes and to preserve the power of the County to continue to issue bonds or other obligations (specifically not limited to the Bonds authorized under the Sewer Bond Resolution) the interest income on which is likewise excluded from gross income and exempt from State income taxes.

B. Except as provided in (A) above, the Owners of fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding (treating Capital Appreciation Bonds at their then Accreted Value) shall have the right to consent to and approve modifications to any terms or provisions herein but no such modification may:

1. Change the maturity of any Outstanding Bond.

2. Change the interest rate on any Outstanding Bond.

3. Reduce the principal or redemption premium payable on any Bond.

4. Modify the principal, interest or redemption premium payment terms on any Bond or impose any adverse conditions on such payments.

5. Adversely affect the rights of the Owners of less than all Bonds then Outstanding.

C. Any other provision to the contrary notwithstanding, no amendment to the Sewer Resolution shall become effective unless and until it is approved by all Bond Insurers and Reserve Fund Guarantors applicable to the Bonds.

Rights of Reserve Fund Guarantors. If any Bond's principal or interest shall be paid by a Reserve Fund Guarantor, the pledge of the Net Revenues and all of the County's obligations hereunder shall continue and such Reserve Fund Guarantor shall be fully subrogated to all rights of the Owners of the Bonds so paid.

Method of Valuation; Frequency. In computing the amount in any fund or account, Permitted Investments shall be valued at their market value exclusive of accrued interest. A valuation shall occur annually on the first Business Day of each Bond Year and immediately after a Reserve Fund withdrawal.

Defeasance. Payment of all or any part of the Bonds may be provided for by the irrevocable deposit with a trustee of moneys or Government Obligations, or both. If the moneys and the maturing principal and interest income on such Government Obligations shall be sufficient, as evidenced by a certificate of an expert in the field, to pay when due the principal or redemption price of and interest on such Bonds, such Bonds shall no longer be deemed Outstanding. The Owners of Bonds so provided for shall thereafter be entitled to payment only from the moneys or Government Obligations deposited with such trustee.

APPENDIX H

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

CONTINUING DISCLOSURE UNDERTAKING FOR THE PURPOSE OF PROVIDING CONTINUING DISCLOSURE INFORMATION UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by Pima County, Arizona (the "County"), in connection with the issuance and sale of the $18,940,000 aggregate principal amount of Sewer Revenue Bonds, Series 2009 (the "Bonds").

In connection with the Bonds, the County covenants and agrees as follows:

1. Purpose of this Undertaking. This Undertaking is executed and delivered by the County as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Underwriter in complying with the requirements of the Rule (as defined below).

2. Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

"Annual Information" means the financial information and operating data set forth in Exhibit I.

"Annual Information Disclosure" means the dissemination of disclosure concerning Annual Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

"Audited Financial Statements" means the general purpose audited financial statements of the County prepared pursuant to the standards and as described in Exhibit I.

"Bond Resolution" means, together, Resolution No. 1991-138 adopted by the Board of Supervisors of the County on June 18, 1991, as supplemented and amended, including a supplemental resolution adopted by the Board of Supervisors of the County on April 21, 2009, authorizing the issuance and sale of the Bonds.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any agent designated as such in writing by the County and which has filed with the County a written acceptance of such designation, and such agent's successors and assigns.

"EMMA" means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at http://emma.msrb.org.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Material Event" means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II that is material, as materiality is interpreted under the Exchange Act.

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIRs" means, as of any date, any Nationally Recognized Municipal Securities Information Repository then recognized by the Commission for purposes of the Rule. As of the date of this Undertaking, the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Phone: (212) 771-6999; 800-689-8466
Fax: (212) 771-7390
E-mail: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

The names and addresses of all current NRMSIRs should be verified each time information is delivered pursuant to this Undertaking.

"Rule" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"State" means the State of Arizona.

"Undertaking" means the obligations at the County pursuant to Sections 4, 5, 6 and 7 hereof.

"Underwriter" includes each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

3. CUSIP Number/Final Official Statement. The base CUSIP Number of the Bonds is 721876. The Final Official Statement relating to the Bonds is dated April 21, 2009.

4. Annual Information Disclosure. Subject to Section 10 of this Undertaking, the County shall disseminate its Annual Information and its Audited Financial Statement, if any (in the form and by the dates set forth in Exhibit I) to the MSRB through EMMA, in a format prescribed by the MSRB. The County is required to deliver such information in such manner and by such time so that such entities receive the information on the date specified.

If any part of the Annual Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the County will disseminate a statement to such effect as part of its Annual Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Material Events Disclosure. Subject to Section 10 of this Undertaking, the County hereby covenants that it will disseminate in a timely manner notice of occurrence of a Material Event to each NRMSIR, on or before June 30, 2009, and after June 30, 2009, to the MSRB through EMMA, in a format prescribed by the MSRB.

6. Duty to Update NRMSIRs/Acknowledgment of future filing with the MSRB. The County shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs for any filing on or before June 30, 2009, each time it is required to file information with such entities.

The County hereby acknowledges that on December 15, 2008, the SEC adopted various amendments to the Rule, which amendments at present are scheduled to become effective July 1, 2009. Such amendments require, in part, that each participating Underwriter reasonably determine that the County has agreed to provide, in an electronic format as prescribed from time to time by the MSRB: (i) its Annual Information Disclosure as well as any reporting of a Material Event listed in Exhibit II to the MSRB, and (ii) accompanying identifying information. On and after the effective date of the amendments, the County acknowledges that the MSRB will become the repository and that there will no longer exist a Central Post Office (defined below).

7. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner to the MSRB through EMMA, in a format prescribed by the MSRB, of any failure to provide Annual Information Disclosure when the same is due hereunder.

In the event of a failure of the County to comply with any provision of this Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the County to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an Event of Default on the Bonds. The sole remedy under this Undertaking in the event of any failure of the County to comply with this Undertaking shall be an action to compel performance.

8. Alternate Means of Disclosure. Notwithstanding the provisions of Sections 4, 5 and 7 requiring that the County file its Annual Information Disclosure, notice of any Material Event and notice of any failure to comply with this Undertaking with each of the NRMSIRS and any SID, the County may instead comply with the provisions of this Undertaking by filing the required information with an entity then recognized by the Commission as eligible to receive and submit such filings to the NRMSIRS and any SID for purposes of the Rule (a "Central Post Office"). As of the date of this Disclosure Undertaking, the Central Post Office that has been so recognized by the Commission is:

DisclosureUSA.org
P.O. Box 684667
Austin, Texas 78768-4667
Fax: (512) 476-6403
http://www.disclosureUSA.org

Beginning July 1, 2009, the County shall electronically file its Annual Information Disclosure, notice of any Material Event, notice of any failure to comply with this Undertaking and any accompanying identifying information, as prescribed from time to time by the MSRB, directly through EMMA.

9. Amendments; Waiver. Notwithstanding any provision of this Undertaking, the County by certified resolutions authorizing each amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County, or type of business conducted;

(b) This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined by an independent counsel or other entity unaffiliated with the County.

10. Non-Appropriation. The performance by the County of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the County to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the County covenants to provide prompt notice of such fact to each NRMSIR on for before June 30, 2009, and after June 30, 2009, to the MSRB through EMMA.

11. Termination of Undertaking. The Undertaking of the County shall be terminated hereunder when the County no longer has liability for any obligation relating to repayment of the Bonds or the Rule no longer applies to the Bonds. The County shall give notice in a timely manner if this Section is applicable to the MSRB through EMMA.

12. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

13. Additional Information. Nothing in this Undertaking shall be deemed to prevent the County from disseminating any other information using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the County chooses to include any information from any document or notice of occurrence of Material Event in addition to that which is

specifically required by this Undertaking, the County shall have no obligation under this Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

14. Beneficiaries. This Undertaking has been executed in order to assist the Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the County, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

15. Recordkeeping. The County shall maintain records of all Annual Information Disclosure and notices of occurrence of Material Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

16. Assignment. The County shall not transfer its obligations under the Bond Resolution unless the transferee agrees to assume all obligation of the County under this Undertaking or to execute an Undertaking under the Rule.

17. Governing Law. This Undertaking shall be governed by the laws of the State.

PIMA COUNTY, ARIZONA

By: _____
Thomas Burke
Finance and Risk Management Director

Dated: May 6, 2009

[Signature Page of Continuing Disclosure Undertaking]

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" means quantitative financial information and operating data concerning the operations of the County of the type set forth in the Official Statement in Appendix A in the tables entitled "PIMA COUNTY, ARIZONA SUMMARY OF WASTEWATER USERS FEES," PIMA COUNTY, ARZIONA, SUMMARY OF USER FEES REVENUES," PIMA COUNTY, ARIZONA, CONNECTION FEE REVENUES," PIMA COUNTY, ARIZONA, REVENUES FROM OTHER FEES AND CHARGES" and "PIMA COUNTY WASTEWATER MANAGEMENT DEPARTMENT COMPARATIVE STATEMENTS OF SYSTEM REVENUES, EXPENDITURES AND NET REVENUES AVAILABLE FOR DEBT SERVICE.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to each NRMSIR on or before June 30, 2009, and after June 30, 2009, to the MSRB through EMMA. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB; the Final Official Statement need not be available from each NRMSIR. The County shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB through EMMA, no later than the first business day in February of each year, commencing February 1, 2010. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to generally accepted accounting principles ("GAAP"), as applied to governmental units as modified by State law, Audited Financial Statements will be provided to the MSRB through EMMA, at the same time as Annual Financial Information is filed, or if not available when such Annual Financial Information is filed, within 30 days after availability to the County.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the County will disseminate a notice of such change as required by Section 4, including changes in Fiscal Year or GAAP.

EXHIBIT II

EVENTS FOR WHICH NOTICE OF OCCURRENCE OF MATERIAL EVENTS IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of creditor liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds
7. Modifications to the rights of holders of the Bonds
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the Bonds
11. Rating changes

APPENDIX I

SPECIMEN OF THE FINANCIAL GUARANTY INSURANCE POLICY

ASSURED GUARANTY®
ENDURING FINANCIAL STRENGTH

Financial Guaranty Insurance Policy

Issuer:

Policy No.:

Obligations:

Premium:

Effective Date:

SAMPLE

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee

or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "Term" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "Fiscal Agent") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:_____
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

_____
Counsel

SPECIMEN

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT AGREEMENT

This Bond Registrar, Transfer Agent and Paying Agent Agreement, dated as of May 1, 2009 (the "Agreement"), between Pima County, Arizona (the "County"), and The Bank of New York Mellon Trust Company, N.A. (the "Registrar"), and the Treasurer of the County (the "Treasurer"),

WITNESSETH

WHEREAS, the County proposes to issue its Sewer Revenue Bonds, Series 2009, in the aggregate principal amount of $18,940,000 (the "Bonds"); and

WHEREAS, the Bonds will be issued in fully registered form; and

WHEREAS, the County desires to employ a bond registrar, a transfer agent and a paying agent to administer the registration, transfer and payment of the Bonds; and

WHEREAS, the Treasurer is charged with the responsibility of maintaining the principal and interest redemption funds for the County; and

WHEREAS, the County desires to enter into an agreement with the Registrar for services as bond registrar, transfer agent and paying agent with respect to the Bonds; and

WHEREAS, the Registrar is willing to act as bond registrar, transfer agent and paying agent with respect to the Bonds,

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

Section 1. The Registrar is hereby requested to provide the following services:

(a) Bond registrar services, which shall include, but not be limited to:

(1) initial authentication of the Bonds;

(2) maintenance of registration books sufficient to comply with Section 149(a) of the Internal Revenue Code of 1986, as amended (the "Code");

(3) prompt recording of transfers of ownership and exchanges of the Bonds as such transfers and exchanges occur;

(4) protection against double or overissuance of the Bonds;

(5) authentication of the Bonds prepared for delivery to transferees of original purchasers or subsequent owners, or to owners of the Bonds upon any exchange, of the Bonds;

(6) informing the County of the need for additional printings of the Bonds as needed; and

(7) providing the Treasurer and the County access to specimens of the signatures of the persons authorized from time to time to authenticate the Bonds.

(b) Transfer agent services, which shall include, but not be limited to:

(1) receipt and verification of all Bonds tendered for transfer or exchange;

(2) preparation of new Bonds for delivery to transferees or owners wishing to exchange Bonds and delivery of the same;

(3) destruction of Bonds submitted for transfer or exchange; and

(4) provision of necessary information for recordation in the registration books relating to the Bonds.

(c) Paying agent services, which shall include, but not be limited to:

(1) provision of a billing to the Treasurer and the County's Finance and Risk Management Director at least thirty (30) days prior to each principal and interest payment date with respect to the Bonds setting forth the amount of principal and interest due on the Bonds on such payment date;

(2) preparation, execution and mailing, by first class mail, of checks representing (or, to the extent requested in writing by an owner of $1,000,000 or more in aggregate principal amount of the Bonds not less than ten (10) days prior to an interest payment date, transmission by wire transfer to a bank or trust company in the continental United States of America) interest payments due on the Bonds to each registered owner of the Bonds on or prior to each scheduled interest payment date;

(3) verification of all matured Bonds upon their surrender for final payment;

(4) payment of all principal due on the Bonds upon proper surrender thereof to the Registrar or, if so requested in writing by any owner of $1,000,000 or more in aggregate principal amount of the Bonds, and if provision for surrender of the Bonds satisfactory to the Registrar has been made, by wire transfer to a bank or trust company in the continental United States, in the manner provided for therein;

(5) preparation of semiannual reconciliations following each interest payment date showing all principal and interest paid with respect to the Bonds during the preceding six-month period and providing copies thereof to the Treasurer, the County's Finance and Risk Management Director and the Arizona Department of Revenue (the "Department"); and

(6) taking inventory of all canceled checks, or microfilm proof of such checks, showing interest payments on the Bonds.

Section 2. Upon written request of the County, the Registrar will cause its authorized officer(s) to authenticate the Bonds in an aggregate original principal amount not to exceed $18,940,000 at any time except for replacement Bonds.

Section 3. The Registrar shall exchange Bonds of the same aggregate original principal amount, maturity date and interest rate, if any, and of any authorized denomination upon presentation and surrender of such Bonds at the principal corporate trust office of the Registrar together with a request for exchange signed by the registered owner thereof or by a person legally empowered to do so in a form satisfactory to the Registrar.

Section 4. The Registrar shall charge the registered owners of the Bonds that are transferred or exchanged for all of the fees, taxes and costs of such transfer or exchange.

Section 5. With respect to Bonds which are mutilated, lost or destroyed, the Registrar shall cause to be executed and delivered a new Bond of like date and tenor in exchange and substitution for and upon the cancellation of such mutilated Bond or in lieu of and in substitution for such Bond lost or destroyed, upon the registered holder's paying the reasonable expenses and charges in connection therewith and, in the case of any Bond destroyed or lost, filing by the registered owner with the Registrar and the Treasurer of evidence satisfactory to the Registrar and the Treasurer that such Bond was lost or destroyed, and furnishing the Registrar and the County with a sufficient indemnity bond as provided in Arizona Revised Statutes, Section 47-8405.

Section 6. The record date (the "Record Date") for the Bonds shall be the close of business of the Registrar on the 15th day, or if such day is a Saturday, Sunday or holiday, on the next preceding business day, of the month preceding each interest payment date. Bonds presented to the Registrar for transfer after the close of business on the Record Date and before the close of business on the next subsequent interest payment date will be registered in the name of the transferee but the interest payment will be payable to and mailed to the registered owner shown on the registration books for the Bonds maintained by the Registrar as of the close of business on the Record Date.

Section 7. The Treasurer will transfer, or cause to be transferred, immediately available funds to the Registrar no later than one (1) business day prior to the date on which the principal, interest, and premium payments, if any, are due on the Bonds. All moneys held by the Registrar as paying agent shall be held in trust for the benefit of the holders of the Bonds.

Section 8. The Bonds shall bear interest at the rates described in Exhibit A attached hereto payable on January 1, 2010, and semiannually thereafter on July 1 and January 1 each year during the term of the Bonds by check drawn on the Registrar and mailed, by first class mail, on or prior to each interest payment date, to the registered owner of the Bonds at the address shown on the registration books of the Registrar on the Record Date, or, as and subject to the conditions provided in Section 1(c) hereof, by wire transfer.

Section 9. The Bonds mature on July 1 in the years and in the amounts as described in Exhibit A attached hereto. Principal of the Bonds, at maturity or on any redemption prior to maturity, will be payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Registrar or, as and subject to the conditions provided in Section 1(c) hereof, by wire transfer. A copy of any redemption notices sent by the Registrar with respect to the Bonds shall also be provided to the Treasurer.

Section 10. In the event any check for payment of interest on a Bond is returned to the Registrar unendorsed or is not presented for payment within two (2) years from its payment date or any Bond is not presented for payment of principal at the maturity or redemption date, if funds sufficient to pay such interest or principal due upon such Bond shall have been made available to the Registrar for the benefit of the owner thereof, it shall be the duty of the Registrar to hold such funds without liability for interest thereon, for the benefit of the owner of such Bond who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to such Bond or amounts due thereunder. The Registrar's obligation to hold such funds shall continue for two (2) years and six (6) months following the date on which such interest or principal payment became due, whether at maturity, or at the date fixed for redemption, or otherwise, at which time the Registrar shall surrender such unclaimed funds so held to the Treasurer, whereupon any claim of whatever nature by the owner of such Bond arising under such Bond shall be made upon the Treasurer and shall be subject to the provisions of applicable law.

Section 11. The Registrar shall secure or collateralize the funds on deposit at the Registrar pursuant to this Agreement in the manner provided in Arizona Revised Statutes ("A.R.S.") § 35-323.

Section 12. The Registrar will comply with the seventy-two (72) hour turnaround time required by Securities and Exchange Commission Rule 17(A) (d) - (2) under the Securities and Exchange Act of 1934, as amended, with respect to routine transfer items.

Section 13. Fees for the Registrar's services with respect to the registration, authentication, delivery and payment of the Bonds shall be paid as set forth on Exhibit B attached hereto. Extraordinary out-of-pocket expenses shall be paid by the County as incurred by the Registrar.

Section 14. The Registrar shall make such reports relating to the issuance of the Bonds as the Department requires pursuant to A.R.S. §§ 35-501 and 35-502 of the Arizona Revised Statutes, or any successor statutes thereto, and shall notify the Department in the manner provided in Section 1(c)(5) hereof of the retirement of any Bonds and of all payments of interest thereon.

Section 15. The Registrar's records relating to the Bonds shall be kept in compliance with the requirements of Section 103 of the Code, and any regulations promulgated thereunder, such standards as have been or may be issued from time to time by the Securities and Exchange Commission or the Municipal Securities Rulemaking Board of the United States, and any other securities industry standard as the County may reasonably direct from time to time. In lieu of destruction and immediately prior to the date the Registrar would destroy any Bondholder or Bond payment records maintained by the Registrar pursuant to this Agreement, such records shall be provided to the Treasurer.

Section 16. The County or its duly authorized agents may examine the records relating to the Bonds at the office of the Registrar where such records are kept at reasonable times as agreed upon with the Registrar and such records shall be subject to audit from time to time at the request of the County and or the Treasurer. On request, the Registrar will furnish the County with a list of the names, addresses and other information concerning the registered owners of the Bonds.

Section 17. The Registrar shall indemnify and hold harmless the County, the Treasurer, and all boards, commissions, officials, officers and employees of the County, individually and collectively, from the Registrar's negligence or misconduct in the performance of any of its duties hereunder. Similarly, the County shall, to the extent permitted by law, indemnify and hold harmless the Registrar, its officers, directors, employees, and agents, individually and collectively, from the County's negligence or misconduct in the performance of any of its duties hereunder.

Section 18. When the Registrar deems it necessary or reasonable, it may apply to a law firm or attorney approved by the County for instructions or advice with respect to the Bonds. All fees incurred in obtaining such counsel shall be added to the fees, costs and expenses to be paid to the Registrar pursuant hereto.

Section 19. By signature of its authorized officer below, the Registrar hereby acknowledges receipt of copies of (a) the resolutions of the County authorizing the issuance of the Bonds, (b) the receipt of the Treasurer acknowledging payment of the entire principal amount of the Bonds and any interest due thereon, (c) the opinion of Squire, Sanders & Dempsey L.L.P. as Bond Counsel to the County, and (d) the debt service payment schedule relating to the Bonds.

Section 20. The County and the Registrar each reserve the right to terminate any individual service set forth in this Agreement, or all of the services set forth in this Agreement, upon sixty (60) days prior written notice to the other party hereto.

Section 21. In the event the Registrar resigns or is replaced, the County reserves the right to appoint a successor bond registrar, transfer agent and/or paying agent hereunder. In such

event, the provisions of this Agreement with respect to payment for expenses hereunder by the County shall remain in full force and effect, but the Treasurer shall then be authorized to use the funds designated for such payment to pay any fees and expenses of any bond registrar, transfer agent and/or paying agent chosen to replace the Registrar or to reimburse the County if the Treasurer acts as bond registrar, transfer agent and/or paying agent. In the event that any corporation or association (i) into which the Registrar may be converted or merged (ii), with which the Registrar may or any successor to it may be consolidated, or (iii) to which the Registrar may sell or transfer all or substantially all of its corporate trust business, or any corporation or association resulting from such conversion, merger, consolidations, sale or transfer, ipso facto, shall be and become successor Registrar without the execution or filing of any paper or any further act on the part of any of the parties hereto, and that corporation or association shall be vested further as was its predecessor.

Section 22. This Agreement shall commence on the date first written above and shall continue until the date that the last payment due under the Bonds has been made.

Section 23. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof, and no waiver, alteration or modification of any of the provisions hereof, or assignment of any rights hereunder, shall be binding unless in writing and signed by a duly authorized representative of all parties hereto.

Section 24. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision.

Section 25. Any request, demand, authorization, direction, notice, consent, waiver, statement or other document provided or permitted to be given or furnished to the County or the Registrar shall be mailed or delivered to the County or the Registrar, respectively, at the addresses shown herein, or such other address as may have been given by one party to the other by fifteen (15) days written notice.

If to the County:	Pima County, Arizona 130 West Congress Street Tucson, Arizona 85701 Attention: County Administrator
If to the Treasurer:	Pima County Treasurer's Office 115 North Church Ave. Tucson, Arizona 85701
If to the Registrar:	The Bank of New York Mellon Trust Company, N.A. Corporate Trust Services 1225 West Washington Street, Suite 126 Tempe, Arizona 85281

Section 26. Arizona law requires that every contract to which the State of Arizona, its political subdivisions or any of the departments or agencies of the State or its political subdivisions is a party include notice that such contract is subject to cancellation, within three (3) years after its execution, by the State, political subdivision, department or agency which is a party to such contract if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, political subdivision, department or agency is, at any time while the contract is in effect, an employee of any other party to the contract or an agent or consultant of any other party to the contract with respect to the subject matter of the contract.

Section 27. To the extent applicable under A.R.S. § 41-4401, the Registrar, including its subcontractors who work on this Agreement, warrants compliance with all federal immigration laws and regulations that relate to its employees and compliance with the E-verify requirements under A.R.S. § 23-214(A). The breach by the Registrar of the foregoing shall be deemed a material breach of this Agreement and may result in the termination of this Agreement by the County. The County retains the legal right to randomly inspect the papers and records of the Registrar to ensure that the Registrar is complying with the above-mentioned warranty. The Registrar shall keep such papers and records open for random inspection by the County during normal business hours. The Registrar shall cooperate with the random inspections by the County including granting the County entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

Section 28. Pursuant to A.R.S. §§ 35-391.06 and 35-393.06, the Registrar certifies that it does not have a scrutinized business operation in Sudan or Iran. For the purpose of this Section the term "scrutinized business operations" shall have the meanings set forth in A.R.S. §§ 35-391 and 35-393, as applicable. If the County determines that the Registrar submitted a false certification, the County may impose remedies as provided by law including terminating this Agreement.

Section 29. This Agreement may be executed in multiple counterparts, all of which shall constitute one and the same Agreement and each of which shall be deemed an original.

Section 30. This Agreement shall be governed by the laws of the State of Arizona.

[Remainder of page left blank intentionally]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Registrar

By:_____
Deborah M. Scherer
Vice President

PIMA COUNTY, ARIZONA

By:_____
Beth Ford
County Treasurer

PIMA COUNTY, ARIZONA

By:_____
Richard Elías
Chairman, Board of Supervisors

ATTEST:

By:_____
Lori Godoshian
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE, SANDERS & DEMPSEY L.L.P.,
Bond Counsel

By:_____
Timothy E. Pickrell

[Signature page of Bond Registrar, Transfer Agent and Paying Agent Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Registrar

By:_____
Deborah M. Scherer
Vice President

PIMA COUNTY, ARIZONA

By:_____
Beth Ford
County Treasurer

PIMA COUNTY, ARIZONA

By:_____
Richard Elías
Chairman, Board of Supervisors

ATTEST:

By:_____
Lori Godoshian
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE, SANDERS & DEMPSEY L.L.P.,
Bond Counsel

By:_____
Timothy E. Pickrell

[Signature page of Bond Registrar, Transfer Agent and Paying Agent Agreement]

EXHIBIT A

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

MATURITY SCHEDULE

Maturity Date (July 1)	Principal Amount	Interest Rate
2010	$ 810,000	3.250%
2011	1,015,000	3.250%
2012	400,000	3.250%
2013	1,065,000	3.250%
2014	1,110,000	3.250%
2015	1,155,000	3.250%
2016	1,210,000	3.500%
2017	1,265,000	3.500%
2018	1,325,000	3.750%
2019	1,395,000	3.750%
2020	1,465,000	3.750%
2021	1,545,000	4.000%
2022	1,630,000	4.000%
2023	1,725,000	4.250%
2024	1,825,000	4.250%

EXHIBIT B

Registrar, Transfer Agent and Paying Agent Fee Schedule

THE BANK OF NEW YORK MELLON

Pima County Sewer Revenue Bonds, Series 2009

Fee Schedule
March 13, 2009

Upon appointment of BNYM as registrar and paying agent, the Issuer shall be responsible for the payment of the fees, expenses and charges as set forth in this Fee Schedule.

ACCEPTANCE FEE **$150**

This one time charge is payable at the time of the closing and includes the review and execution of the Indenture and all documents submitted in support thereof, acceptance of the trust, establishment of procedures and controls and set-up of trust accounts.

ANNUAL ADMINISTRATIVE FEE **$350**

The annual fee covers the duties and responsibilities related to account administration and bondholder services, which may include maintenance of accounts on various systems, collection and payment of principal and interest to bondholders, the preparation and distribution of any sinking fund redemption notices and the monitoring of issuer compliance. This fee is payable in advance for the year and shall not be prorated.

MISCELLANEOUS FEES

The fees for performing extraordinary or other services not contemplated at the time of the execution of the transaction or not specifically covered elsewhere in this schedule will be commensurate with the service to be provided and will be charged in BNYM's sole discretion. These extraordinary services may include, but are not limited to, supplemental agreements, consent operations, unusual releases, tenders or sinking fund redemptions, the preparation of special or interim reports, custody of collateral, a one-time fee to be charged upon termination of an engagement. Counsel, accountants, special agents and others will be charged at the actual amount of fees and expenses billed. The fee for non-interest bearing balances left uninvested with the Bank will be 10 basis points for the quarter, based on quarter-end spot balance levels, in excess of $1,000,000 (held in the U.S. offices of the Bank).

OUT-OF-POCKET EXPENSES **6% of Billed Fees**

Additional out-of-pocket expenses may include, but are not limited to, telephone; facsimile; courier; copying; postage; supplies; statutory filing charges, including UCC amendments, continuations, and termination fees; and expenses of BNYM's representative(s) and Counsel for attending special meetings. Fees and expenses of BNYM's representatives and Counsel will be charged at the actual amount of fees and expenses charged and all other expenses will be charged at cost or in an amount equal to 6% of all expenses billed for the year, in BNYM's discretion, and BNYM may charge certain expenses at cost and others on a percentage basis.

THE BANK OF NEW YORK MELLON

TERMS AND DISCLOSURES

TERMS OF PROPOSAL

Final acceptance of the appointment as trustee under the Indenture is subject to approval of authorized officers of BNY and full review and execution of all documentation related hereto. Please note that if this transaction does not close, you will be responsible for paying any expenses incurred, including Counsel fees. We reserve the right to terminate this offer if we do not enter into final written documents within three months from the date this document is first transmitted to you. Fees may be subject to adjustment during the life of the engagement.

MISCELLANEOUS

The terms of this Fee Schedule shall govern the matters set forth herein and shall not be superseded or modified by the terms of the Indenture. This Fee Schedule shall be governed by the laws of the State of California without reference to laws governing conflicts. BNYM and the undersigned agree to jurisdiction of the federal and state courts located in the City/County of San Francisco, State of California.

CUSTOMER NOTICE REQUIRED BY THE USA PATRIOT ACT

To help the US government fight the funding of terrorism and money laundering activities, US Federal law requires all financial institutions to obtain, verify, and record information that identifies each person (whether an individual or organization) for which a relationship is established.

What this means to you: When you establish a relationship with BNYM, we will ask you to provide certain information (and documents) that will help us to identify you. We will ask for your organization's name, physical address, tax identification or other government registration number and other information that will help us to identify you. We may also ask for a Certificate of Incorporation or similar document or other pertinent identifying documentation for your type of organization.

We thank you for your assistance.

Accepted By:		**For BNYMTC:**
Signature	_____	Jennifer S. O'Neill
Date:	_____	March 13, 2009
Name:	_____	Jennifer S. O'Neill
Title	_____	Vice President
	_____	_____

ASSURED GUARANTY®
ENDURING FINANCIAL STRENGTH

Financial Guaranty Insurance Policy

Issuer:	Pima County, Arizona	**Policy No.:**	D-2009-579
Obligations:	$18,940,000 Sewer Revenue Bonds, Series 2009	**Premium:**	$192,951.63
		Effective Date:	May 6, 2009

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, NY 10019
main 212 974 0100info@assuredguaranty.com
fax 212 581 3268
www.assuredguaranty.com

overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. **"Term"** means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the **"Fiscal Agent"**) for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

By: _____
John Trahan
Managing Director

Signature attested to by:

_____
Counsel

NOTICE OF NONPAYMENT

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, New York 10019
Attention: Risk Management Department - Public Finance Surveillance and General Counsel

The undersigned, [a duly authorized officer of [TRUSTEE][PAYING AGENT]] (the "**Trustee**" or the "**Paying Agent**"), hereby certifies to Assured Guaranty Corp. ("**Assured Guaranty**") with reference to Financial Guaranty Insurance Policy No. _____ (the "**Policy**"), that:

(i) The deficiency with respect to the Insured Payment that is Due for Payment and unpaid by reason of Nonpayment on [insert applicable payment date] is $[insert applicable amount] (the "**Deficiency Amount**").

(ii) The [Trustee][Paying Agent] is making a claim under the Policy for the Deficiency Amount.

(iii) The [Trustee][Paying Agent] agrees that, following payment by Assured Guaranty made with respect to the Deficiency Amount which is the subject of this Notice of Nonpayment, it will (a) cause such amounts to be applied directly to the payment of the applicable Insured Payment; (b) insure that such funds are not applied for any other purpose; and (c) cause an accurate record of such payment to be maintained with respect to the appropriate Insured Payment(s), the corresponding claim on the Policy, and the proceeds of such claim.

(iv) The [Trustee][Paying Agent], on behalf of the Holders, hereby assigns to Assured Guaranty all rights of the [Trustee][Paying Agent] and the Holders with respect to the Obligations to the extent of any payments under the Policy, including without limitation any amounts due to the Holders in respect of securities law violations arising from the offer and/or sale of the Obligations; provided, that payments to Assured Guaranty in respect of the foregoing assignment shall in all cases be subject to and subordinate to the rights of the Holders to receive all payments in respect of the Obligations. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to Assured Guaranty in respect of such payments. The [Trustee][Paying Agent][Holder] shall take such action and deliver such instruments as may be reasonably requested or required by Assured Guaranty to effectuate the purpose or provisions of this paragraph (iv).

(v) The [Trustee][Paying Agent], on its behalf and on behalf of the Holders, hereby appoints Assured Guaranty as agent and attorney-in-fact for the [Trustee][Paying Agent] and each such Holder in any legal proceeding with respect to the Obligations. The [Trustee][Paying Agent] hereby agrees that, so long as Assured Guaranty shall not be in default in its payment obligations under the Policy, Assured Guaranty may at any time during the continuation of any proceeding by or against the Issuer under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "**Insolvency Proceeding**") direct all matters relating to such Insolvency Proceeding, including, without limitation, (A) all matters relating to any claim in connection with an Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment made with respect to the Obligations (a "**Preference Amount**"), (B) the direction of any appeal of any order relating to any Preference Amount at the expense of Assured Guaranty but subject to reimbursement as provided in the as set forth in the documentation providing for the issuance of and securing the Obligations, if any, and (C) the posting of any surety, supersedeas or performance bond pending any appeal. In addition, the [Trustee][Paying Agent] hereby agrees that Assured Guaranty shall be fully subrogated to, and the [Trustee][Paying Agent] on its behalf and on behalf of each Holder, hereby delegates and assigns, to the fullest extent permitted by law, the rights of the [Trustee][Paying Agent] and each Holder in the conduct of any Insolvency Proceeding, including without limitation all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(vi) Payment should be made by credit to the following account:

_____

_____

Capitalized terms used in this Notice of Nonpayment and not otherwise defined herein shall have the respective meanings ascribed thereto in the Policy.

This Notice of Nonpayment may be revoked at any time by written notice of such revocation by the [Trustee][Paying Agent][Holder] to the Assured Guaranty.

ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION, OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME AND SHALL ALSO BE SUBJECT TO A CIVIL PENALTY NOT TO EXCEED FIVE THOUSAND DOLLARS AND THE STATED VALUE OF THE CLAIM FOR EACH SUCH VIOLATION.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Notice of Nonpayment as of the __ day of _____ of ____.

[TRUSTEE/PAYING AGENT]

By:_____
Name:
Title:

ASSURED GUARANTY®
ENDURING FINANCIAL STRENGTH

Financial Guaranty Insurance Policy
(Reserve Fund)

Issuer:	Pima County, Arizona	**Policy No.:**	D-2009-580
Obligations:	$18,940,000 Sewer Revenue Bonds, Series 2009	**Premium:**	$80,500
Policy Limit:	The lesser of (i) $2,300,000 or (ii) the reserve requirement as set forth in the Transaction Documentation. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the reserve fund requirement, as provided in the Transaction Documentation.	**Effective Date:**	May 6, 2009

Assured Guaranty Corp., a Maryland corporation (**"Assured Guaranty"**), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the **"Trustee"**) or the paying agent (the **"Paying Agent"**) for the Obligations (as set forth in the Transaction Documentation), for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments only upon receipt by Assured Guaranty, in form reasonably satisfactory to it of (i) evidence of the Trustee or Paying Agent's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Trustee or Paying Agent's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such payment, Assured Guaranty shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Reimbursement Agreement. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against any risk other than Nonpayment.

The amount available under this Policy shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or the Paying Agent under the terms of this Policy shall automatically be reduced by any payment under the Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (exclusive of interest and expenses) to Assured Guaranty pursuant to the Reimbursement Agreement. Within three (3) Business Days of such reimbursement, Assured Guaranty shall provide the Trustee or the Paying Agent with a Notice of Reinstatement and such reinstatement shall be effective as of the date Assured Guaranty gives such notice.

If the amount payable under this Policy is also payable under another insurance policy or surety bond insuring the Obligations, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall Assured Guaranty incur duplicate liability for the same amounts owing with respect to the Obligations that are covered under this Policy and any other insurance policy or surety bond that Assured Guaranty has issued.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. **"Avoided Payment"** means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. **"Business Day"** means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. **"Due for Payment"** means (i) when referring to the principal of an Obligation, the stated maturity date

Assured Guaranty Corp.

1325 Avenue of the Americas
New York, NY 10019
main 212 974 0100info@assuredguaranty.com
fax 212 581 3268
www assuredguaranty.com

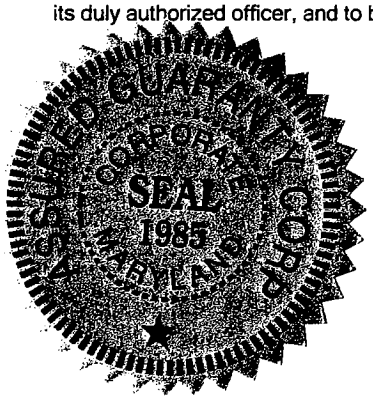
thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and means (ii) when referring to interest on an Obligation, the stated date for payment of such interest. **"Holder"** means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. **"Insured Payments"** means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. **"Nonpayment"** means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. **"Notice of Reinstatement"** means the notice from Assured Guaranty to the Trustee or the Paying Agent reinstating the Policy coverage in an amount not greater than the Policy Limit. **"Receipt"** or **"Received"** means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. **"Reimbursement Agreement"** shall mean the Reimbursement Agreement between the Issuer or the obligor on the Obligations, as applicable, and Assured Guaranty, effective as of the date hereof. **"Term"** means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations. **"Transaction Documentation"** means the documentation providing for the issuance of and securing the Obligations.

At any time during the Term of the Policy, Assured Guaranty may appoint a fiscal agent (the **"Fiscal Agent"**) for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. **THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.** This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.



ASSURED GUARANTY CORP.

By: _____
John Trahan
Managing Director

Signature attested to by:

_____
Counsel

EXHIBIT A

NOTICE OF NONPAYMENT

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, New York 10019
Attention: Risk Management Department-Public Finance Surveillance and General Counsel

The undersigned, [a duly authorized officer of [TRUSTEE] [PAYING AGENT] (the "**Trustee**" or the "**Paying Agent**"), hereby certifies to Assured Guaranty Corp. ("**Assured Guaranty**") with reference to Financial Guaranty Insurance Policy (Reserve Fund) No. _____ (the "**Policy**"), that:

(i) The deficiency with respect to the Insured Payment that is Due for Payment and unpaid by reason of Nonpayment on [insert applicable payment date] is $[insert applicable amount] (the "**Deficiency Amount**").

(ii) The reserve fund requirement for the Obligations is $_____.

(iii) The [Trustee][Paying Agent] is making a demand for payment under the Policy for the Deficiency Amount.

(iv) The [Trustee][Paying Agent] agrees that, following payment by Assured Guaranty made with respect to the Deficiency Amount which is the subject of this Notice of Nonpayment, it will (a) cause such amounts to be applied directly to the payment of the applicable Insured Payment; (b) insure that such funds are not applied for any other purpose; and (c) cause an accurate record of such payment to be maintained with respect to the appropriate Insured Payment(s), the corresponding claim on the Policy, and the proceeds of such claim.

(v) The [Trustee][Paying Agent], on behalf of the Holders, hereby assigns to Assured Guaranty all rights of the [Trustee][Paying Agent] and the Holders with respect to the Obligations to the extent of any payments under the Policy, including without limitation any amounts due to the Holders in respect of securities law violations arising from the offer and/or sale of the Obligations; provided, that payments to Assured Guaranty in respect of the foregoing assignment shall in all cases be subject to and subordinate to the rights of the Holders to receive all payments in respect of the Obligations. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to Assured Guaranty in respect of such payments. The [Trustee][Paying Agent] shall take such action and deliver such instruments as may be reasonably requested or required by Assured Guaranty to effectuate the purpose or provisions of this paragraph (v).

(vi) The [Trustee][Paying Agent], on its behalf and on behalf of the Holders, hereby appoints Assured Guaranty as agent and attorney-in-fact for the [Trustee][Paying Agent] and each such Holder in any legal proceeding with respect to the Obligations. The [Trustee][Paying Agent] hereby agrees that, so long as Assured Guaranty shall not be in default in its payment obligations under the Policy, Assured Guaranty may at any time during the continuation of any proceeding by or against the Issuer under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "**Insolvency Proceeding**") direct all matters relating to such Insolvency Proceeding, including, without limitation, (A) all matters relating to any claim in connection with an Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment made with respect to the Obligations (a "**Preference Amount**"), (B) the direction of any appeal of any order relating to any Preference Amount at the expense of Assured Guaranty but subject to reimbursement as set forth in the Transaction Documentation (as defined in the Policy), if any, and (C) the posting of any surety, supersedeas or performance bond pending any appeal. In addition, the [Trustee][Paying Agent] hereby agrees that Assured Guaranty shall be fully subrogated to, and the [Trustee][Paying Agent] on its behalf and on behalf of each Holder, hereby delegates and assigns, to the fullest extent permitted by law, the rights of the [Trustee][Paying Agent] and each Holder in the conduct of any Insolvency Proceeding, including without limitation all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(vii) Payment should be made by credit to the following account:

_____

_____

Capitalized terms used in this Notice of Nonpayment and not otherwise defined herein shall have the respective meanings ascribed thereto in the Policy.

This Notice of Nonpayment may be revoked at any time by written notice of such revocation by the [Trustee][Paying Agent] to the Assured Guaranty, if and only to the extent that moneys are actually received prior to any such revocation from a source other than Assured Guaranty with respect to the Deficiency set forth herein.

ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION, OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME AND SHALL ALSO BE SUBJECT TO A CIVIL PENALTY NOT TO EXCEED FIVE THOUSAND DOLLARS AND THE STATED VALUE OF THE CLAIM FOR EACH SUCH VIOLATION.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Notice of Nonpayment as of the __ day of _____ of 20__.

[TRUSTEE /PAYING AGENT]

By:_____
Name:
Title:

EXHIBIT B

NOTICE OF REINSTATEMENT

[DATE]

[TRUSTEE] [PAYING AGENT]
[INSERT ADDRESS]

Reference is made to the Financial Guaranty Insurance Policy (Reserve Fund) No. _____ (the "**Policy**") issued by Assured Guaranty Corp. ("**Assured Guaranty**"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Policy.

Assured Guaranty hereby delivers notice that it is in receipt of payment from the [Issuer][Obligor] pursuant to the Reimbursement Agreement and, as of the date hereof the Policy coverage is $_____, subject to a reduction as the reserve fund requirement is reduced pursuant to the terms set forth in the Transaction Documentation (as defined in the Policy).

ASSURED GUARANTY CORP.

By:_____
Name:
Title:

INSURANCE AGREEMENT

BETWEEN

ASSURED GUARANTY CORP.

AND

PIMA COUNTY, ARIZONA

Relating to

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Dated as of May 6, 2009

INSURANCE AGREEMENT

This INSURANCE AGREEMENT (this "Agreement") made as of May 6, 2009, by and between ASSURED GUARANTY CORP., a Maryland corporation (together with its successors and assigns "Assured Guaranty") and PIMA COUNTY, ARIZONA, a political subdivision of the State of Arizona (the "County")

WITNESSETH:

WHEREAS, the County will issue its Sewer Revenue Bonds, Series 2009 (the "2009 Obligations") pursuant to the terms of the County's Resolution No. 1991-138, adopted on August 6, 1991, as supplemented, including as supplemented by Resolution No. 2009-69, adopted by the County on April 21, 2009 (collectively, the "Resolution");

WHEREAS, pursuant to the terms of the Resolution, the County has agreed to make Debt Service Payments (as defined herein) with respect to the 2009 Obligations;

WHEREAS, the County has requested that Assured Guaranty, subject to the terms and conditions set forth herein, in the Commitments (as defined herein) and in the Policies (as defined herein), (i) issue its Financial Guaranty Insurance Policy No. D-2009-579 relating to the 2009 Obligations (the "Bond Policy"), pursuant to which Assured Guaranty will guarantee the scheduled payment of principal and interest when due on the 2009 Obligations, and (ii) issue its Financial Guaranty Insurance Policy No. D-2009-580 relating to the Reserve Fund (as defined herein) with respect to the 2009 Obligations and Parity Obligations (as defined herein) issued under the Resolution (the "Surety Policy"), pursuant to which Assured Guaranty will guarantee, to the extent provided therein, the scheduled payment of principal and interest when due on the 2009 Obligations and Parity Obligations to the extent other Available Funds (as defined herein) are not then available for such purpose, as provided in the Resolution;

WHEREAS, as consideration for Assured Guaranty issuing the Policies, the County has agreed to (i) pay or cause to be paid to Assured Guaranty premiums as provided in the Commitments, (ii) reimburse Assured Guaranty for any payment made by Assured Guaranty under each Policy, and (iii) indemnify Assured Guaranty for certain amounts as more fully set forth herein;

NOW, THEREFORE, in consideration of the premises and of the agreements herein contained and of the execution of the Policies, the County and Assured Guaranty agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Capitalized terms used but not otherwise defined herein shall have the meanings specified in the Resolution. In addition, the following words and phrases shall have the following meanings:

"*2009 Obligations*" shall have the meaning set forth in the first "WHEREAS" clause of this Agreement.

"*Agreement*" shall mean this Insurance Agreement dated as of May 6, 2009 between Assured Guaranty and the County, as such Agreement may be amended and supplemented.

"*Assured Guaranty*" has the meaning set forth in the first paragraph of this Agreement.

"*Available Funds*" shall mean "Net Revenues" as defined in the Resolution, consisting of the net revenues derived by the County from the operation of its sewer system after provision has been made for the payment for the operation and maintenance of such sewer system.

"*Bond Policy*" means Financial Guaranty Insurance Policy No. D-2009-579 as more fully described in the third WHEREAS of this Agreement.

"*Bond Purchase Agreement*" means the Bond Purchase Agreement dated April 21, 2009 by and between the County and UBS Financial Services Inc.

"*Commitments*" means collectively, the revised bond commitment of Assured Guaranty dated April 20, 2009, relating to the issuance of the Bond Policy and the revised commitment of Assured Guaranty dated April 20, 2009, relating to the issuance of the Surety Policy.

"*Continuing Disclosure Undertaking*" means the Continuing Disclosure Agreement dated May 6, 2009.

"*County*" has the meaning set forth in the first paragraph of this Agreement.

"*Debt Service Payments*" shall mean those payments required to be made by or on behalf of the County, which will be applied to payment of principal of and interest, on the 2009 Obligations, in the case of the Bond Policy, and on the 2009 Obligations and Parity Obligations in the case of the Surety Policy.

"*Demand for Payment*" shall mean the certificate submitted to Assured Guaranty for payment under the Bond Policy or the Surety Policy substantially in the form attached to each such Policy.

"*Event of Default*" has the meaning given that term in Section 7.01 hereof.

"*Financing Documents*" shall mean the Resolution, the Continuing Disclosure Undertaking, the Bond Purchase Agreement and all other documents entered into by the County with respect to the 2009 Obligations, as all such documents are amended from time to time.

"*Official Statement*" shall mean the Official Statement dated April 21, 2009, as supplemented by the Supplement to the Official Statement dated May 4, 2009 relating to the 2009 Obligations.

"*Owner*" means the registered owner of any 2009 Obligation as indicated in the books maintained by the Paying Agent for such purpose.

"Parity Obligations" means "Parity Bonds," as defined in the Resolution.

"*Paying Agent*" means The Bank of New York Mellon Trust Company, N.A., or any successor or assign.

"*Policies*" means collectively the Bond Policy and Surety Policy.

"*Policy Payment*" shall mean an amount equal to the Debt Service Payment required to be made by the County pursuant to the Resolution less (i) that portion of the Debt Service Payment paid by or on behalf of the County, and (ii) other funds legally available for payment to the Owners under the Resolution, all as certified in a Demand for Payment.

"*Reimbursement Rate*" means the per annum rate of interest, publicly announced from time to time by JP Morgan Chase Bank, National Association, at its principal office in New York, New York, as its prime lending rate (any change in such prime rate of interest to be effective on the date such change is announced by JP Morgan Chase Bank, National Association), plus three percent (3%) per annum. The Reimbursement Rate shall be calculated on the basis of the actual number of days elapsed over a 360-day year. In the event JP Morgan Chase Bank, National Association, ceases to announce its prime rate publicly, the prime rate shall be the publicly announced prime rate or base lending rate of such national bank as Assured Guaranty shall specify.

"*Resolution*" shall have the meaning set forth in the first WHEREAS clause of this Agreement.

"*Surety Policy*" means Financial Guaranty Insurance Policy No. D-2009-580 as more fully described in the third WHEREAS clause of this Agreement.

"*Surety Policy Coverage*" shall mean the amount available at any particular time to be paid under the terms of the Surety Policy, which amount shall never exceed the Surety Policy Limit.

"*Surety Policy Limit*" shall mean the amount set forth in the Surety Policy.

Section 1.02. Generic Terms. The term "hereof" or "herein" unless otherwise modified by more specific reference, shall refer to this Agreement. Unless otherwise specified, the term "Article" or "Section" shall refer to an Article or Section of this Agreement.

ARTICLE II

THE POLICIES

Section 2.01. The Policies. Assured Guaranty will issue each Policy in accordance with and subject to the terms and conditions of the applicable Commitment. The maximum liability of Assured Guaranty under each Policy and the coverage and term thereof shall be subject to and limited by the terms and conditions of each such Policy.

Section 2.02. Premium. In consideration of Assured Guaranty agreeing to issue the Policies, the County hereby agrees to pay or cause to be paid to Assured Guaranty, contemporaneously with the delivery of the 2009 Bonds, the premiums as set forth in each Commitment.

Section 2.03. Surety Policy Limit. Payments under the Surety Policy will reduce the Surety Policy Coverage to the extent of such payment, subject to reinstatement as provided therein.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COUNTY

Section 3.01. Due Organization and Qualification. The County is a political subdivision duly organized and validly existing under the Constitution and laws of the State of Arizona.

Section 3.02. Power and County. The County has full statutory power to execute and deliver this Agreement and the Financing Documents and to perform its obligations under this Agreement and the Financing Documents. The execution and delivery of this Agreement and the Financing Documents have been duly authorized by the County, and all necessary approvals for the execution, delivery and performance of this Agreement and the Financing Documents have been obtained by the County.

Section 3.03. Non-contravention. The execution and delivery of this Agreement and the Financing Documents by the County, the consummation of the transactions contemplated by this Agreement and the Financing Documents by the County and the fulfillment of or compliance with the terms and conditions of this Agreement and the Financing Documents by the County does not conflict with or result in any material breach or violation of any of the terms, conditions or provisions of any applicable laws, including regulations, or any material agreement or instrument to which, the County is now a party or by which the County is bound, or constitute a default under any of the foregoing which breach, violation or default would materially and adversely affect the consummation of the transactions contemplated by this Agreement or the Financing Documents.

Section 3.04. Conditions Required for Delivery of the Policies. The County shall provide or cause to be provided to Assured Guaranty prior to the issuance of the Policies (i) conformed copies of this Agreement and the Financing Documents, (ii) certifications of the County as requested by Assured Guaranty, if any, and (iii) such opinions of legal counsel to the County evidencing necessary or appropriate authorizing action by the County, and other documents as may reasonably be requested by Assured Guaranty including documents evidencing any required approvals of the transactions contemplated by this Agreement and the Financing Documents.

Section 3.05. Incorporation by Reference. The representations, warranties and covenants set forth in the Financing Documents to which the County is a party are true and correct and are incorporated herein for the benefit of Assured Guaranty as if set forth in full herein.

ARTICLE IV

COVENANTS OF THE COUNTY

Section 4.01. Acceleration. Notwithstanding anything to the contrary in the Resolution, the County hereby agrees that there shall be no acceleration of the 2009 Obligations or Parity Obligations without the prior written consent of Assured Guaranty.

Section 4.02. Use of Assured Guaranty's Name. The County agrees not to use Assured Guaranty's name without Assured Guaranty's prior written consent, including, without limitation, in any press release or presentation, announcement or public forum; provided, however, such prohibition on the use of Assured Guaranty's name shall not relate to the use of Assured Guaranty's standard approved form of disclosure, as provided by Assured Guaranty, in public documents issued in connection with the 2009 Obligations; and provided further such prohibition shall not apply to the use of Assured Guaranty's name in order to comply with public notice, public meeting or public reporting requirements.

Section 4.03. Consent of the Insurer in the Event of Insolvency. The County agrees, to the extent permitted by law, that any reorganization or liquidation plan with respect to the County must be acceptable to Assured Guaranty. In addition, in the event of any reorganization or liquidation, Assured Guaranty shall have the right to vote on behalf of all Owners who hold 2009 Obligations guaranteed by Assured Guaranty. The provisions of this section shall apply at all times unless Assured Guaranty is in bankruptcy, receivership, insolvency or similar proceedings or is in default of its obligations under the Bond Policy.

Section 4.04. Purchase in Lieu of Redemption. The County shall not enter into any agreements nor shall the County consent to or participate in any arrangement pursuant to which the 2009 Obligations are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such 2009 Obligations without the prior written consent of Assured Guaranty. The provisions of this section shall apply at all times unless Assured Guaranty is in receivership, insolvency or similar proceedings or is in default of its obligations under the Bond Policy.

Section 4.05. Interest Rate Exchange Agreements. Any interest rate exchange agreement ("Interest Rate Exchange Agreement") entered into by the County in connection with the 2009 Obligations or any additional bonds payable from Available Funds, shall meet the following conditions: (i) the Interest Rate Exchange Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (c) debt reasonably expected to be issued within the next twelve (12) months, and (ii) the Interest Rate Exchange Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by Assured Guaranty, any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to Debt Service Payments on the 2009 Obligations and any Parity Obligations. The County shall not terminate an Interest Rate Exchange Agreement unless it demonstrates to the satisfaction of Assured Guaranty prior to the payment of any such termination amount that such payment will not cause the County to be in default under the

Resolution, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Interest Rate Exchange Agreement must have a rating of at least "A-" and "A3" by Standard & Poor's ('S&P") and Moody's Investors Service ("Moody's"). If the counterparty or guarantor's rating falls below "A-" or "A3" by either S&P or Moody's, the counterparty or guarantor shall execute a credit support annex to the Interest Rate Exchange Agreement, which credit support annex shall be acceptable to Assured Guaranty. If the counterparty or the guarantor's long term unsecured rating falls below "Baa1" or "BBB+" by either Moody's or S&P, a replacement counterparty or guarantor, acceptable to Assured Guaranty, shall be required. The provisions of this section shall apply at all times unless Assured Guaranty is in bankruptcy, receivership, insolvency or similar proceedings or is in default of its obligations under the Bond Policy.

Section 4.06. Reporting Requirements. The County will furnish to Assured Guaranty:

(a) the fiscal year budget of the County within thirty (30) days after the adoption of such budget;

(b) annual audited financial statements prepared by an independent certified public accountant (which may include the Office of the Auditor General of Arizona), within two hundred ten (210) days of the completion of the County's fiscal year together with a certificate of an authorized representative of the County stating that (i) the County is not in default of any of its obligations or covenants under this Agreement or any of the Resolution, and (ii) the County is in compliance with the covenants under this Agreement and the Resolution;

(c) prior to issuing additional debt on parity with the 2009 Obligations, of any kind, an official statement or other disclosure document pertaining to such additional debt, which official statement or other disclosure document shall include, without limitation, the applicable maturity schedule, interest rate or rates, pertinent liquidity agreements, loan agreements and redemption and security provisions pertaining to any such additional debt;

(d) within thirty (30) days following any litigation or investigation that may have a material adverse effect on the collection of Net Revenues, notice of such investigation or litigation;

(e) the information filed by the County as required under its Continuing Disclosure Undertaking and such other reports, financial information, operating data and statistics as Assured Guaranty shall reasonably request from time to time.

Section 4.07. Affairs of the County. The County will permit Assured Guaranty to discuss the affairs, finances and accounts of the County or any information Assured Guaranty may reasonably request regarding the security for the 2009 Obligations with appropriate officers of the County, and will use best efforts to enable Assured Guaranty or any agent of Assured Guaranty to have access to the facilities, books and records of the County on any business day upon reasonable prior notice.

ARTICLE V

ASSURED GUARANTY PROVISIONS

Section 5.01. Payments Pursuant to the Policies. As long as the Policies are in full force and effect, the County and any Paying Agent agree to comply with the following provisions:

(a) At least two (2) Business Days (as defined in the Policy) prior to each payment date on the 2009 Obligations (the "Interest Payment Date"), the County will determine whether there will be sufficient funds in the funds and accounts established under the Resolution to pay all principal of and interest on the 2009 Obligations due on such Interest Payment Date and shall immediately notify the Paying Agent and Assured Guaranty or its designee (the "Fiscal Agent") on the same Business Day by telephone or electronic mail, confirmed in writing by registered or certified mail, of the amount of any deficiency. Such notice shall specify the amount of the anticipated deficiency, the 2009 Obligations to which such deficiency is applicable and whether such 2009 Obligations will be deficient as to principal or interest or both. If the deficiency is made up in whole or in part prior to or on the Interest Payment Date, the County shall so notify Assured Guaranty or its designee.

(b) The County shall, after giving notice to Assured Guaranty as provided above, make available to Assured Guaranty and, at Assured Guaranty's direction, to any Fiscal Agent, the registration books for the 2009 Obligations maintained by the Paying Agent and all records relating to the funds maintained under the Resolution.

(c) The Paying Agent shall provide Assured Guaranty and any Fiscal Agent with a list of registered owners of 2009 Obligations entitled to receive principal or interest payments from Assured Guaranty under the terms of the Policy, and shall make arrangements with Assured Guaranty, the Fiscal Agent or another designee of Assured Guaranty to (i) mail checks or drafts to the registered owners of 2009 Obligations entitled to receive full or partial interest payments from Assured Guaranty and (ii) pay principal upon 2009 Obligations surrendered to Assured Guaranty, the Fiscal Agent or another designee of Assured Guaranty by the registered owners of 2009 Obligations entitled to receive full or partial principal payments from Assured Guaranty.

(d) The Paying Agent, shall, promptly upon receiving notice from the County of any deficiency pursuant to (a) above, notify registered owners of 2009 Obligations entitled to receive the payment of principal or interest thereon from Assured Guaranty (i) as to such deficiency and its entitlement to receive principal or interest, as applicable, (ii) that Assured Guaranty will remit to them all or a part of the interest payments due on the related payment date upon proof of the registered owner's entitlement thereto and delivery to Assured Guaranty or any Fiscal Agent, in form satisfactory to Assured Guaranty, of an appropriate assignment of the registered owner's right to payment, (iii) that, if they are entitled to receive partial payment of principal from Assured Guaranty, they must surrender the related 2009 Obligations for payment first to the Paying Agent, which will note on such 2009 Obligations the portion of the principal paid by the Paying Agent, and second to Assured Guaranty or its designee, together with the appropriate

assignment, in form satisfactory to Assured Guaranty, to permit ownership of such 2009 Obligations to be registered in the name of Assured Guaranty, which will then pay the unpaid portion of principal, and (iv) that, if they are entitled to receive full payment of principal from Assured Guaranty, they must surrender the related 2009 Obligations for payment to Assured Guaranty or its designee, rather than the Paying Agent, together with the appropriate assignment, in form satisfactory to Assured Guaranty, to permit ownership of such 2009 Obligations to be registered in the name of Assured Guaranty.

(e) In the event that the Paying Agent has received written notice that any payment of principal of or interest on a 2009 Obligation which has become Due for Payment and which is made to a registered owner by or on behalf of the County has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Paying Agent shall, promptly upon receiving notice from the County pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from Assured Guaranty to the extent of such recovery if sufficient funds are not otherwise available, and the Paying Agent shall furnish to Assured Guaranty its records evidencing the payments of principal of and interest on the 2009 Obligations which have been made by the Paying Agent and subsequently recovered from registered owners and the dates on which such payments were made.

(f) In addition to those rights granted to Assured Guaranty under the Resolution and hereunder, Assured Guaranty shall, to the extent it makes any payment of principal or interest on the 2009 Obligations, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Policy, and to evidence such subrogation (i) in the case of claims for past due interest, the Paying Agent shall note Assured Guaranty's rights as subrogee on the registration books of the County maintained by the Paying Agent upon receipt from Assured Guaranty of proof of payment of interest thereon to the registered owners of the 2009 Obligations, and (ii) in the case of claims for past due principal, the Paying Agent shall note Assured Guaranty's rights as subrogee on the registration books of the County maintained by the Paying Agent, upon surrender of the 2009 Obligations together with receipt of proof of payment of principal thereof.

Section 5.02. Payment, Indemnification; Reimbursement for Payments Under the Policies and Expenses.

(a) The County will reimburse Assured Guaranty, solely from Available Funds and subject to the Resolution, without demand or notice by Assured Guaranty to the County, or any other person, to the extent of each Policy payment from and including the date made to the date of the Reimbursement at the lesser of (i) the Reimbursement Rate or (ii) the maximum rate of interest permitted by then applicable law.

(b) The County will pay, solely from Available Funds and subject to the Resolution, all other amounts required to be paid to Assured Guaranty pursuant to the

terms of this Agreement, the Financing Documents, the Bond Policy or the Surety Policy upon written notice from Assured Guaranty of the amounts so owed.

(c) The County will pay or reimburse Assured Guaranty to the extent permitted by law, and solely from Available Funds and subject to the Resolution, any and all charges, fees, costs, losses, liabilities and expenses which Assured Guaranty may pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the Bond Policy or the Surety Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of this Agreement, the Resolution or any other Financing Document, including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the County) relating to this Agreement, the Resolution or any other Financing Document, (iii) the pursuit of any remedies under the Resolution or any other Financing Document, (iv) any amendment, waiver or other action with respect to, or related to this Agreement, the Bond Policy, the Surety Policy, the Resolution or any other Financing Document whether or not executed or completed, or (v) any action taken by Assured Guaranty to cure a default or termination or similar event (or to mitigate the effect thereof) under the Resolution or any other Financing Document; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of Assured Guaranty spent in connection with the actions described in clauses (ii) - (v) above. In addition, Assured Guaranty reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this Agreement, the Resolution or any other Financing Document.

(d) The County will pay, solely from Available Funds and subject to the Resolution, interest on the amounts owed in clauses (a), (b), and (c), of this Section 5.02 from the date of any payment due or paid as described in clauses (a) or (b), and from the date of receipt of written notice from Assured Guaranty, as provided in clause (c), in each case at the Reimbursement Rate. If the interest provisions of this clause (d) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created herein, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding hereunder to the extent that interest otherwise due hereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by Assured Guaranty, with the same force and effect as if the County had specifically designated such extra sums to be so applied and Assured Guaranty had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created herein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

(e) In addition to any and all rights of reimbursement, subrogation and any other rights pursuant hereto or under law or in equity, the County agrees to pay or

reimburse Assured Guaranty, to the extent permitted by law, and solely from Available Funds and subject to the Resolution, any and all charges, fees, costs, claims, losses, liabilities (including penalties), judgments, demands, damages, and expenses which Assured Guaranty or its officers, directors, shareholders, employees, agents and each Person, if any, who controls Assured Guaranty within the meaning of either Section 15 of the Securities Act of 1933 or Section 20 of the Securities Exchange Act of 1934 may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, of any nature in connection with, in respect of or relating to the transactions contemplated by this Agreement or the Resolution by reason of:

(i) any omission or action (other than of or by Assured Guaranty) in connection with the offering, issuance, sale or delivery of the 2009 Obligations;

(ii) the negligence, bad faith, willful misconduct, misfeasance, malfeasance or theft committed by any director, officer, employee, agent or advisor of the County in connection with any transaction arising from or relating to this Agreement, the Resolution or any other Financing Document to which it is a party;

(iii) the violation by the County of any law, rule or regulation, or any judgment, order or decree applicable to it;

(iv) the breach by the County of any representation, warranty or covenant under this Agreement, the Resolution or any other Financing Document or the occurrence, in respect of the County under this Agreement or any other Financing Document of any "Event of Default" or any event which, with the giving of notice or lapse of time or both, would constitute any "event of default";

(v) any untrue statement or alleged untrue statement of a material fact contained in the Official Statement or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances under which they were made, not misleading, except insofar as such claims arise out of or are based upon any untrue statement omission or alleged omission in information included in the Official Statement and furnished by Assured Guaranty in writing expressly for use therein, it being understood that, in respect of the official statement or disclosure document, the information furnished by Assured Guaranty expressly for use therein is limited solely to the information included under the caption "Bond Insurance" and the documents filed by Assured Guaranty with the Securities and Exchange Commission incorporated by reference therein; or

(vi) The County agrees that all amounts owing to Assured Guaranty pursuant to Section 1.03 hereof and this Section 5.02 must be paid in full prior to any optional redemption or refunding of the 2009 Obligations.

Section 5.03. Conduct of Actions or Proceedings. In the event that any action or proceeding (including any governmental investigation) shall be commenced or claim asserted which may entitle any of Assured Guaranty, its subsidiaries and affiliates, and any shareholder, director, officer, employee, agent or "controlling person," within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, of any of the foregoing (each, an "Indemnified Party" and, collectively, the "Indemnified Parties") to be indemnified under this Agreement, such party shall give the County (collectively, the "Indemnifying Party") written notice of such action, proceeding or claim reasonably promptly after receipt of written notice thereof. If any such action, proceeding or claim shall be brought against an Indemnified Party, it shall notify the Indemnifying Party thereof, and the Indemnifying Party shall be entitled to participate in and, upon notice to the Indemnified Party, assume the defense thereof and shall retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and shall pay the reasonable fees and expenses of such counsel related to such action, proceeding or claim. The Indemnified Party shall have the right to employ its own counsel in any such action, proceeding or claim in addition to the counsel retained by the Indemnifying Party for the benefit of the Indemnified Party, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party, unless (a) the employment of counsel by the Indemnified Party at the Indemnifying Party' expense has been authorized in writing by the Indemnifying Party, (b) the Indemnifying Party have not in fact assumed the defense of such action, proceeding, or claim, and employed counsel reasonably satisfactory to the Indemnified Party within a reasonable time after receiving notice of the commencement of the action, proceeding or claim or (c) the named parties to any such action, proceeding or claim (including any impleaded parties) include both the Indemnifying Party and one or more Indemnified Parties, and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them (it being understood, however, that the Indemnifying Party shall not, in connection with any one such action, proceeding or claim or separate but substantially similar or related actions, proceedings or claims in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys in addition to local counsel at any time for all Indemnified Parties, which firm shall be designated in writing by the Indemnified Parties) in which cases the reasonable fees and expenses of counsel shall be at the expense of the Indemnifying Party and all such reasonable fees and expenses shall be reimbursed promptly as they are incurred. The Indemnifying Party shall not be liable for any settlement of any such action, proceeding or claim unless (x) the Indemnifying Party shall have consented thereto in writing (such consent not to be unreasonably withheld), (y) the Indemnifying Party shall be in default in its 2009 Obligations under this Section 5.02 in connection with such action, proceeding or claim or (z) such settlement does not prejudice the Indemnifying Party' legal position or require a payment by the Indemnifying Party. Any failure by an Indemnified Party to comply with the provisions of this Section 5.03 shall relieve the Indemnifying Party of liability only if such failure is prejudicial to the position of the Indemnifying Party and then only to the extent of such prejudice.

Section 5.04. Allocation of Payments. Assured Guaranty and the County hereby agree that each payment received by Assured Guaranty from or on behalf of the County as a reimbursement to Assured Guaranty as required by Section 5.02 hereof shall be applied by Assured Guaranty as follows: first, toward repayment of the aggregate Policy Payments made by Assured Guaranty and not yet repaid with respect to the Bond Policy, second, toward repayment

of the aggregate Policy Payments made by Assured Guaranty and not yet repaid with respect to the Surety Policy, and third, towards other amounts, including, without limitation, any interest payable with respect to any other Policy Payments with respect to the Policies then due to Assured Guaranty.

Section 5.05. Security for Payments for the Bond Policy. Pursuant to the Resolution, the County has granted a lien on and pledged to the Owners of the 2009 Obligations the Available Funds for payment of all Debt Service Payments to the 2009 Obligations. The County hereby acknowledges that, to the extent Assured Guaranty is subrogated to the rights of the Owners to any moneys paid or payable with respect to the 2009 Obligations, Assured Guaranty will be a beneficiary of such lien and pledge, subject only to the rights of the Owners of the 2009 Obligations and Parity Obligations.

Section 5.06. Security Payments for the Surety Policy. In connection with the Surety Policy, the County hereby grants to Assured Guaranty a lien on and pledge of the Available Funds as provided in the Resolution as security for payment of all amounts due under the Surety Policy, including amounts due hereunder relating to the Surety Policy.

Section 5.07. Payments Made Hereunder. All payments made to Assured Guaranty under this Agreement shall be paid in lawful currency of the United States in immediately available funds to Assured Guaranty Corp., 1325 Avenue of the Americas, New York, New York 10019, Attention: Accounting, or at such other place as shall be designated by Assured Guaranty.

Section 5.08. Defeasance. In the event that the principal and/or interest due on the 2009 Obligations shall be paid by Assured Guaranty pursuant to the Bond Policy, the 2009 Obligations shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the County, and the pledge of Available Funds and all covenants, agreements and other obligations of the County to the Owners under the Resolution shall continue to exist and shall run to the benefit of Assured Guaranty, and Assured Guaranty shall be subrogated to the rights of such Owners including, without limitation, any rights that such Owners may have in respect of securities law violations arising from the offer and sale of the 2009 Obligations.

In addition, Assured Guaranty will require the following items: (i) An opinion of counsel that the defeasance will not adversely impact the exclusion from gross income for federal income tax purposes of interest on the 2009 Obligations or refunded bonds, (ii) an escrow agreement and an opinion of counsel regarding the validity and enforceability of the escrow agreement; and (iii) the escrow agreement shall provide that: (a) any substitution of securities shall require verification by an independent certified public accountant (a "Verification Report") and the prior written consent of Assured Guaranty, (b) the County will not exercise any optional redemption of 2009 Obligations secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition of any such redemption there shall be provided to Assured Guaranty a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following such redemption, and (c) the County shall not amend the escrow agreement or enter into a forward

purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of Assured Guaranty. The County shall deliver a draft copy of the escrow agreement and the Verification Report at least five (5) business days prior to the scheduled defeasance.

Section 5.09. Amendments and Supplements. With respect to amendments or supplements to the Resolution, which do not require the consent of the Owners of the 2009 Obligations, Assured Guaranty must be given prior written notice of any such amendments or supplements. With respect to amendments or supplements to the Resolution, which require the consent of the Owners of the 2009 Obligations, Assured Guaranty's prior written consent is required. Copies of any amendments or supplements to the Resolution, which are consented to by Assured Guaranty, shall be sent to the rating agencies that have assigned a rating to the 2009 Obligations. Notwithstanding any other provision of such Resolution, in determining whether the rights of Owners of the 2009 Obligations will be adversely affected by any action taken pursuant to the terms and provisions thereof, the County shall consider the effect on the Owners as if there were no Bond Policy. The provisions of this section shall apply at all times unless Assured Guaranty is in bankruptcy, receivership, insolvency or similar proceedings or is in default of its obligations under the Bond Policy.

Section 5.10. Control Rights. Assured Guaranty shall be deemed to be the Owner of all of the 2009 Obligations for purposes of (a) exercising all remedies following the occurrence of a default under the Resolution, and (b) granting any consent, direction or approval or taking any action permitted by or required under the Resolution, as the case may be, to be granted or taken by the Owners of such 2009 Obligations. Anything in this Agreement to the contrary notwithstanding, upon the occurrence and continuance of a default under the Resolution, Assured Guaranty shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners under this Agreement. The provisions of this section shall apply at all times unless Assured Guaranty is in bankruptcy, receivership, insolvency or similar proceedings or is in default of its obligations under the Bond Policy.

ARTICLE VI

SUBROGATION RIGHTS

Section 6.01. Subrogation. To the extent of payments made and expenses incurred by Assured Guaranty in connection with the Policies and this Agreement, Assured Guaranty shall be fully subrogated to the rights of the Owners to any moneys paid or payable in respect of the 2009 Obligations under the Resolution, but shall not be obligated to assume any of the County's obligations in respect of the Resolution. The County will at any time and from time to time at the request of Assured Guaranty execute any instrument, document or agreement, and take any other action that Assured Guaranty may consider necessary or desirable to effect this right of subrogation.

ARTICLE VII

EVENTS OF DEFAULT; REMEDIES

Section 7.01. Events of Default. The following events shall constitute Events of Default hereunder:

(a) The County shall fail to pay to Assured Guaranty any amount payable under Article V hereof; or

(b) Any representation or warranty made by the County hereunder or under any Financing Documents in any report, certificate, financial statement or other instrument provided in connection with the Commitment, the Surety Policy, the Bond Policy or this Agreement shall have been or is untrue in any material respect; or

(c) Except as otherwise provided in this Section 7.01, the County shall fail to perform any of its other obligations hereunder or in any Financing Document; or

(d) The County shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of; or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or

(e) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the County, or of a substantial part of its property, under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the County or for a substantial part of its property, and such proceeding or petition shall continue undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for thirty (30) days.

Section 7.02. Remedies. Whenever an Event of Default referred to in Section 7.01 hereof shall have occurred and be continuing, Assured Guaranty may take any one or more of the following remedial steps:

(a) Exercise its rights of subrogation pursuant to Article VI hereof; or

(b) Exercise its rights of subrogation under the Bond Policy or the Surety Policy;

(c) Subject to the provisions of the Resolution, take whatever action at law or in equity as may appear necessary or desirable in Assured Guaranty's judgment to collect the amounts then due and thereafter to become due hereunder or to enforce performance of any obligation of the County to Assured Guaranty hereunder or under the Resolution, other than (i) acceleration of the maturity of the 2009 Obligations, or (ii) any other remedies that would adversely affect the rights of Owners of the 2009 Obligations; or

(d) Pursue any remedy it may have under the Resolution.

Section 7.03. No Remedy Exclusive. Unless otherwise expressly provided, no remedy herein conferred upon or reserved to Assured Guaranty is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under this Agreement or any other Financing Document or existing at law or in equity. No delay or failure to exercise any right or power occurring under this Agreement, the Resolution or any other Financing Document upon the happening of any Event of Default set forth in Section 7.01 hereof or an event of default under the Resolution or any other Financing Document shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VIII

OBLIGATIONS ABSOLUTE

Section 8.01. Obligations Absolute. The obligations of the County to make payments under this Agreement, but solely from Available Funds and subject to the Resolution, shall be absolute, unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of any of this Agreement or the Resolution;

(b) whether or not such obligations are contingent or matured, disputed or undisputed, liquidated or unliquidated;

(c) any amendment, modification or waiver of or any consent to departure from this Agreement, the Bond Policy, the Surety Policy or all or any of the Resolution;

(d) any exchange, release or non-perfection of any security in Available Funds securing the 2009 Obligations or this Agreement, or any obligations hereunder;

(e) the existence of any claim, setoff, defense (other than the defense of payment in full), reduction, abatement, or other right which the County may have at any time against the Paying Agent or any other person or entity other than Assured Guaranty, whether in connection with this Agreement, the transactions contemplated herein or in the Resolution or any unrelated transactions;

(f) any statement or any other document presented under or in connection with the Bond Policy, the Surety Policy or the Commitments proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(g) any payment by Assured Guaranty under the Bond Policy or the Surety Policy under circumstances that do not comply with the terms of the applicable Policy.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Interest Computations. All computations of premium, interest and fees due hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

Section 9.02. Exercise of Rights. No failure or delay on the part of Assured Guaranty to exercise any right, power or privilege under this Agreement and no course of dealing between Assured Guaranty and the County or any other party shall operate as a waiver of any such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which Assured Guaranty would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

Section 9.03. Amendments and Waivers. This Agreement may be amended, modified, waived, supplemented, discharged or terminated only by written instruments signed by the parties hereto.

Section 9.04. Other Sureties. If Assured Guaranty shall procure any other surety to reinsure the Bond Policy or the Surety Policy, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the County to enforce this Agreement and "Assured Guaranty" whenever used herein, shall be deemed to include such reinsuring surety, as its respective interest may appear.

Section 9.05. Assured Guaranty As Third Party Beneficiary. Assured Guaranty is hereby explicitly recognized as being a third-party beneficiary under the Resolution and may enforce any such right, remedy or claim conferred, given or granted to the Owners of the 2009 Obligations under the Resolution.

Section 9.06. Successors and Assigns; Descriptive Headings.

(a) This Agreement shall bind, and the benefits thereof shall inure to, the County and Assured Guaranty and their respective successors and assigns; provided, that the County may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of Assured Guaranty.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 9.07. Waiver. The County waives any defense that this Agreement was executed subsequent to the date of the Policies, admitting and covenanting that such Policy was executed pursuant to their request and in reliance on their promise to execute this Agreement.

Section 9.08. Notices, Requests, Demands. Except as otherwise expressly provided herein, all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as any of the parties may hereafter specified in writing to the others:

If to the County:
Pima County Finance Department
130 West Congress, 6th Floor
Tucson, Arizona 85701
Attention: Thomas E. Burke
Finance and Risk Management Director
Telephone No.: (520) 740-3030
Facsimile No.: (520) 624-9178

If to Assured Guaranty:
Assured Guaranty Corp.
1325 Avenue of the Americas
New York, New York 10019
Attention: Risk Management Department -
Public Finance Surveillance
Telephone No.: (212) 974-0100
Facsimile No.: (212) 581-3268
Policy No. D-2009-579 (Bond Policy)
Policy No. D-2009-580 (Surety Policy)

(in each case in which notice or other communication to Assured Guaranty refers to an event of default, a claim on the Bond Policy, the Surety Policy or any other event with respect to which failure on the part of Assured Guaranty to respond shall be deemed to constitute consent or acceptance, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel via facsimile at facsimile number (212) 581-3268 and shall be marked to indicate "URGENT MATERIAL ENCLOSED").

Section 9.09. Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Policies.

Section 9.10. Governing Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of New York, except that the capacity of the County to enter into and perform its obligations under this Agreement and the enforceability of

the obligations of the County under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Arizona.

Section 9.11. Consent to Jurisdiction.

(a) THE PARTIES HERETO HEREBY IRREVOCABLY SUBMIT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY COURT IN THE STATE OF NEW YORK LOCATED IN THE CITY AND COUNTY OF NEW YORK, AND ANY APPELLATE COURT WHICH HEARS APPEALS FROM ANY COURT THEREOF, IN ANY ACTION, SUIT OR PROCEEDING BROUGHT AGAINST IT AND TO OR IN CONNECTION WITH THIS AGREEMENT OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREE THAT, TO THE EXTENT PERMITTED BY LAW, ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, SUIT OR PROCEEDING MAY BE HEARD OR DETERMINED IN SUCH NEW YORK STATE COURT OR IN SUCH FEDERAL COURT. THE PARTIES HERETO AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO HEREBY WAIVE AND AGREE NOT TO ASSERT BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE IN ANY SUCH SUIT, ACTION OR PROCEEDING, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF SUCH COURTS, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER OR THAT THE RELATED DOCUMENTS OR THE SUBJECT MATTER THEREOF MAY NOT BE LITIGATED IN OR BY SUCH COURTS.

(b) To the extent permitted by applicable law, the parties hereto shall not seek and hereby waive the right to any review of the judgment of any such court by any court of any other nation or jurisdiction which may be called upon to grant an enforcement of such judgment.

Section 9.12. Limited Liability. No recourse under this Agreement, the Resolution or any other Financing Document shall be had against, and no personal liability shall attach to, any officer, employee, agent, director, affiliate, advisor or securityholder of any party hereto, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute or otherwise in respect of any of this Agreement, any Financing Document, the Bond Policy or the Surety Policy, it being expressly agreed and understood that the Resolution is solely a County obligation and that any and all personal liability, either at common law or in equity, or by statute or constitution, of every such officer, employee, agent, director, affiliate, advisor or securityholder for breaches by any party hereto of any obligations under the Agreement, the Resolution or any other Financing Document is hereby expressly waived as a condition of and in consideration for the execution and delivery of this Agreement.

Section 9.13. Trial by Jury Waived. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING DIRECTLY OR INDIRECTLY OUT OF, UNDER OR IN CONNECTION WITH ANY PROVISION OF THE THIS AGREEMENT, THE RESOLUTION OR ANY OTHER FINANCING DOCUMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREUNDER. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT IT WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE RESOLUTION TO WHICH IT IS A PARTY BY, AMONG OTHER THINGS, THIS WAIVER.

Section 9.14. Counterparts. This Agreement may be executed in counterparts by the parties hereto and such counterparts shall constitute one and the same instrument, each of which shall be deemed to be an original instrument.

Section 9.15. Further Assurances. Assured Guaranty and the County agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto (including any financing statements, if applicable) and such further instruments as may be required by law or as shall reasonably be requested by Assured Guaranty for carrying out the intention of or facilitating the performance of this Agreement.

Section 9.16. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, the parties hereto agree that such holding shall not invalidate or make unenforceable any other provision hereof. The parties hereto further agree that the holding by any court of competent jurisdiction that any remedy pursued by any party hereto is unavailable or unenforceable shall not affect in any way the ability of such party to pursue any other remedy available to it.

Section 9.17. Survival of 2009 Obligations. Notwithstanding anything to the contrary contained in this Agreement, the obligation of the County to pay all amounts due hereunder and the rights of Assured Guaranty to pursue all remedies shall survive the expiration, termination or substitution of the Bond Policy or the Surety Policy and this Agreement.

[Signature page to follow]

IN WITNESS WHEREOF, each of the parties hereto have duly executed and delivered this Agreement as of the date first above written.

PIMA COUNTY, ARIZONA

By: _____
Thomas E. Burke
Finance and Risk Management Director

ASSURED GUARANTY CORP.

By: _____
Name: _____
Title: _____

ACKNOWLEDGED AND AGREED TO BY:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
As Paying Agent

By: _____
Name: Deborah M. Scherer
Title: Vice President

[Signature page of Insurance Agreement]

IN WITNESS WHEREOF, each of the parties hereto have duly executed and delivered this Agreement as of the date first above written.

PIMA COUNTY, ARIZONA

By: _____
Thomas E. Burke
Finance and Risk Management Director

ASSURED GUARANTY CORP.

By: _____
Name: John Trahan
Title: Managing Director

ACKNOWLEDGED AND AGREED TO BY:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
As Paying Agent

By: _____
Name: Deborah M. Scherer
Title: Vice President

[Signature page of Insurance Agreement]

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

CONTINUING DISCLOSURE UNDERTAKING FOR THE PURPOSE OF PROVIDING CONTINUING DISCLOSURE INFORMATION UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by Pima County, Arizona (the "County"), in connection with the issuance and sale of the $18,940,000 aggregate principal amount of Sewer Revenue Bonds, Series 2009 (the "Bonds").

In connection with the Bonds, the County covenants and agrees as follows:

1. Purpose of this Undertaking. This Undertaking is executed and delivered by the County as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Underwriter in complying with the requirements of the Rule (as defined below).

2. Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

"Annual Information" means the financial information and operating data set forth in Exhibit I.

"Annual Information Disclosure" means the dissemination of disclosure concerning Annual Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

"Audited Financial Statements" means the general purpose audited financial statements of the County prepared pursuant to the standards and as described in Exhibit I.

"Bond Resolution" means, together, Resolution No. 1991-138 adopted by the Board of Supervisors of the County on June 18, 1991, as supplemented and amended, including a supplemental resolution adopted by the Board of Supervisors of the County on April 21, 2009, authorizing the issuance and sale of the Bonds.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any agent designated as such in writing by the County and which has filed with the County a written acceptance of such designation, and such agent's successors and assigns.

"EMMA" means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at http://emma.msrb.org.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Material Event" means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II that is material, as materiality is interpreted under the Exchange Act.

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIRs" means, as of any date, any Nationally Recognized Municipal Securities Information Repository then recognized by the Commission for purposes of the Rule. As of the date of this Undertaking, the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail:Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail:nrmsir@dpcdata.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Phone: (212) 771-6999; 800-689-8466
Fax: (212) 771-7390
E-mail:NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

The names and addresses of all current NRMSIRs should be verified each time information is delivered pursuant to this Undertaking.

"Rule" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"State" means the State of Arizona.

"Undertaking" means the obligations at the County pursuant to Sections 4, 5, 6 and 7 hereof.

"Underwriter" includes each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

3. CUSIP Number/Final Official Statement. The base CUSIP Number of the Bonds is 721876. The Final Official Statement relating to the Bonds is dated April 21, 2009.

4. Annual Information Disclosure. Subject to Section 10 of this Undertaking, the County shall disseminate its Annual Information and its Audited Financial Statement, if any (in the form and by the dates set forth in Exhibit I) to the MSRB through EMMA, in a format prescribed by the MSRB. The County is required to deliver such information in such manner and by such time so that such entities receive the information on the date specified.

If any part of the Annual Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the County will disseminate a statement to such effect as part of its Annual Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Material Events Disclosure. Subject to Section 10 of this Undertaking, the County hereby covenants that it will disseminate in a timely manner notice of occurrence of a Material Event to each NRMSIR, on or before June 30, 2009, and after June 30, 2009, to the MSRB through EMMA, in a format prescribed by the MSRB.

6. Duty to Update NRMSIRs/Acknowledgment of future filing with the MSRB. The County shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs for any filing on or before June 30, 2009, each time it is required to file information with such entities.

The County hereby acknowledges that on December 15, 2008, the SEC adopted various amendments to the Rule, which amendments at present are scheduled to become effective July 1, 2009. Such amendments require, in part, that each participating Underwriter reasonably determine that the County has agreed to provide, in an electronic format as prescribed from time to time by the MSRB: (i) its Annual Information Disclosure as well as any reporting of a Material Event listed in Exhibit II to the MSRB, and (ii) accompanying identifying information. On and after the effective date of the amendments, the County acknowledges that the MSRB will become the repository and that there will no longer exist a Central Post Office (defined below).

7. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner to the MSRB through EMMA, in a format prescribed by the

MSRB, of any failure to provide Annual Information Disclosure when the same is due hereunder.

In the event of a failure of the County to comply with any provision of this Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the County to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an Event of Default on the Bonds. The sole remedy under this Undertaking in the event of any failure of the County to comply with this Undertaking shall be an action to compel performance.

8. Alternate Means of Disclosure. Notwithstanding the provisions of Sections 4, 5 and 7 requiring that the County file its Annual Information Disclosure, notice of any Material Event and notice of any failure to comply with this Undertaking with each of the NRMSIRS and any SID, the County may instead comply with the provisions of this Undertaking by filing the required information with an entity then recognized by the Commission as eligible to receive and submit such filings to the NRMSIRS and any SID for purposes of the Rule (a "Central Post Office"). As of the date of this Disclosure Undertaking, the Central Post Office that has been so recognized by the Commission is:

DisclosureUSA.org
P.O. Box 684667
Austin, Texas 78768-4667
Fax: (512) 476-6403
http://www.disclosureUSA.org

Beginning July 1, 2009, the County shall electronically file its Annual Information Disclosure, notice of any Material Event, notice of any failure to comply with this Undertaking and any accompanying identifying information, as prescribed from time to time by the MSRB, directly through EMMA.

9. Amendments; Waiver. Notwithstanding any provision of this Undertaking, the County by certified resolutions authorizing each amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County, or type of business conducted;

(b) This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined by an independent counsel or other entity unaffiliated with the County.

10. Non-Appropriation. The performance by the County of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the County to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the County covenants to provide prompt notice of such fact to each NRMSIR on for before June 30, 2009, and after June 30, 2009, to the MSRB through EMMA.

11. Termination of Undertaking. The Undertaking of the County shall be terminated hereunder when the County no longer has liability for any obligation relating to repayment of the Bonds or the Rule no longer applies to the Bonds. The County shall give notice in a timely manner if this Section is applicable to the MSRB.

12. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

13. Additional Information. Nothing in this Undertaking shall be deemed to prevent the County from disseminating any other information using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the County chooses to include any information from any document or notice of occurrence of Material Event in addition to that which is specifically required by this Undertaking, the County shall have no obligation under this Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

14. Beneficiaries. This Undertaking has been executed in order to assist the Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the County, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

15. Recordkeeping. The County shall maintain records of all Annual Information Disclosure and notices of occurrence of Material Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

16. Assignment. The County shall not transfer its obligations under the Bond Resolution unless the transferee agrees to assume all obligation of the County under this Undertaking or to execute an Undertaking under the Rule.

[Remainder of page left blank intentionally]

17. Governing Law. This Undertaking shall be governed by the laws of the State.

PIMA COUNTY, ARIZONA

By: _____
Thomas Burke
Finance and Risk Management Director

Dated: May 6, 2009

[Signature Page of Continuing Disclosure Undertaking]

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" means quantitative financial information and operating data concerning the operations of the County of the type set forth in the Official Statement in Appendix A in the tables entitled "PIMA COUNTY, ARIZONA SUMMARY OF WASTEWATER USERS FEES," PIMA COUNTY, ARZIONA, SUMMARY OF USER FEES REVENUES," PIMA COUNTY, ARIZONA, CONNECTION FEE REVENUES," PIMA COUNTY, ARIZONA, REVENUES FROM OTHER FEES AND CHARGES" and "PIMA COUNTY WASTEWATER MANAGEMENT DEPARTMENT COMPARATIVE STATEMENTS OF SYSTEM REVENUES, EXPENDITURES AND NET REVENUES AVAILABLE FOR DEBT SERVICE.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to each NRMSIR on or before June 30, 2009, and after June 30, 2009, to the MSRB through EMMA. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB; the Final Official Statement need not be available from each NRMSIR. The County shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB through EMMA, no later than the first business day in February of each year, commencing February 1, 2010. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to generally accepted accounting principles ("GAAP"), as applied to governmental units as modified by State law, Audited Financial Statements will be provided to the MSRB through EMMA, at the same time as Annual Financial Information is filed, or if not available when such Annual Financial Information is filed, within 30 days after availability to the County.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the County will disseminate a notice of such change as required by Section 4, including changes in Fiscal Year or GAAP.

EXHIBIT II

EVENTS FOR WHICH NOTICE OF OCCURRENCE OF MATERIAL EVENTS IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of creditor liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds
7. Modifications to the rights of holders of the Bonds
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the Bonds
11. Rating changes

Blanket Issuer Letter of Representations

[To be Completed by Issuer]

PIMA COUNTY, ARIZONA
[Name of Issuer]

JUNE 11, 1998
[Date]

Attention: Underwriting Department — Eligibility
The Depository Trust Company
55 Water Street; 50th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

PIMA COUNTY, ARIZONA
(Issuer)

By: C. Buckelberry
(Authorized Officer's Signature)

C. H. BUCKELBERRY, COUNTY ADMINISTRATOR
(Typewrite Name & Title)

130 W. Congress, 10th floor
(Street Address)

Tucson, AZ 85701
(City) (State) (Zip)

(520) 740-8661
(Phone Number)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: Toby Bondor

SCHEDULE A

SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $200 million, one certificate will be issued with respect to each $200 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

[6. Redemption notices shall be sent to Cede & Co. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal and interest payments on the Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the Issuer or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

11. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

GENERAL CERTIFICATE OF THE COUNTY

The undersigned, Chairman (the "Chairman") and Clerk (the "Clerk") of the Board of Supervisors of Pima County, Arizona (the "County"), acting for and on behalf of the County, do hereby certify as follows with respect to the $18,940,000 aggregate principal amount of Pima County, Arizona, Sewer Revenue Bonds, Series 2009 (the "Bonds"), issued by the County pursuant to Resolution No. 1991-138, adopted by the Board of Supervisors of the County on June 18, 1991, as amended by Resolution 1991-183 adopted by the Board of Supervisors of the County on August 6, 1991 (collectively, the "Master Resolution"), as supplemented by Resolution No. 2009-69, passed, adopted and approved by the Board of Supervisors of the County on April 21, 2009 (the "Supplemental Resolution" and, together with the Master Resolution, the "Bond Resolution"), authorizing and providing for the issuance and sale of the Bonds:

1. They are the duly elected or appointed, qualified and acting Chairman and Clerk, respectively, of the Board of Supervisors of the County and, as such, are familiar with the matters set forth below and the books, records and proceedings of the County.

2. Regular meetings of the Board of Supervisors of the County were duly called, noticed and held on February 17, 2009 and April 21, 2009, in accordance with the laws of the State of Arizona. Copies of the notices and agendas for such meetings are attached hereto as Exhibit A. The Supplemental Resolution, as executed by the Chairman and attested by the Clerk, is in the same form and text as the copy of such Resolution that was before and adopted by the Board of Supervisors of the County at the meeting of April 21, 2009.

3. The persons named below were on February 17, 2009 and April 21, 2009 and are on the date hereof, the duly elected, qualified and acting members and incumbents of the office of the County set opposite their respective names:

Name	Office
Richard Elías	Chairman and Supervisor
Ray Carroll	Supervisor
Ann Day	Supervisor
Sharon Bronson	Supervisor
Ramón Valadez	Supervisor

To the best of our knowledge, there is no litigation pending or threatened affecting or questioning in any manner whatsoever the rights of the Chairman or the Supervisors of the County to their respective offices or affecting the organization, existence or powers of the County.

4. The County is a political subdivision duly organized and validly existing under the Constitution and laws of the State of Arizona and had, and has, full legal right, power and authority to adopt, execute and deliver, as appropriate, the Supplemental Resolution, the Bonds, the Bond Registrar, Transfer Agent and Paying Agent Agreement, dated as of May 1, 2009 (the "Bond Registrar and Paying Agent Agreement"), between the County and The Bank of New York Mellon Trust Company, N.A. (the "Registrar"), the Insurance Agreement, dated May 6, 2009 (the "Insurance Agreement") between the County and Assured Guaranty Corp. (the "Bond Insurer"), the Continuing Disclosure Undertaking, dated May 6, 2009 (the "Continuing Disclosure Undertaking"), entered into by the County, and all the other documents, instruments and certificates contemplated therein (all of the foregoing are hereinafter collectively referred to as the "County Documents") and to authorize and issue the Bonds and to carry out the transactions contemplated by the County Documents; and the County Documents have been duly authorized, executed and delivered by the County and are the legal, valid and binding special obligations of the County enforceable against the County in accordance with their respective terms and, in the case of the Master Resolution and the Supplemental Resolution, have not been amended, modified or repealed in any respect subsequent to their execution and are in full force and effect on the date hereof.

5. The execution and delivery of the County Documents and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any law, governmental rule or regulation, judgment, order, writ, injunction, consent decree, agreement, ordinance, resolution, or other instrument to which the County is a party or to which it or any of its property is subject, and does not require any consent or approval by any governmental authority, agency or body not already obtained.

6. The Chairman and the Clerk hereby authorize, ratify and adopt the facsimile signatures of the Chairman and the Clerk executing and attesting, respectively, the Bonds in the aggregate principal amount of $18,940,000 issued under the Resolution in the form of fully-registered bonds without coupons, in the denomination of $5,000, or integral multiples thereof and bearing interest from the date of the Bonds to the maturity or earlier redemption of each of the Bonds, as follows:

Maturity Date (July 1)	**Principal Amount**	**Interest Rate**
2010	$ 810,000	3.250%
2011	1,015,000	3.250%
2012	400,000	3.250%
2013	1,065,000	3.250%
2014	1,110,000	3.250%
2015	1,155,000	3.250%
2016	1,210,000	3.500%
2017	1,265,000	3.500%
2018	1,325,000	3.750%
2019	1,395,000	3.750%
2020	1,465,000	3.750%
2021	1,545,000	4.000%
2022	1,630,000	4.000%
2023	1,725,000	4.250%
2024	1,825,000	4.250%

7. All representations and warranties of the County contained in the County Documents are true, correct and complete in all material respects as of the date hereof and the County has satisfied and performed all of the conditions and agreements required in the County Documents to be satisfied or performed by the County at or prior to this date in connection with the issuance, sale and delivery of the Bonds in the manner and with the effect contemplated in the County Documents and, as of the date hereof, to the best knowledge of the County, no default or event of default has occurred, nor has any event occurred which, with the giving of notice or the passage of time, or both, will constitute a default or an event of default with respect to the County Documents.

8. There is no action, suit, proceeding, inquiry, or investigation at law or in equity, or before or by any public board or body, pending or threatened against the County, which questions its right to set rates and collect Revenues with respect to its sewer system or to pledge the Net Revenues thereof as security for payment of the principal of and interest on the Bonds, or questions its right to issue securities, including the Bonds, or to restrain or enjoin the issuance, offer and sale of the Bonds, or in any way affecting or questioning any authority for or the validity of the County Documents, the Bonds or the proceedings for the issuance thereof or the County's right to use the proceeds of the Bonds in the manner contemplated in the Supplemental Resolution, or which, if determined adversely to the County or its interests, individually or in the aggregate, would have (a) a material adverse effect upon the financial condition, assets, properties or operations of the County or its sewer system, or (b) a material adverse effect on the transactions contemplated by the Official Statement, dated April 21, 2009 (the "Official Statement"), prepared and distributed in connection with the offer and sale of the Bonds, or (c) an adverse effect on the validity or enforceability of the County Documents, or (d) impair the County's ability to comply with the requirements set forth in the Bond Resolution.

9. The County is not in default with respect to any order or decree of any court or any order, regulation or demand of any Federal, state, municipal or governmental agency, which default would materially and adversely affect the existence or operation of the County or its properties or the execution, delivery, receipt and the performance of the County Documents or the other agreements contemplated thereby.

10. The Bank of New York Mellon Trust Company, N.A., as Registrar, pursuant to the Supplemental Resolution and the Bond Registrar, Transfer Agent and Paying Agent Agreement, is hereby authorized and directed to authenticate the fully-registered Bonds and to receipt for and deliver said Bonds to UBS Financial Services Inc. (the "Underwriter"), pursuant to The Depository Trust Company's F.A.S.T. closing procedures, after authentication and upon receipt by the Treasurer of the County of $18,959,928.62, representing (a) $18,940,000.00 principal amount thereof plus (b) a net premium of $412,702.25, less (c) $119,322.00 for Underwriter's Discount, and less (d) $273,451.63 being paid by the Underwriter on behalf of the County to the Bond Insurer as the premiums for the financial guaranty insurance policies being issued in connection with the Bonds. The Treasurer will deposit and apply the proceeds of the sale of the Bonds as provided in Section 7 of the Supplemental Resolution.

11. To the best knowledge, information and belief of the undersigned, (a) the description and statements contained in the Official Statement and the other documents, information and materials, together with any supplements thereto (collectively, the "Offering Materials"), distributed, and all representations made, by the County and its supervisors, officers and employees in any manner whatsoever in connection with the offer and sale of the Bonds, were, on April 21, 2009, the date the proposal for the purchase of the Bonds (the "Proposal") by

the Underwriter, which is on file in the office of the Clerk of the Board of Supervisors of the County, was accepted by the Board of Supervisors of the County, and are on the date hereof, true, correct and complete in all material respects and do not contain any untrue statements of a material fact or omit to state any material fact which should be included therein for the purposes for which the Offering Materials are to be used or which is necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, (b) since the date of the Official Statement, there has been no material adverse change in the powers, properties, results of operations or financial position of the County, other than as set forth in or contemplated by the Official Statement, and (c) since the date of the Official Statement, the County has not entered into any transaction or incurred any liability which will materially adversely affect the ability of the County to carry out and perform its obligations pursuant to the Resolution.

12. Except as disclosed in the Official Statement, the County is currently in compliance with its reporting requirements pursuant to all prior Continuing Disclosure Undertakings.

13. To the best of our knowledge, no public officer, supervisor or employee of the County has been compensated or will be compensated for acting as such in connection with the issuance, sale and delivery of the Bonds, except that they may be reimbursed for their actual expenses incurred in the performance of their duties as such officers, supervisors or employees of the County and no officer, supervisor or employee of the County, or relative of such officer, supervisor or employee, has any "substantial interest" (as defined in Section 38-502 of the Arizona Revised Statutes) in any of the transactions contemplated by the County Documents.

14. The County will use the proceeds of the Bonds (other than the proceeds deposited into the Bond Fund pursuant to Section 7 of the Resolution) in a manner and for purposes consistent with the voter approval obtained at the special bond elections held in and for the County on May 20, 1997 and May 18, 2004, respectively.

15. The Bonds are payable solely from a pledge of, and are secured by a first lien on, and are on a parity of lien with $229,537,247 aggregate outstanding principal amount of the County's Sewer Improvement and Refunding Revenue Bonds, Series 1998, Sewer Revenue Refunding Bonds, Series 2001, Sewer Revenue Refunding Bonds, Series 2004, Sewer Revenue Bonds, Series 2007, and Sewer Revenue Bonds, Series 2008 and those certain Loan Agreements between the County and the Water Infrastructure of Arizona, dated March 1, 1996, August 6, 1997, October 27, 2000, as amended, and May 11, 2004, as amended, respectively, with respect to the Net Revenues and, other than as described in the Bond Resolution, the Net Revenues have not been pledged or hypothecated in any manner or for any purpose, and except for the above-described parity obligations, there are no bonds, judgments, notes, certificate or indebtedness of any kind or character whatsoever outstanding payable from such Net Revenues.

16. Any defined term identified herein by an initial capital letter but not otherwise defined herein shall have the meaning ascribed to it in the Bond Resolution.

Dated: May 6, 2009

PIMA COUNTY, ARIZONA

By: _____
Richard Elías
Chairman, Board of Supervisors

By: _____
Lori Godoshian
Clerk, Board of Supervisors

[Signature page of General Certificate of the County]

EXHIBIT A

Notice and Agenda for Meetings of the Pima County Board of Supervisors

1. February 17, 2009

2. April 21, 2009

NOTES/ACTION

AGENDA

Pima County Board of Supervisors' Meeting
130 W. Congress St., Hearing Room, 1st Fl.
February 17, 2009 9:00 a.m.

1. **ROLL CALL**

2. **INVOCATION**

3. **PLEDGE OF ALLEGIANCE**

4. **PAUSE 4 PAWS**

... **EXECUTIVE SESSION**

Public discussion and action may occur on the executive session item listed below during the regularly scheduled meeting.

Pursuant to A.R.S. §38-431.03(A) (3) and (4), for legal advice and direction, regarding Whitten v. Palomino et. al., Pima County Superior Court Case No. C20085919.

(**Clerk's Note**: See Zoning Enforcement Board of Appeals.)

BOARD OF SUPERVISORS SITTING AS OTHER BOARDS

... **FLOOD CONTROL DISTRICT BOARD**

Mitigation Plan Proposal

Staff requests approval of the Mitigation Banking Proposal for the WVR Consulting development of Rancho Valencia, P1204-080, in the amount of $35,703.92. (District 2)

... **ZONING ENFORCEMENT BOARD OF APPEALS**

UNFINISHED BUSINESS (RM 9/16/08, RM 10/21/08, RM 11/18/08)

A. **Executive Session**

Pursuant to A.R.S. §38-431.03(A)(3) and (4), for legal advice and direction regarding the appeal of the decision of the Hearing Officer in Case No. P08ZV00250–1 and 2, James Hessler. The Board may also during the course of the hearing and upon motion, enter into executive session.

* * * * *

Rezoning Resolution

18. RESOLUTION NO. 2009-**25**, Co9-88-25, Wetmore No. 2-7198 – Fairview Avenue Rezoning Owners: Dobbs Motors of Arizona, Inc. (District 3)

ENVIRONMENTAL QUALITY

UNFINISHED BUSINESS (RM 12/16/08)

Pima County Code Text Amendment

19. ORDINANCE NO. 2008-117, of the Board of Supervisors of Pima County, Arizona, relating to the removal of rubbish, trash, weeds, filth debris, and dilapidated buildings that constitute a hazard to public health and safety: amending the Pima County Code by amending Title 7, Chapter 33 to improve the clarity of the meaning of "weed" and the provisions and procedures for removal, abatement injunction and cost recovery.

NEW BUSINESS

20. **REGIONAL WASTEWATER RECLAMATION DEPARTMENT**

2008/2009 Financial Plan

A. Discussion/action/direction regarding the recommendations of the 2008/2009 Financial Plan.

B. Pima County Code Text Amendment

ORDINANCE NO. 2009-**14** of the Board of Supervisors of Pima County, Arizona; relating to Wastewater; amending Pima County Code, Title 13, Chapter 24, Sanitary Sewer User Fees.

21. **CALL TO THE PUBLIC**

22. **ADJOURNMENT**

POSTED: Levels A & B, 1st & 5th Floors, Pima County Administration Bldg.

DATE POSTED: 2/10/09

TIME POSTED: 5:00 P.M.

NOTES/ACTION

ADDENDUM

Pima County Board of Supervisors' Meeting
130 W. Congress St., Hearing Room, 1st Fl.
February 17, 2009 9:00 a.m.

1. **PROCLAMATIONS**

A. Presentation of a proclamation to Richard Fimbres and Javier Herrera, proclaiming the week of March 16 through 22, 2009, to be:

"YOUTH LEADERSHIP WEEK"

B. Presentation of a proclamation to Kristobal Fimbres, proclaiming the month of March 2009, to be:

"WOMEN AND GIRLS HIV/AIDS AWARENESS AND PREVENTION MONTH

AND

NATIVE AMERICAN HIV/AIDS AWARENESS AND PREVENTION MONTH"

... **EXECUTIVE SESSIONS**

Public discussion and action may occur on the executive session items listed below during the regularly scheduled meeting.

UNFINISHED BUSINESS (RM 2/10/09)

A. Pursuant to A.R.S. §38-431.03(A) (3) (4) and (7), for legal advice and direction regarding the possible purchase of real property known as Tumamoc Hill at public auction currently scheduled for February 23, 2009, Public Auction Number 53-112516.

NEW BUSINESS

B. Pursuant to A.R.S. §38-431.03(A) (3) and (4), for legal advice and direction regarding approval of a tax appeal settlement recommendation for the following matters:

Sutton v. Pima County
Tax Parcel No. 219-44-0250
Arizona Tax Court Case No. ST2008-000537

JFS Speedway Properties, L.L.C. v. Pima County
Tax Parcel No. 117-02-1150
Arizona Tax Court Case No. ST2008-000406

C. Pursuant to A.R.S. §38-431.03(A)(3), for legal advice and direction regarding Pima County's legal obligations related to compliance deadlines in the ADEQ-issued NPDES permits for the County's Ina Road and Roger Road Wastewater Reclamation Facilities.

2. **PROCUREMENT**

A. **Contract**

M. Anderson Construction Corporation, Amendment No. 4, to provide park development services, extend contract term to 2/5/10 and amend contractual language, Various Funds (1997 Bond, 68%; 2004 Bond, 20%; General, 11%; and Special Revenue, 1%), contract amount $830,000.00 (26-05-M-139409-0207) Natural Resources, Parks and Recreation

B. **Award**

Award of Contract to Sundt/Kiewit Joint Venture, for Construction Manager at Risk (CMAR) services for the Roger Road Wastewater Treatment Plant to Ina Road Water Pollution Control Facility Plant Interconnect Project. The Guaranteed Maximum Price (GMP) is $25,197,276.00. Funding Source: 2004 Sewer Revenue Bond. Administering Department: Regional Wastewater Reclamation Department.

3. **FINANCE AND RISK MANAGEMENT**

A. RESOLUTION NO. 2009-**26**, of the Board of Supervisors of Pima County, Arizona, ordering the sale of not to exceed $75,000,000.00 principal amount of Pima County, Arizona, General Obligation Bonds.

B. RESOLUTION NO. 2009-**27**, of the Board of Supervisors of Pima County, Arizona, ordering the sale of not to exceed $28,940,000.00 principal amount of Pima County, Arizona, Sewer Revenue Bonds.

POSTED: Levels A & B, 1st & 5th Floors, Pima County Administration Bldg.
DATE POSTED: 2/12/09
TIME POSTED: 11:00 A.M.

NOTES/ACTION

AGENDA

Pima County Board of Supervisors' Meeting
130 W. Congress St., Hearing Room, 1st Fl.
April 21, 2009 9:00 a.m.

1. **ROLL CALL**

2. **INVOCATION**

3. **PLEDGE OF ALLEGIANCE**

4. **PAUSE 4 PAWS**

... **EXECUTIVE SESSIONS**

Call to the Public (for Executive Session items only)

Public discussion and action may occur on the executive session items listed below during the regularly scheduled meeting.

A. Pursuant to A.R.S. §38-431.03(A) (3) and (4), for legal advice and direction regarding Pima County v. Concord Equities, Tax Parcel No. 137-11-428V, Arizona Tax Court Case No. TX2005-050275/1 CA-TX 08-003.

B. Pursuant to A.R.S. §38-431.03(A) (3) and (4), for legal advice and direction regarding participation in a settlement conference with a private mediator in Valles, et. al. v. Pima County, et. al., U.S. District Court Case No. 08-CV-00009TUC.

BOARD OF SUPERVISORS SITTING AS OTHER BOARDS

... **FLOOD CONTROL DISTRICT BOARD**

RESOLUTION NO. 2009 – FC_4_, of the Board of Directors of the Pima County Flood Control District, Pima County, Arizona, providing notice to withdraw from membership in the University of Arizona's Water Conservation Alliance of Southern Arizona, and approving and authorizing the termination of the Intergovernmental Agreement (01-59-A-136290-0705) between Pima County, **Pima County Flood Control District** and the Arizona Board of Regents for membership in said alliance.

... **STADIUM DISTRICT BOARD**

Contract

Pima County, **Pima County Stadium District** and the Pima County Sports and Tourism Authority, to provide for Authority activities and approve the FY 09/10 Budget, Stadium District Fund, contract amount $300,000.00; and Authority contribution, contract amount $50,000.00 annually ($100,000.00 for FY 08/09 and FY 09/10) (11-71-P-141887-0708)

BOARD OF SUPERVISORS SITTING IN REGULAR SESSION

5. **CONSENT CALENDAR:** For consideration and approval

A. **CALL TO THE PUBLIC**

B. **APPROVAL OF CONSENT CALENDAR**

*(**Clerk's Note**: This item should be heard after 10:00 a.m., after the bid opening.)

* 6. **FINANCE AND RISK MANAGEMENT**

RESOLUTION NO. 2009 - **69**, providing for the issuance and sale of $18,940,000.00 principal amount of Pima County, Arizona Sewer Revenue Bonds, Series 2009; providing for the payment of the bonds; providing terms, covenants and conditions concerning the bonds; accepting a bid for the purchase of the bonds; authorizing and directing the execution and delivery of documents and further actions relating to the issuance of the bonds; appointing an initial bond registrar and paying agent for the bonds; and declaring an emergency.

7. **PROCUREMENT**

A. **Appeal of Procurement Director's Decision**

Pursuant to Pima County Code Section 11.20.010(J), Keith R. Eismann, Value Added Communications, appeals the decision of the Procurement Director regarding Solicitation No. 0901141, ADC Inmate Telephone System.

B. **Award**

Award of Revenue Contract, Solicitation No. 0901141: to the Highest Scoring Proposal submitted by FSH Communications,

* * * * *

NEW BUSINESS

PLAT NOTE WAIVER

18. Co12-71-60A, OSHRIN PARK SUBDIVISION, LOT 78
Request of David Scheeler and Kelli Koski for a waiver of plat note No. 8 of Oshrin Park (Bk. 27, Pg. 26) which states, "The owner hereby files a covenant running with the land that all lots will be limited to one dwelling unit per gross acre until sewers are available." The applicant requests to allow a second dwelling on Lot 78, which is 1.00 acre zoned SH and is located on the north side of Calle Appaloosa, approximately 330 feet east of Cerius Stravenue, north of Pima Farms Road. Reference Case: Co9-70-39. Staff recommends **APPROVAL WITH CONDITIONS**. (District 1)

19. **Street Name Change**

Present	Proposed
Unnamed easement/road Co14-09-004 (District 3)	Spica Drive

20. **CALL TO THE PUBLIC**

21. **ADJOURNMENT**

POSTED: Levels A & B, 1st & 5th Floors, Pima County Administration Bldg.

DATE POSTED: 4/15/09

TIME POSTED: 5:00 P.M.

TAX COMPLIANCE CERTIFICATE
OF ISSUER

Pertaining to

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS, SERIES 2009

Dated as of May 6, 2009

Pima County, Arizona (the "Issuer"), by its officer signing this Certificate, certifies, represents, and covenants as follows with respect to the captioned bonds (the "Issue") being issued pursuant to the provisions of Resolutions adopted by the Board of Supervisors of the Issuer on June 18, 1991, as amended, and April 21, 2009 (collectively, the "Resolution"). All statements in this Certificate are of facts or, as to events to occur in the future, reasonable expectations.

I. DEFINITIONS

1.10. Attachment A. The definitions and cross-references set forth in Attachment A apply to this Certificate and its Attachments. All capitalized terms relating to a particular issue, such as Sale Proceeds, relate to the Issue, unless indicated otherwise. (For example, "Sale Proceeds" refers to Sale Proceeds of the Issue, unless indicated otherwise.)

1.20. Special Definitions. In addition, the following definitions apply to this Certificate and its Attachments:

"Bond Fund" means the portions of the Issuer's Bond Fund established by the Resolution that are properly allocable to the Issue.

"Bond Insurance" means the policy of financial guaranty insurance pertaining to the Issue issued by the Bond Insurer.

"Bond Insurer" means Assured Guaranty Corp.

"Instructions" means the Rebate Instructions attached hereto as Attachment A-1.

"Project" means the costs incurred by the Issuer in connection with the acquisition, constructing and equipping of extensions and improvements to the County's sewer system (the "System"), Arizona, pursuant to the authorization granted by the qualified electors of the Issuer voting at bond elections held on May 20, 1997 and May 18, 2004, and includes interest on the Issue for up to three years from the Issuance Date or, if later, one year after the date the Project is placed in service, all of which are governmental purposes for purposes of the Code.

"Reserve Fund" means the Reserve Fund created in the Resolution and held by the Issuer.

"Reserve Fund Guaranty" means the surety bond or insurance policy held by the Paying Agent for the account of the Reserve Fund meeting the requirements of the Resolution.

"Underwriter" means UBS Financial Services Inc.

1.30. References. Reference to a Section means a section of the Code. Reference by number only (for example, "2.10") means that numbered paragraph of this Certificate. Reference to an Attachment means an attachment to this Certificate.

II. ISSUE DATA

2.10. Issuer. The Issuer is a Governmental Unit.

2.20. Purpose of Issue. The Issue is being issued to provide funds to (A) pay costs of the Project, (B) purchase Bond Insurance and a Reserve Fund Guaranty, and (C) pay Issuance Costs.

2.30. Dates. The Sale Date is April 21, 2009 and the Issuance Date is May 6, 2009. The final maturity date of the Issue is July 1, 2024.

2.40. Issue Price. The Issue Price is described in Attachment B and is computed as follows:

Par amount	$18,940,000.00
Net original issue premium	412,702.25
Pre-Issuance Accrued Interest	0.00
Issue Price	$19,352,702.25

2.50. Sale Proceeds, Net Proceeds and Net Sale Proceeds. The Sale Proceeds, Net Proceeds and Net Sale Proceeds are as follows:

Issue Price	$19,352,702.25
Pre-Issuance Accrued Interest	(0.00)
Sale Proceeds	$19,352,702.25
Deposit to Reserve Fund	(0.00)
Net Proceeds	$19,352,702.25
Minor Portion	(100,000.00)
Net Sale Proceeds	$19,252,702.25

2.60. Disposition of Sale Proceeds. The Sale Proceeds will be applied as follows:

To pay costs of the Project and Issuance Costs	$18,959,928.62
To purchase Bond Insurance	192,951.63
To purchase Reserve Fund Guaranty	80,500.00
To pay Underwriter's Discount	119,322.00
Total Sale Proceeds	$19,352,702.25

2.70. Higher Yielding Investments. Gross Proceeds will not be invested in Higher Yielding Investments except for (A) those Gross Proceeds identified in 3.10, 3.20, and 3.30, but only during the applicable Temporary Periods there described for those Gross Proceeds, and (B) the Minor Portion to the extent provided in 3.70.

2.80. Single Issue. All of the obligations of the Issue were sold on the Sale Date pursuant to the same plan of financing and are expected to be paid from substantially the same source of funds. Accordingly, all of the obligations of the Issue constitute a single "issue" for federal income tax purposes. No obligations, other than those comprising the Issue, have been or will be sold less than 15 days before or after the Sale Date that are expected to be paid from substantially the same source of funds as the Issue. Whether obligations are expected to be paid from substantially the same source of funds is determined without regard to guarantees from a person who is not a Related Party to the Issuer. Accordingly, no obligations other than those comprising the Issue are a part of a single issue with the Issue.

III. ARBITRAGE (NONREBATE) MATTERS

3.10. Use of Sale Proceeds and Pre-Issuance Accrued Interest; Temporary Periods; Transferred Proceeds.

(A) Pre-Issuance Accrued Interest. There is no Pre-Issuance Accrued Interest.

(B) Underwriter's Discount, Bond Insurance and Reserve Fund Guaranty. Sale Proceeds in the amount of $119,322.00 will be retained by the Underwriter from the Issue Price otherwise paid to the Issuer to purchase the Issue as compensation for its services in marketing the Issue to the public. The Underwriter will use a portion of such Sale Proceeds in the amount of $273,451.63 on the Issuance Date to pay, on behalf of the Issuer, the premiums for the Bond Insurance ($192,951.63) and the Reserve Fund Guaranty ($80,500.00). The Bond Insurance constitutes a Qualified Guarantee. See 5.20 and Attachments D and C.

(C) Payment of Issuance Costs and Project Costs. Sale Proceeds of the Issue in the amount of $18,959,928.62 will be used to pay Issuance Costs and a portion of the costs of the Project. Sale Proceeds in the amount of $19,928.62 will be used to pay Issuance Costs within 13 months from the Issuance Date, such period being the Temporary Period for that amount. The remainder of $18,940,000.00 will be used for costs of the Project and may be used to acquire or hold Higher Yielding Investments for a period ending on the third anniversary of the Issuance

Date (such period being the Temporary Period for such amount) because the following three tests are reasonably expected to be satisfied:

(a) At least 85% of the Net Sale Proceeds of the Issue will be allocated to expenditures on the Project by the end of the Temporary Period for such Net Sale Proceeds;

(b) Within 6 months of the Issuance Date, the Issuer will incur substantial binding obligations to one or more third parties to expend at least 5% of the Net Sale Proceeds on the Project; and

(c) Completion of the Project and the allocation of the Net Sale Proceeds to expenditures with respect to the Project will proceed with due diligence.

Any Sale Proceeds that remain unspent on the third anniversary of the Issuance Date, which is the expiration date of the Temporary Period for such Proceeds, shall not be invested in Higher Yielding Investments with respect to the Issue after that date except as part of the Minor Portion. In complying with the foregoing sentence, the Issuer may take into account "yield reduction payments" (within the meaning of Regulations §1.148-5(c)) timely paid to the United States.

3.20. Reserve Fund. Sale proceeds in the amount of $80,500.00 will not be invested but will be immediately paid to the Bond Insurer to purchase the Reserve Fund Guaranty in a maximum stated amount of $2,300,000.00. The Reserve Fund is a common reserve fund for all Parity Bonds, including the Issue. The Reserve Fund is to be funded with Net Revenues and/or Reserve Fund Guaranties and maintained at the Reserve Fund Requirement, which means the lesser of (A) average annual debt service on all Parity Bonds (i.e. $19,070,481) or (B) the maximum amount permitted under Section 148 of the Code. At no time will the aggregate amounts held in the Reserve Fund that are invested in Higher Yielding Investments exceed the least of (i) 10% of the stated amount of the Parity Bonds ($24,847,724), (ii) maximum annual debt service on all Parity Bonds ($25,394,332), and (iii) 125% of average annual debt service on all Parity Bonds ($23,838,101). Any amounts in the Reserve Fund in excess of the least of these amounts will not be invested in Higher Yielding Investments with the respect to the Issue. The establishment and funding of the Reserve Fund to the Reserve Requirement was reasonably required by the Issuer's bond resolution.

3.30. Investment Proceeds. Any Investment Proceeds will be used to pay costs of the Project and may be invested in Higher Yielding Investments during the Temporary Period identified in 3.10(C) or, if longer, during the one year period from the date of receipt, such period being the Temporary Period for such Proceeds.

3.40. Bond Fund. Amounts deposited from time to time in the Bond Fund, which is a Bona Fide Debt Service Fund, will be used to pay Debt Service within 13 months after the amounts are so deposited, such period being the Temporary Period for such amounts.

3.50. No Other Replacement Fund or Assured Available Funds. The Issuer has not established and does not expect to establish or use any sinking fund, debt service fund, redemption fund, reserve or replacement fund, or similar fund, or any other fund to pay Debt

Service other than the Bond Fund and the Reserve Fund. Except for money referred to in 3.20 and 3.30 and Proceeds of a Refunding Issue, if any, no other money or Investment Property is or will be pledged as collateral or used for the payment of Debt Service (or for the reimbursement of any others who may provide money to pay that Debt Service), or is or will be restricted, dedicated, encumbered, or set aside in any way as to afford the holders of the Issue reasonable assurance of the availability of such money or Investment Property to pay Debt Service.

3.60. No Overissuance. The Proceeds are not reasonably expected to exceed the amount needed for the governmental purposes of the Issue as set forth in 2.20.

3.70. Other Uses of Proceeds Negated. Except as stated otherwise in this Certificate, none of the Proceeds will be used:

(A) to pay principal of or interest on, refund, renew, roll over, retire, or replace any other obligations issued by or on behalf of the Issuer or any other Governmental Unit,

(B) to replace any Proceeds of another issue that were not expended on the project for which such other issue was issued,

(C) to replace any money that was or will be used directly or indirectly to acquire Higher Yielding Investments,

(D) to make a loan to any person or other Governmental Unit,

(E) to pay any Working Capital Expenditures other than expenditures identified in Regulations §1.148 6(d)(3)(ii)(A) and (B) (i.e., Issuance Costs, Qualified Administrative Costs, reasonable charges for a Qualified Guarantee or for a Qualified Hedge, interest on the Issue for a period commencing on the Issuance Date and ending on the date that is the later of three years from such Issuance Date or one year after the date on which the project financed or refinanced by the Issue is Placed in Service, payments of the Rebate Amount, and costs, other than those already described, that do not exceed 5% of the Sale Proceeds and that are directly related to Capital Expenditures financed, principal or interest on an issue paid from unexpected excess Sale Proceeds or Investment Proceeds, principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a Bona Fide Debt Service Fund and expenditures for extraordinary, nonrecurring items that are not customarily payable from current revenues, such as casualty losses or extraordinary legal judgments in amounts in excess of reasonable insurance coverage), or

(F) to reimburse any expenditures made prior to the Issuance Date that do not satisfy the requirements for a Reimbursement Allocation.

No portion of the Issue is being issued solely for the purpose of investing Proceeds in Higher Yielding Investments.

3.80. Minor Portion. The Minor Portion of $100,000.00 may be invested in Higher Yielding Investments.

3.90. No Other Replacement Proceeds. That portion of the Issue that is to be used to finance Capital Expenditures has a weighted average maturity that does not exceed 120% of the weighted average reasonably expected economic life of the property resulting from such Capital Expenditures.

IV. REBATE MATTERS

4.10. Issuer Obligation Regarding Rebate. In accordance with its covenants contained in the Resolution, the Issuer will calculate and make, or cause to be calculated and made, payments of the Rebate Amount in the amounts and at the times and in the manner provided in Section 148(f) and the Instructions with respect to Gross Proceeds to the extent not exempted under Section 148(f)(4) and the Instructions.

4.20. No Avoidance of Rebate Amount. No amounts that are required to be paid to the United States will be used to make any payment to a party other than the United States through a transaction or a series of transactions that reduces the amount earned on any Investment Property or that results in a smaller profit or a larger loss on any Investment Property than would have resulted in an arm's length transaction in which the Yield on the Issue was not relevant to either party to the transaction.

4.30. Exceptions.

(A) Notwithstanding the foregoing, the computations and payments of amounts to the United States referred to in IV. need not be made to the extent that such failure will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Issue, based on an Opinion of Bond Counsel.

(B) The Issue is a Construction Issue. The Issuer hereby elects to apply the 2-year spending exception to the rebate requirement on the basis of actual facts instead of the Issuer's reasonable expectations.

V. OTHER TAX MATTERS

5.10. Not Private Activity Bonds or Pool Bonds. No obligation of the Issue will be a Private Activity Bond or a pooled financing bond (within the meaning of Section 149(f)), based on the following:

(A) Not more than 5% of the Proceeds, if any, directly or indirectly, will be used for a Private Business Use and not more than 5%, if any, of the Debt Service, directly or indirectly, will be derived from or secured by Private Security or Payments.

(B) Less than 5% or $5,000,000, whichever is less, of the Proceeds, if any, will be used to make or finance loans to any Private Person or Governmental Unit other than the Issuer.

(C) The lesser of the Proceeds that are being or will be used for any Private Business Use or the Proceeds with respect to which there are Private Security or Payments does not exceed $15,000,000 and none of the Proceeds will be used with respect to an "output

facility" (other than a facility for the furnishing of water) within the meaning of Section 141(b)(4).

(D) The Issuer does not intend to sell or otherwise dispose of the Project or any portion thereof during the term of the Issue except for dispositions of property in the normal course at the end of such property's useful life to the Issuer. With respect to tangible personal property, if any, that is part of the Project financed with the Issue, the Issuer reasonably expects that:

(1) Dispositions of such tangible personal property, if any, will be in the ordinary course of an established governmental program;

(2) The weighted average maturity of the bonds of the Issue financing or refinancing such property (treating the bonds of the Issue properly allocable to such personal property, as a separate issue for this purpose) will not be greater than 120% of the reasonably expected actual use of such property for governmental purposes;

(3) The fair market value of such property on the date of disposition will not be greater than 25% of its cost;

(4) The property will no longer be suitable for its governmental purposes on the date of disposition; and

(5) The amounts received from any disposition of such property are required to, and will be, deposited in the Issuer's General Fund and commingled with substantial tax or other governmental revenues and will be spent on governmental programs within 6 months from the date of such deposit and commingling.

5.20. Qualified Guarantee. Based on the representations of the Underwriter and the Bond Insurer attached hereto as Attachments B and C, respectively, the Bond Insurance is a qualified Guarantee and the premium therefor may be taken into account as additional interest paid on the Issue. The Issuer reasonably expects that the present value of the premium for the Bond Insurance will be less than the present value of the interest savings on the Issue as a result of the Bond Insurance, for which purpose the present value is computed using the Yield (taking into account such premium for Bond Insurance) as the discount rate.

5.30. Issue Not Federally Guaranteed. The Issue is not Federally Guaranteed.

5.40. Not Hedge Bonds. At least 85% of the Spendable Proceeds of the Issue will be used to carry out the governmental purposes of the Issue within three years from the Issuance Date. Not more than 50%, if any, of the Proceeds of the Issue will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more, including but not limited to any investment contract or fixed Yield investment having a maturity of four years or more. The reasonable expectations stated above were not and are not based on and do not take into account (A) any expectations or assumptions as to the occurrence of changes in market interest rates or changes of federal tax law or regulations or rulings thereunder or (B) any prepayments of items other than items that are customarily prepaid.

5.50. Hedge Contracts. The Issuer has not entered into, and does not reasonably expect to enter into, any Hedge with respect to the Issue, or any portion thereof. The Issuer acknowledges that entering into a Hedge with respect to the Issue, or any portion thereof, may change the Yield and that Bond Counsel should be contacted prior to entering into any Hedge with respect to the Issue in order to determine whether payments/receipts pursuant to the Hedge are to be taken into account in computing the Yield on the Issue.

5.60. Internal Revenue Service Information Return. Within the time and on the form prescribed by the Internal Revenue Service under Section 149(e), the Issuer will file with the Internal Revenue Service an Information Return setting forth the required information relating to the Issue. The information reported on that Information Return will be true, correct and complete to the best of the knowledge and belief of the undersigned.

5.70. Responsibility of Officer.

(A) The officer signing this Certificate is one of the officers of the Issuer responsible for issuing the Issue.

(B) In making the representations in this Certificate, the Issuer relies in part on the representations of the Underwriter as set forth in the Underwriter's Certificate attached hereto as Attachment B, the representations of the Bond Insurer in the Bond Insurer's Certificate attached hereto as Attachment C and the representations of the Financial Advisor in the Certificate of Financial Advisor attached hereto as Attachment D. To the best of the knowledge, information, and belief of the undersigned, all expectations stated in this Certificate and in Attachments B, C and D are the expectations of the Issuer and are reasonable, all facts stated are true, and there are no other existing facts, estimates, or circumstances that would or could materially change the statements made in this Certificate or in Attachments B, C or D. The certifications and representations made in this Certificate and in Attachments B, C and D are intended to be relied upon as certifications described in Treasury Regulations § 1.148-2(b). The Issuer acknowledges that any change in the facts or expectations from those set forth in this Certificate or in Attachments B, C or D may result in different requirements or a change in status of the Issue or interest thereon under the Code, and that bond counsel should be contacted if such changes are to occur or have occurred.

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The date of this Certificate is May 6, 2009.

PIMA COUNTY, ARIZONA

By: _____
Thomas Burke
Finance and Risk Management Director

[Signature page of Tax Compliance Certificate]

Attachment A

Definitions for Tax Compliance Certificate

The following terms, as used in Attachment A and in the Tax Compliance Certificate to which it is attached and in the other Attachments to the Tax Compliance Certificate, have the following meanings unless therein otherwise defined or unless a different meaning is indicated by the context in which the term is used. Capitalized terms used within these definitions that are not defined in Attachment A have the meanings ascribed to them in the Tax Compliance Certificate to which this Attachment A is attached. The word "Issue," in lower case, refers either to the Issue or to another issue of obligations or portion thereof treated as a separate issue for the applicable purposes of Section 148, as the context requires. The word "obligation" or "obligations," in lower case, includes any obligation, whether in the form of bonds, notes, certificates, or any other obligation that is a "bond" within the meaning of Section 150(a)(1). All capitalized terms used in this Certificate include either the singular or the plural. All terms used in this Attachment A or in the Tax Compliance Certificate to which this Attachment A is attached, including terms specifically defined, shall be interpreted in a manner consistent with Sections 103 and 141-150 and the applicable Regulations thereunder except as otherwise specified. All references to Section, unless otherwise noted, refer to the Code.

"Advance Refunding Issue" means any Refunding Issue that is not a Current Refunding Issue.

"Advance Refunding Portion" means that portion of a Multipurpose Issue that constitutes a separate governmental purpose and that would be treated as an Advance Refunding Issue if it had been issued as a separate issue.

"Available Construction Proceeds" means an amount equal to (a) the sum of (i) the Issue Price of an issue, (ii) Investment Proceeds on that Issue Price, (iii) earnings on any reasonably required reserve or replacement fund allocable to the issue not funded from the Issue Price, and (iv) Investment Proceeds and earnings on (ii) and (iii), (b) reduced by the portions, if any, of the Issue Price of the issue (i) attributable to Pre-Issuance Accrued Interest and earnings thereon, (ii) allocable to the underwriter's discount, (iii) used to pay other Issuance Costs of the issue, and (iv) deposited in a reasonably required reserve or replacement fund allocable to the issue. "Available Construction Proceeds" does not include Investment Proceeds or earnings on a reasonably required reserve or replacement fund allocable to the issue for any period after the earlier of (a) the close of the 2-year period that begins on the Issuance Date or (b) the date the construction of the project financed by the issue is substantially completed, provided, however, that such Investment Proceeds or earnings shall be excluded from "Available Construction Proceeds" if the Issuer has timely elected such exclusion. If an issue is a Multipurpose Issue that includes a New Money Portion that is a Construction Issue, this definition shall be applied by substituting "New Money Portion" for "issue" each place the latter term appears. If an issue or the New Money Portion of a Multipurpose Issue, as applicable, is not a Construction Issue, and the Issuer makes the bifurcation election under Regulations §1.148-7(j)(1) and Section 148(f)(4)(C)(v) to treat the issue or the New Money Portion as two separate issues consisting of the Construction Portion and the

Nonconstruction Portion, this definition shall be applied by substituting "Construction Portion" for "issue" each place the latter term appears.

"Bifurcated Issue" means a New Money Issue or the New Money Portion of a Multipurpose Issue that the Issuer, pursuant to Section 148(f)(4)(C)(v) and Regulations §1.148-7(j), has elected in its Tax Compliance Certificate to bifurcate into a Construction Portion, which finances 100% of the Construction Expenditures, and a Nonconstruction Portion.

"Bona Fide Debt Service Fund" means a fund, including a portion of or an account in that fund (or in the case of a fund established for two or more issues, the portion of that fund properly allocable to an issue), or a combination of such funds, accounts or portions that is used primarily to achieve a proper matching of revenues with Debt Service on an issue within each Bond Year and that is depleted at least once each year except for a reasonable carryover amount not to exceed the greater of the earnings thereon for the immediately preceding Bond Year or one-twelfth of the annual Debt Service on the issue for the immediately preceding Bond Year.

"**Bond Counsel's Opinion**" or **"Opinion of Bond Counsel"** means an opinion or opinions of a nationally recognized bond counsel firm whose opinion is given with respect to the Issue when issued, or its successors or other nationally recognized bond counsel appointed by the Issuer.

"Bond Year" means the annual period relevant to the application of Section 148(f) to an issue, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the Issuance Date of an issue unless the Issuer selects another date on which to end a Bond Year in the manner permitted by the Code.

"Capital Expenditures" means costs of a type that are properly chargeable to a capital account (or would be so chargeable with a proper election) under general federal income tax principles, including capitalized interest computed taking into account the Placed in Service date.

"Code" means the Internal Revenue Code of 1986, the Regulations (whether temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a Section includes any applicable successor section or provision and such applicable Regulations, rulings, announcements, notices, procedures and determinations pertinent to that Section.

"Commingled Fund" means any fund or account of the Issuer that contains both Gross Proceeds of an issue and amounts in excess of $25,000 that are not Gross Proceeds of the issue if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of funds deposited in the fund or account.

"Commingled Investment Proceeds" means Investment Proceeds of an issue (other than Investment Proceeds held in a Refunding Escrow) that are deposited in a Commingled Fund with substantial tax or other revenues from governmental operations of the Issuer and that are

reasonably expected to be spent for governmental purposes within 6 months from the date of deposit in the Commingled Fund, using any reasonable accounting assumptions.

"Computational Base" means the amount of Gross Proceeds the Issuer or Conduit Borrower reasonably expects, as of the date a Guaranteed Investment Contract is required, to be deposited in that Guaranteed Investment Contract over its term.

"Computation Date" means each date on which the Rebate Amount for an issue is required to be computed under Regulations §1.148-3(e). In the case of a Fixed Yield Issue, the first Computation Date shall not be later than five years after the Issuance Date of the issue. Subsequent Computation Dates shall be not later than five years after the immediately preceding Computation Date for which an installment payment of the Rebate Amount was paid. In the case of a Variable Yield Issue, the first Computation Date shall be the last day of any Bond Year irrevocably selected by the Issuer ending on or before the fifth anniversary of the Issuance Date of such issue and subsequent Computation Dates shall be the last day of each Bond Year thereafter or each fifth Bond Year thereafter, whichever is irrevocably selected by the Issuer after the first date on which any portion of the Rebate Amount is required to be paid to the United States. The final Computation Date is the date an issue is retired.

"Conduit Borrower" means the obligor on a purpose investment.

"Conduit Financing Issue" means an issue the Proceeds of which are reasonably expected to be used to finance one or more Conduit Loans.

"Conduit Loan" means a purpose investment acquired by the Issuer with Proceeds of a Conduit Financing Issue, thereby effecting a loan to the Conduit Borrower.

"Construction Expenditures" means Capital Expenditures allocable to the cost of real property (including the construction or making of improvements to real property, but excluding acquisitions of interests in land or other existing real property) or constructed personal property within the meaning of Regulations §1.148-7(g).

"Construction Issue" means an issue at least 75% of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property that is, or upon completion will be, owned by a Governmental Unit or a 501(c)(3) Organization. If an issue is a Multipurpose Issue that includes a New Money Portion, this definition shall be applied by substituting "New Money Portion" for "Construction Issue" each place the latter term appears. If an election under Section 148(f)(4)(C)(v) and Regulations §1.148-7(j) is made to bifurcate an issue or the New Money Portion of a Multipurpose Issue, this definition shall be applied by substituting "Construction Portion" for "Construction Issue" each place the latter term appears.

"Construction Portion" means that portion of an issue or the New Money Portion of a Multipurpose Issue at least 75% of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property that is, or upon completion will be, owned by a Governmental Unit or a 501(c)(3) Organization and that finances 100% of the Construction Expenditures.

"Controlled Group" means a group of entities controlled directly or indirectly by the same entity or group of entities within the meaning of Regulations §1.150-1(e).

"Current Refunding Issue" means a Refunding Issue that is issued not more than 90 days before the last expenditure of any Proceeds of the Refunding Issue for the payment of Debt Service on the Refunded Bonds.

"Current Refunding Portion" means that portion of a Multipurpose Issue that constitutes a separate governmental purpose and that would be treated as a Current Refunding Issue if it had been issued as a separate issue.

"Debt Service" means principal of and interest and any redemption premium on an issue.

"Excess Gross Proceeds" means all Gross Proceeds of an Advance Refunding Issue that exceed an amount equal to 1% of the Sale Proceeds of such Advance Refunding Issue, other than Gross Proceeds allocable to: (a) payment of Debt Service on the Refunded Bonds; (b) payment of Pre-Issuance Accrued Interest on the Advance Refunding Issue and interest on the Advance Refunding Issue that accrues for a period up to the completion date of any capital project financed by the Prior Issue, plus one year; (c) a reasonably required reserve or replacement fund for the Advance Refunding Issue or Investment Proceeds of such fund; (d) payment of Issuance Costs of the Advance Refunding Issue; (e) payment of administrative costs allocable to repaying the Refunded Bonds, carrying and repaying the Advance Refunding Issue, or investments of the Advance Refunding Issue; (f) Transferred Proceeds allocable to expenditures for the governmental purpose of the Prior Issue (treating for this purpose all unspent Proceeds of the Prior Issue properly allocable to the Refunded Bonds as of the Issuance Date of the Advance Refunding Issue as Transferred Proceeds); (g) interest on purpose investments; (h) Replacement Proceeds in a sinking fund for the Advance Refunding Issue; and (i) fees for a Qualified Guarantee for the Advance Refunding Issue or the Prior Issue. If an Issue is a Multipurpose Issue that includes an Advance Refunding Portion, this definition shall be applied by substituting "Advance Refunding Portion" for "Advance Refunding Issue" each place the latter term appears.

"Federally Guaranteed" means that (a) the payment of Debt Service on an issue, or the payment of principal or interest with respect to any loans made from the Proceeds of the issue, is directly or indirectly guaranteed in whole or in part by the United States or by an agency or instrumentality of the United States, within the meaning of Section 149(b), or (b) more than 5% of the Proceeds of an issue will be invested directly or indirectly in federally insured deposits or accounts. The preceding sentence does not apply to (a) Proceeds invested during an initial Temporary Period until such Proceeds are needed to pay costs of the project, (b) investments of a Bona Fide Debt Service Fund, (c) direct purchases from the United States of obligations issued by the United States Treasury, or (d) other investments permitted by Section 149(b) or Regulations §1.149(b)-1(b).

"501(c)(3) Organization" means an organization described in Section 501(c)(3) and exempt from tax under Section 501(a).

"Fixed Yield Issue" means an issue of obligations the Yield on which is fixed and determinable on the Issuance Date.

"Future Value" means the value of a Payment or Receipt at the end of a period determined using the economic accrual method as the value of that Payment or Receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the Yield on the applicable issue, using the same compounding interval and financial conventions that were used to compute that Yield.

"Guaranteed Investment Contract" means any Nonpurpose Investment that has specifically negotiated withdrawal or retirement provisions and a specifically negotiated interest rate and any agreement to supply investments on two or more future dates (*e.g.*, a forward supply contract).

"Governmental Unit" means a state, territory or possession of the United States, the District of Columbia, or any political subdivision thereof referred to as a "State or local governmental unit" in Regulations §1.103-1(a). "Governmental Unit" does not include the United States or any agency or instrumentality of the United States.

"Gross Proceeds" means Proceeds and Replacement Proceeds of an issue.

"Hedge" means a contract entered into by the Issuer or the Conduit Borrower primarily to modify the Issuer's or the Conduit Borrower's risk of interest rate changes with respect to an obligation (e.g., an interest rate swap, an interest rate cap, a futures contract, a forward contract or an option).

"Higher Yielding Investments" means any Investment Property that produces a Yield that (a) in the case of Investment Property allocable to Replacement Proceeds of an issue and Investment Property in a Refunding Escrow, is more than one thousandth of one percentage point (.00001) higher than the Yield on the applicable issue, and (b) for all other purposes is more than one-eighth of one percentage point (.00125) higher than the Yield on the issue.

"Investment Proceeds" means any amounts actually or constructively received from investing Proceeds of an issue in Investment Property.

"Investment Property" means investment property within the meaning of Sections 148(b)(2) and 148(b)(3), including any security (within the meaning of Section 165(g)(2)(A) or (B)), any obligation, any annuity contract and any other investment-type property (including certain residential rental property for family units as described in Section 148(b)(2)(E) in the case of any bond other than a Private Activity Bond). Investment Property includes a Tax-Exempt Obligation that is a "specified private activity bond" as defined in Section 57(a)(5)(C), but does not include other Tax-Exempt Obligations.

"Issuance Costs" means costs to the extent incurred in connection with, and allocable to, the issuance of an issue, and includes underwriter's compensation withheld from the Issue Price, counsel fees, financial advisory fees, rating agency fees, trustee fees, paying agent fees, bond registrar, certification and authentication fees, accounting fees, printing costs for bonds and

offering documents, public approval process costs, engineering and feasibility study costs, guarantee fees other than for a Qualified Guarantee and similar costs, but does not include fees charged by the Issuer.

"Issuance Date" means the date of physical delivery of an issue by the Issuer in exchange for the purchase price of the issue.

"Issue Price" means in the circumstances applicable to an issue:

(1) Public Offering. In the case of obligations actually offered to the general public in a bona fide public offering at the initial offering price for each maturity set forth in the certificate of the underwriter or placement agent attached to the Tax Compliance Certificate of the Issuer, the aggregate of the initial offering price for each maturity (including any Pre-Issuance Accrued Interest and taking into account any original issue premium and original issue discount), which price is not more than the fair market value thereof as of the Sale Date, and at which initial offering price not less than 10% of the principal amount of each maturity, as of the Sale Date, was sold or reasonably expected to be sold (other than to bond houses, brokers or other intermediaries). In the case of publicly offered obligations that are not described in the preceding sentence, Issue Price means the aggregate of the initial offering price to the public of each maturity set forth in the certificate of the underwriter or placement agent attached to the Tax Compliance Certificate of the Issuer, at which initial offering price not less than 10% of the principal amount of each maturity was sold to the public. Notwithstanding the foregoing, in no event shall the Issue Price of an issue exceed the fair market value of the issue as of the Sale Date thereof.

(2) Private Placement. In the case of obligations sold by private placement, the aggregate of the prices (including any Pre-Issuance Accrued Interest and original issue premium, but excluding any original issue discount) paid to the Issuer by the first purchaser(s) (other than bond houses, brokers or other intermediaries). Notwithstanding the foregoing, in no event shall the Issue Price of an issue exceed the fair market value of the issue as of the Sale Date thereof.

"Minor Portion" means an amount equal to the lesser of $100,000 or 5% of the Sale Proceeds of an issue.

"Multipurpose Issue" means an issue the bonds of which are allocable to two or more separate governmental purposes within the meaning of Regulations §1.148-9(h).

"Net Proceeds" means the Sale Proceeds of an issue less the portion thereof, if any, deposited in a reasonably required reserve or replacement fund for the issue.

"Net Sale Proceeds" means the Sale Proceeds of an issue less (a) the portion thereof, if any, deposited in a reasonably required reserve or replacement fund for the issue and (b) the portion invested as a part of a Minor Portion for the issue.

"New Money Issue" means an issue that is not a Refunding Issue.

"New Money Portion" means that portion of a Multipurpose Issue other than the Refunding Portion.

"Nonconstruction Portion" means that portion of a New Money Issue or of the New Money Portion other than the Construction Portion.

"Nonpurpose Investments" means any Investment Property that is acquired with Gross Proceeds as an investment and not in carrying out any governmental purpose of an issue. "Nonpurpose Investments" does not include any investment that is not regarded as "investment property" or a "nonpurpose investment" for the particular purposes of Section 148 (such as certain investments in U.S. Treasury obligations in the State and Local Government Series and certain temporary investments), but does include any other investment that is a "nonpurpose investment" within the applicable meaning of Section 148.

"Payment" means payments actually or constructively made to acquire Nonpurpose Investments, as specified in Regulations §1.148-3(d)(1)(i) through (v).

"Placed in Service" means the date on which, based on all the facts and circumstances, a facility has reached a degree of completion that would permit its operation at substantially its design level and the facility is, in fact, in operation at such level.

"Pre-Issuance Accrued Interest" means interest on an obligation that accrued for a period not greater than one year before its Issuance Date and that will be paid within one year after such Issuance Date.

"Preliminary Expenditures" means any Capital Expenditures that are "preliminary expenditures" within the meaning of Regulations §1.150-2(f)(2), i.e., architectural, engineering, surveying, soil testing, reimbursement bond issuance, and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of a project other than land acquisition, site preparation, and similar costs incident to commencement of construction. The aggregate amount of Preliminary Expenditures may not exceed 20% of the aggregate Issue Price of the issue or issues that financed or are reasonably expected to finance the project for which such Preliminary Expenditures are or were incurred.

"Prior Issue" means an issue of obligations all or a portion of the Debt Service on which is paid or provided for with Proceeds of a Refunding Issue. The Prior Issue may be a Refunding Issue.

"Private Activity Bond" means (a) obligations of an issue more than 10% of the Proceeds of which, directly or indirectly, are or are to be used for a Private Business Use and more than 10% of the Debt Service on which, directly or indirectly, is or is to be paid from or secured by payments with respect to property, or secured by property, used for a Private Business Use, or (b) obligations of an issue, the Proceeds of which are or are to be used to make or finance loans to any Private Person that, in the aggregate, exceed the lesser of 5% of such Proceeds or $5,000,000. In

the event of Unrelated or Disproportionate Use, the tests in (a) shall be applied by substituting 5% for 10% each place the latter term is used.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any Private Person other than use as a member of, and on the same basis as, the general public. Any activity carried on by a Private Person (other than a natural person) shall be treated as a trade or business. In the case of a Qualified 501(c)(3) Bond, Private Business Use excludes use by a 501(c)(3) Organization that is not an unrelated trade or business activity by such 501(c)(3) Organization within the meaning of Section 513(a).

"Private Person" means any natural person or any artificial person, including a corporation, partnership, trust or other entity, other than a Governmental Unit. "Private Person" includes the United States and any agency or instrumentality of the United States.

"Private Security or Payments" means (i) any interest in property used or to be used for a Private Business Use, or in payments in respect of such property, that directly or indirectly secures any payment of principal of, or interest on, an issue, or (ii) payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a Private Business Use from which payments of principal of, or interest on, an issue are directly or indirectly derived, all as determined and measured in accordance with Treasury Regulations Section 1.141-4.

"Proceeds" means any Sale Proceeds, Investment Proceeds, and Transferred Proceeds of an issue. "Proceeds" does not include Replacement Proceeds.

"Qualified Administrative Costs" means the reasonable, direct administrative costs, other than carrying costs, of purchasing or selling Nonpurpose Investments such as separately stated brokerage or selling commissions. Qualified Administrative Costs do not include legal and accounting fees, recordkeeping, custody, and similar costs, general overhead costs and similar indirect costs of the Issuer such as employee salaries and office expenses and costs associated with computing the Rebate Amount. In general, Qualified Administrative Costs are not reasonable unless they are comparable to administrative costs that would be charged for the same investment or a reasonably comparable investment if acquired with a source of funds other than Gross Proceeds of Tax-Exempt Obligations.

"Qualified 501(c)(3) Bonds" means an issue of obligations that satisfies the requirements of Section 145(a).

"Qualified Guarantee" means any guarantee of an obligation that constitutes a "qualified guarantee" within the meaning of Regulations §1.148-4(f).

"Qualified Hedge" means a Hedge that is a "qualified hedge" within the meaning of Regulations §1.148-4(h)(2).

"Reasonable Retainage" means an amount, with respect to an issue, not to exceed 5% of the Net Sale Proceeds of the issue, that is retained for reasonable business purposes relating to the property financed with Proceeds of the issue. For example, Reasonable Retainage may include a retention to ensure or promote compliance with a construction contract in circumstances in

which the retained amount is not yet payable, or in which the Issuer reasonably determines that a dispute exists regarding completion or payment.

"Rebate Amount" means the excess of the future value, as of any date, of all receipts on Nonpurpose Investments acquired with Gross Proceeds of an issue over the future value, as of that date, of all payments on those Nonpurpose Investments, computed in accordance with Section 148(f) and Regulations §1.148-3.

"Rebate Analyst" means an independent individual, firm or entity experienced in the computation of the Rebate Amount pursuant to Section 148(f).

"Receipt" means amounts actually or constructively received from Nonpurpose Investments as specified in Regulations §1.148-3(d)(2)(i) through (iii).

"Refunded Bonds" means obligations of a Prior Issue the Debt Service on which is or is to be paid from Proceeds of a Refunding Issue.

"Refunding Bonds" means obligations of a Refunding Issue.

"Refunding Issue" means an issue the Proceeds of which are or are to be used to pay Debt Service on Refunded Bonds and includes Issuance Costs, Pre-Issuance Accrued Interest or permitted capitalized interest, a reasonably required reserve or replacement fund and similar costs of the Refunding Issue.

"Refunding Escrow" means one or more funds established as part of a single transaction, or a series of related transactions, containing Proceeds of a Refunding Issue and any other amounts to be used to pay Debt Service on Refunded Bonds of one or more issues.

"Refunding Portion" means that portion of a Multipurpose Issue the Proceeds of which are, or are to be, used to pay Debt Service on Refunded Bonds and includes Issuance Costs, Pre-Issuance Accrued Interest or permitted capitalized interest, a reasonably required reserve or replacement fund and similar costs properly allocable to the Refunding Portion.

"Regulations" or **"Reg."** means Treasury Regulations.

"Reimbursement Allocation" means an allocation of the Proceeds of an issue for the reimbursement of Capital Expenditures paid prior to the Issuance Date of such issue that: (a) is evidenced on the books or records of the Issuer maintained with respect to the issue, (b) identifies either actual prior Capital Expenditures, or the fund or account from which the prior Capital Expenditures were paid, (c) evidences the Issuer's use of Proceeds of the issue to reimburse a Capital Expenditure for a governmental purpose that was originally paid from a source other than the Proceeds of the issue, and (d) satisfies the following requirements: except for Preliminary Expenditures, (i) the Issuer adopted an official intent for the Capital Expenditure that satisfies Regulations §1.150-2(e) prior to, or within 60 days after, payment of the Capital Expenditure, and (ii) the allocation in reimbursement of that Capital Expenditure occurs or will occur within 18 months after the later of the date the Capital Expenditure was paid or the date the project resulting from such Capital Expenditure was Placed in Service or abandoned, but in no event more than 3 years after the Capital Expenditure was paid.

"Related Party" means, in reference to a Governmental Unit or 501(c)(3) Organization, any member of the same Controlled Group and, in reference to any person that is not a Governmental Unit or 501(c)(3) Organization, a "related person" as defined in Section 144(a)(3).

"Replacement Proceeds" means, with respect to an issue, amounts (including any investment income, but excluding any Proceeds of any issue) replaced by Proceeds of that issue within the meaning of Section 148(a)(2). "Replacement Proceeds" includes amounts, other than Proceeds, held in a sinking fund, pledged fund or reserve or replacement fund for an issue.

"Sale Date" means, with respect to an issue, the first date on which there is a binding contract in writing with the Issuer for the sale and purchase of an issue (or of respective obligations of the issue if sold by the Issuer on different dates) on specific terms that are not later modified or adjusted in any material respect.

"Sale Proceeds" means that portion of the Issue Price actually or constructively received by the Issuer upon the sale or other disposition of an issue, including any underwriter's compensation withheld from the Issue Price, but excluding Pre-Issuance Accrued Interest.

"Spendable Proceeds" means the Net Sale Proceeds of an issue.

"Tax-Exempt Obligation" means any obligation or issue of obligations (including bonds, notes and lease obligations treated for federal income tax purposes as evidences of indebtedness) the interest on which is excluded from gross income for federal income tax purposes within the meaning of Section 150, and includes any obligation or any investment treated as a "tax-exempt bond" for the applicable purpose of Section 148.

"Tax-Exempt Organization" means a Governmental Unit or a 501(c)(3) Organization.

"Temporary Period" means the period of time, as set forth in the Tax Compliance Certificate, applicable to particular categories of Proceeds of an issue during which such category of Proceeds may be invested in Higher Yielding Investments without the issue being treated as arbitrage bonds under Section 148.

"Transferred Proceeds" means that portion of the Proceeds of an issue (including any Transferred Proceeds of that issue) that remains unexpended at the time that any portion of the principal of the Refunded Bonds of that issue is discharged with the Proceeds of a Refunding Issue and that thereupon becomes Proceeds of the Refunding Issue as provided in Regulations §1.148-9(b). "Transferred Proceeds" does not include any Replacement Proceeds.

"Unrelated or Disproportionate Use" means Private Business Use that is not related to or is disproportionate to use by a Governmental Unit within the meaning of Section 141(b)(3) and Regulations §1.141-9.

"Variable Yield Issue" means any Issue that is not a Fixed Yield Issue.

"Working Capital Expenditures" means any costs of a type that do not constitute Capital Expenditures, including current operating expenses.

"Yield" has the meaning assigned to it for purposes of Section 148, and means that discount rate (stated as an annual percentage) that, when used in computing the present worth of all applicable unconditionally payable payments of Debt Service, all payments for a Qualified Guarantee, if any, and payments and receipts with respect to a Qualified Hedge, if any, as required by the Regulations, paid and to be paid with respect to an obligation (paid and to be paid during and attributable to the Yield Period in the case of a Variable Yield Issue), produces an amount equal to (a) the Issue Price in the case of a Fixed Yield Issue or the present value of the Issue Price at the commencement of the applicable Yield Period in the case of a Variable Yield Issue, or (b) the purchase price for yield purposes in the case of Investment Property, all subject to the applicable methods of computation provided for under Section 148, including variations from the foregoing. The Yield on Investment Property in which Proceeds or Replacement Proceeds of an issue are invested is computed on a basis consistent with the computation of Yield on that issue, including the same compounding interval of not more than one year selected by the Issuer.

"Yield Period" means, in the case of the first Yield Period, the period that commences on the Issuance Date and ends at the close of business on the first Computation Date and, in the case of each succeeding Yield Period, the period that begins immediately after the end of the immediately preceding Yield Period and ends at the close of business on the next succeeding Computation Date.

The terms "bond", "obligation", "reasonably required reserve or replacement fund", "reserve or replacement fund", "loan", "sinking fund", "purpose investment", "same plan of financing", "other replacement proceeds", and other terms relating to Code provisions used but not defined in this Certificate shall have the meanings given to them for purposes of Sections 103 and 141 to 150 unless the context indicates another meaning.

(End of Attachment A)

ATTACHMENT A-1
to
Tax Compliance Certificate of Issuer
Pertaining to

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

INSTRUCTIONS FOR COMPLIANCE WITH REBATE REQUIREMENTS OF SECTION 148(f) OF THE CODE.

The Issuer covenanted in the operative documents (i.e., Ordinance/Resolution/Trust Indenture and Tax Compliance Certificate) to comply with the arbitrage rebate requirement of Section 148(f) of the Code. These Instructions provide guidance for that compliance, including the spending exceptions that free the Issue from all or part of the rebate requirements. Capitalized terms that are not defined in these Rebate Instructions are defined in Attachment A to the Tax Compliance Certificate.

PART I: GENERAL

SECTION 1.01. REBATE GENERALLY.

The Rebate Amount with respect to the Issue must be paid (rebated) to the United States to prevent the bonds of the Issue from being arbitrage bonds, the interest on which is subject to federal income tax. In general, the Rebate Amount is the amount by which the actual earnings on Nonpurpose Investments purchased (or deemed to have been purchased) with Gross Proceeds of the Issue exceed the amount of earnings that would have been received if those Nonpurpose Investments had a Yield equal to the Yield on the Issue.[1] Stated differently, the Rebate Amount for the Issue as of any date is the excess of the Future Value, as of that date, of all Receipts on Nonpurpose Investments over the Future Value, as of that date, of all Payments on Nonpurpose Investments, computed using the Yield on the Issue as the Future Value rate.[2]

If the Issue is a Fixed Yield Issue, the Yield on the Issue generally is the Yield to maturity, taking into account mandatory redemptions prior to maturity. If the Issue is a Variable Yield Issue, the Yield on the Issue is computed separately for each Yield Period selected by the Issuer.

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1. Amounts earned on the Bona Fide Debt Service Fund for the Issue are not taken into account in determining the Rebate Amount for any Bond Year in which the gross earnings on such Fund for such Year are less than $100,000.

2. The scope of these Instructions does not permit a detailed description of the computation of the Rebate Amount with respect to the Issue. If you need assistance in computing the Rebate Amount on the Issue or want Squire, Sanders & Dempsey L.L.P. to do the computations, please feel free to contact the Squire, Sanders & Dempsey L.L.P. attorney with whom you normally consult to discuss engaging the Firm to provide such assistance.

PART II: EXCEPTIONS TO REBATE

SECTION 2.01. SPENDING EXCEPTIONS.

The rebate requirements with respect to the Issue are deemed to have been satisfied if any one of three spending exceptions (the 6-Month, the 18-Month, or the 2-Year Spending Exception, collectively, the "Spending Exceptions") is satisfied. The Spending Exceptions are each independent exceptions. The Issue need not meet the requirements of any other exception in order to use any one of the three exceptions. For example, a Construction Issue may qualify for the 6-Month Spending Exception or the 18-Month Spending Exception even though the Issuer makes one or more elections under the 2-Year Exception with respect to the Issue.

The following rules apply for purposes of all of the Spending Exceptions except as otherwise noted.

Refunding Issues. The only spending exception available for a Refunding Issue[3] is the 6-Month Spending Exception.

Special Transferred Proceeds Rules. In applying the Spending Exceptions to a Refunding Issue, unspent Proceeds of the Prior Issue that become Transferred Proceeds of the Refunding Issue are ignored. If the Prior Issue satisfies one of the rebate Spending Exceptions, the Proceeds of the Prior Issue that are excepted from rebate under that exception are not subject to rebate either as Proceeds of the Prior Issue or as Transferred Proceeds of the Refunding Issue.

However, if the Prior Issue does not satisfy any of the Spending Exceptions and is not otherwise exempt from rebate, the Transferred Proceeds from the Prior Issue will be subject to rebate, even if the Refunding Issue satisfies the 6-Month Spending Exception. The Rebate Amount will be calculated on the Transferred Proceeds on the basis of the Yield of the Prior Issue up to each transfer date and on the basis of the Yield of the Refunding Issue after each transfer date.

Application of Spending Exceptions to a Multipurpose Issue. If the Issue is a Multipurpose Issue, the Refunding Portion and the New Money Portion are treated for purposes of the rebate Spending Exceptions as separate issues. Thus, the Refunding Portion is eligible to use only the 6-Month Spending Exception. The New Money Portion is eligible to use any of the three Spending Exceptions.

Expenditures for Governmental Purposes of the Issue. Each of the spending exceptions requires that expenditures of Gross Proceeds be for the governmental purposes of the Issue. These purposes include payment of interest (but not principal) on the Issue.

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3. For purposes of these Instructions, references to "Refunding Issue" include the Refunding Portion of a Multipurpose Issue.

SECTION 2.02. 6-MONTH SPENDING EXCEPTION.

The Issue will be treated as satisfying the rebate requirements if all of the Gross Proceeds of the Issue are allocated to expenditures for the governmental purposes of the Issue within the 6-month period beginning on the Issuance Date and the Rebate Amount, if any, with respect to earnings on amounts deposited in a reasonably required reserve or replacement fund or a Bona Fide Debt Service Fund if and to the extent that such Fund is subject to rebate (see footnote 3) is timely paid to the United States. If no bond of the Issue is a Private Activity Bond (other than a Qualified 501(c)(3) Bond) or a tax or revenue anticipation bond, the 6-month period is extended for an additional 6 months if the unexpended Gross Proceeds of the Issue at the end of the 6-month period do not exceed 5% of the Proceeds of the Issue.

For purposes of the 6-Month Spending Exception, Gross Proceeds required to be spent within 6 months do not include amounts in a reasonably required reserve or replacement fund for the Issue or in a Bona Fide Debt Service Fund for the Issue.

SECTION 2.03. 18-MONTH SPENDING EXCEPTION.

The Issue (or the New Money Portion if the Issue is a Multipurpose Issue) is treated as satisfying the rebate requirement if the conditions set forth in (A), (B) and (C) are satisfied.

(A) All of the Gross Proceeds of the Issue (excluding amounts in a reasonably required reserve or replacement fund for the Issue or in a Bona Fide Debt Service Fund for the Issue) are allocated to expenditures for the governmental purposes of the Issue in accordance with the following schedule, measured from the Issuance Date:

(1) at least 15% within 6 months;

(2) at least 60% within 12 months; and

(3) 100% within 18 months, subject to the Reasonable Retainage exception described below.

(B) The Rebate Amount, if any, with respect to earnings on amounts deposited in a reasonably required reserve or replacement fund or in a Bona Fide Debt Service Fund for the Issue, to the extent such Fund is subject to rebate (see footnote 3), is timely paid to the United States.

(C) The Gross Proceeds of the Issue qualify for the initial 3-year Temporary Period.

If the only unspent Gross Proceeds at the end of the 18th month are Reasonable Retainage, the requirement that 100% of the Gross Proceeds be spent by the end of the 18th month is treated as met if the Reasonable Retainage, and all earnings thereon, are spent for the governmental purposes of the Issue within 30 months of the Issuance Date.

For purposes of determining whether the spend-down requirements have been met as of the end of each of the first two spending periods, the amount of Investment Proceeds that the Issuer reasonably expects as of the Issuance Date to earn on the Sale Proceeds and Investment Proceeds of the Issue during the 18-month period are included in Gross Proceeds of the Issue. The final spend-down requirement includes actual Investment Proceeds for the entire 18 months.

The 18-Month Spending Exception does not apply to the Issue (or the New Money Portion, as applicable) if any portion of the Issue (or New Money Portion) is treated as meeting the rebate requirement under the 2-Year Spending Exception discussed below. This rule prohibits use of the 18-Month Spending Exception for the Nonconstruction Portion of a Bifurcated Issue. The only Spending Exception available for the Nonconstruction Portion of a Bifurcated Issue is the 6-Month Spending Exception.

SECTION 2.04. 2-YEAR SPENDING EXCEPTION FOR CERTAIN CONSTRUCTION ISSUES.

(A) In general. A Construction Issue no bond of which is a Private Activity Bond (other than a Qualified 501(c)(3) Bond or a Bond that finances property to be owned by a Governmental Unit or a 501(c)(3) Organization) is treated as satisfying the rebate requirement if the Available Construction Proceeds of the Issue are allocated to expenditures for the governmental purposes of the Issue in accordance with the following schedule, measured from the Issuance Date:

(1) at least 10% within 6 months;

(2) at least 45% within 1 year;

(3) at least 75% within 18 months; and

(4) 100% within 2 years, subject to the Reasonable Retainage exception described below.

Amounts in a Bona Fide Debt Service Fund or a reasonably required reserve or replacement fund for the Issue are not treated as Gross Proceeds for purposes of the expenditure requirements. However, unless the Issuer has elected otherwise in the Tax Compliance Certificate, earnings on amounts in a reasonably required reserve or replacement fund for the Issue are treated as Available Construction Funds during the 2-year period and therefore must be allocated to expenditures for the governmental purposes of the Issue.

If the Issuer elected in the Tax Compliance Certificate to exclude from Available Construction Proceeds the Investment Proceeds or earnings on a reasonably required reserve or replacement fund for the Issue during the 2-year spend-down period, the Rebate Amount, if any, with respect to such Investment Proceeds or earnings from the Issuance Date must be timely paid to the United States. If the election is not made, the Rebate Amount, if any, with respect to such Investment Proceeds or earnings after the earlier of the date construction is substantially completed or 2 years after the Issuance Date must be timely paid to the United States. The Rebate Amount, if any, with respect to earnings on amounts in a Bona Fide Debt Service Fund must be timely paid to the extent such Fund is subject to the rebate requirements (see footnote 3).

The Issue does not fail to satisfy the spending requirement for the fourth spend-down period (i.e., 100% within 2 years of the Issuance Date) if the only unspent Available Construction Proceeds are amounts for Reasonable Retainage if such amounts (together with all earnings on such amounts) are allocated to expenditures within 3 years of the Issuance Date.

For purposes of determining whether the spend-down requirements have been met as of the end of each of the first 3 spend-down periods, Available Construction Proceeds include the amount of Investment Proceeds or earnings that the Issuer reasonably expected as of the Issuance Date to earn during the 2-year period unless the Issuer elects, on or before the Issuance Date, to apply these spend-down requirements on the basis of actual facts rather than reasonable expectations. For purposes of satisfying the final spend-down requirement, Available Construction Proceeds include actual Investment Proceeds or earnings from the Issuance Date through the end of the 2-year period.

Available Construction Proceeds do not include Gross Proceeds used to pay Issuance Costs financed by the Issue, but do include earnings on such Proceeds. Thus, an expenditure of Gross Proceeds to pay Issuance Costs does not count toward meeting the spend-down requirements, but expenditures of earnings on such Gross Proceeds to pay Issuance Costs do count.

(B) 1½% penalty in lieu of rebate for Construction Issues. If the Issuer elected in the Tax Compliance Certificate for a Construction Issue, or for the Construction Portion of a Bifurcated Issue, to pay a 1½% penalty in lieu of the Rebate Amount on Available Construction Proceeds in the event that the Construction Issue fails to satisfy any of the spend-down requirements, the 1½% penalty is calculated separately for each spend-down period, including each semi-annual period after the end of the fourth spend-down period until all Available Construction Proceeds have been spent. The penalty is equal to 0.015 times the underexpended Proceeds as of the end of the applicable spend-down period. The fact that no arbitrage is in fact earned during such spend-down period is not relevant. The Rebate Amount with respect to Gross Proceeds other than Available Construction Proceeds (e.g., amounts in a reasonably required reserve or replacement fund or in a Bona Fide Debt Service Fund, to the extent subject to rebate (see footnote 3)) must be timely paid.

PART III: COMPUTATION AND PAYMENT

SECTION 3.01. COMPUTATION AND PAYMENT OF REBATE AMOUNT.

If none of the Spending Exceptions described above is satisfied (and if the 1-1/2% penalty election for a Construction Issue or the Construction Portion of a Bifurcated Issue has not been made), then within 45 days after each Computation Date, the Issuer shall compute, or cause to be computed, the Rebate Amount as of such Computation Date. The first Computation Date is a date selected by the Issuer, but shall be not later than 5 years after the Issuance Date. Each subsequent Computation Date shall end 5 years after the previous Computation Date except that, in a Variable Yield Issue, the Issuer may select annual Yield Periods. The final Computation Date shall be the date the last obligation of the Issue matures or is finally discharged.

Within 60 days after each Computation Date (except the final Computation Date), the Issuer shall pay to the United States not less than 90% of the Rebate Amount, if any, computed as of such Computation Date. Within 60 days after the final Computation Date, the Issuer shall pay to the United States 100% of the Rebate Amount, if any, computed as of the final Computation Date. In computing the Rebate Amount, a computation credit of $1,000 may be taken into account on the last day of each Bond Year to the Computation Date during which there are unspent Gross Proceeds that are subject to the rebate requirement, and on the final maturity date.

If the operative documents pertaining to the Issue establish a Rebate Fund and require the computation of the Rebate Amount at the end of each Bond Year, the Issuer shall calculate, or cause to be calculated, within 45 days after the end of each Bond Year the Rebate Amount, taking into account the computation credit of $1,000 for each Bond Year. Within 50 days after the end of each Bond Year, if the Rebate Amount is positive, the Issuer shall deposit in the Rebate Fund such amount as will cause the amount on deposit therein to equal the Rebate Amount, and may withdraw any amount on deposit in the Rebate Fund in excess of the Rebate Amount. Payments of the Rebate Amount to the Internal Revenue Service on a Computation Date shall be made first from amounts on deposit in the Rebate Fund and second from other amounts specified in the operative documents.

Each payment of the Rebate Amount or portion thereof shall be payable to the Internal Revenue Service and shall be made to the Internal Revenue Service Center, Ogden, UT 84201 by certified mail. Each payment shall be accompanied by Internal Revenue Service Form 8038-T and any other form or forms required to be submitted with such remittance.

SECTION 3.02. BOOKS AND RECORDS.

(A) The Issuer or Trustee, as applicable, shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the Gross Proceeds of the Issue. Such records shall specify the account or fund to which each Nonpurpose Investment (or portion thereof) held by the Issuer or Trustee is to be allocated and shall set forth as to each Nonpurpose Investment (1) its purchase price, (2) identifying information, including par amount, interest rate, and payments dates, (3) the amount received at maturity or its sales price, as the case may be, including accrued interest, (4) the amounts and dates of any payments made with respect thereto, and (5) the dates of acquisition and disposition or maturity.

The Issuer, Trustee, or Rebate Analyst, as applicable, shall retain the records of all calculations and payments of the Rebate Amount until six years after the retirement of the last obligation that is a part of the Issue.

SECTION 3.03. FAIR MARKET VALUE.

No Nonpurpose Investment shall be acquired for an amount in excess of its fair market value. No Nonpurpose Investment shall be sold or otherwise disposed of for an amount less than its fair market value.

The fair market value of any Nonpurpose Investment shall be the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller in an arms-length transaction. Fair market value generally is determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding (i.e., the trade date rather than the settlement date). Except as otherwise provided in this Section, a Nonpurpose Investment that is not of a type traded on an established securities market (within the meaning of Section 1273 of the Code) is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(A) Obligations purchased directly from the Treasury. The fair market value of a United States Treasury obligation that is purchased directly from the United States Treasury is its purchase price.

(B) Safe harbor for Guaranteed Investment Contracts. The purchase price of a Guaranteed Investment Contract shall be treated as its fair market value on the purchase date if all the following conditions are met:

(1) The Issuer or broker makes a bona fide solicitation for a specified Guaranteed Investment Contract and receives at least three bona fide bids from reasonably competitive providers (of Guaranteed Investment Contracts) that have no material financial interest in the Issue.

(2) The Issuer purchases the highest-yielding Guaranteed Investment Contract for which a qualifying bid is made (determined net of broker's fees);

(3) The Yield on the Guaranteed Investment Contract (determined net of broker's fees) is not less than the Yield then available from the provider on reasonably comparable Guaranteed Investment Contracts, if any, offered to other persons from a source of funds other than Gross Proceeds of Tax-Exempt Obligations;

(4) The determination of the terms of the Guaranteed Investment Contract takes into account as a significant factor the Issuer's reasonably expected drawdown schedule for the amounts to be invested, exclusive of amounts deposited in a Bona Fide Debt Service Fund and a reasonably required reserve or replacement fund;

(5) The terms of the Guaranteed Investment Contract, including collateral security requirements, are reasonable; and

(6) The obligor on the Guaranteed Investment Contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the Guaranteed Investment Contract.

(C) Safe harbor for certificates of deposit. The purchase price of a certificate of deposit shall be treated as its fair market value on the purchase date if all of the following requirements are met:

(1) The certificate of deposit has a fixed interest rate, a fixed payment schedule, and a substantial penalty for early withdrawal; and

(2) The Yield on the certificate of deposit is not less than (a) the Yield on reasonably comparable direct obligations of the United States, or (b) the highest Yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

Certificates evidencing the foregoing requirements should be obtained before purchasing any Guaranteed Investment Contract or certificate of deposit.

SECTION 3.04. CONSTRUCTIVE SALE/PURCHASE.

(A) Nonpurpose Investments that are held by the Issuer or Trustee as of any Computation Date (or Bond Year if the computations are required to be done annually) shall be treated for purposes of computing the Rebate Amount as of such date as having been sold for their fair market value as of such date. Investment Property which becomes allocated to Gross Proceeds of the Issue on a date after such Investment Property has actually been purchased shall be treated for purposes of the rebate requirements as having been purchased by the Issuer on such date of allocation at its fair market value on such date.

(B) For purposes of constructive or deemed sales or purchases of Investment Property (other than Investment Property in the Escrow Fund or that is otherwise not invested for a Temporary Period or is not part of a reasonably required reserve or replacement fund for the Issue) must be valued at its fair market value on the date of constructive or deemed sale or purchase.

(C) Except as set forth in (B), fixed rate Investment Property that is (1) issued with not more than 2% of original issue discount or original issue premium, (2) issued with original issue premium that is attributable exclusively to reasonable underwriters' compensation or (3) acquired with not more than 2% of market discount or market premium, may be treated as having a fair market value equal to its outstanding stated principal amount, plus accrued interest. Fixed rate Investment Property also may be treated as having a fair market value equal to its present value.

SECTION 3.05. ADMINISTRATIVE COSTS.

(A) Administrative costs shall not be taken into account in determining the payments for or receipts from a Nonpurpose Investment unless such administrative costs are Qualified Administrative Costs. Thus, administrative costs or expenses paid, directly or indirectly, to purchase, carry, sell, or retire Nonpurpose Investments generally do not increase the Payments for, or reduce the Receipts from, Nonpurpose Investments.

(B) Qualified Administrative Costs are taken into account in determining the Payments and Receipts on Nonpurpose Investments and thus increase the Payments for, or decrease the Receipts from, Nonpurpose Investments. In the case of a Guaranteed Investment Contract, a broker's commission or similar fee paid on behalf of either the Issuer or the provider is a Qualified Administrative Cost to the extent that (1) the amount of the fee treated as a Qualified Administrative Cost does not exceed the lesser of (a) $32,000, or such higher amount as determined and published

by the Internal Revenue Service as the "cost-of-living adjustment" for the calendar year in which the Guaranteed Investment Contract is acquired and (b) 0.2% of the Computational Base or, if more, $3,000, and (2) the aggregate amount of broker's commissions or similar fees with respect to all Guaranteed Investment Contracts and Nonpurpose Investments acquired for a yield restricted defeasance escrow purchased with Gross Proceeds of the Issue treated as Qualified Administrative Costs does not exceed $85,000, less the portion of such $85,000 cap, if any, used in prior years with respect to the Issue.

PART IV: COMPLIANCE AND AMENDMENT

SECTION 4.01. COMPLIANCE.

The Issuer, Trustee or Rebate Analyst, as applicable, shall take all necessary steps to comply with the requirements of these Instructions in order to ensure that interest on the Issue is excluded from gross income for federal income tax purposes under Section 103(a) of the Code. However, compliance shall not be required in the event and to the extent stated therein the Issuer and the Trustee receive a Bond Counsel's Opinion that either (A) compliance with such requirement is not required to maintain the exclusion from gross income for federal income tax purposes of interest on the Issue, or (B) compliance with some other requirement in lieu of such requirement will comply with Section 148(f) of the Code, in which case compliance with the other requirement specified in the Bond Counsel's Opinion shall constitute compliance with such requirement.

SECTION 4.02. LIABILITY.

If for any reason any requirement of these Instructions is not complied with, the Issuer and the Trustee, if applicable, shall take all necessary and desirable steps to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence. The Trustee shall have no duty or responsibility to independently verify any of the Issuer's, or the Rebate Analyst's, calculations with respect to the payments of the Rebate Amount due and owing to the United States. Under no circumstances whatsoever shall the Trustee be liable to the Issuer, any bondholder or any other person for any inclusion of the interest on the Issue in gross income for federal income tax purposes, or any claims, demands, damages, liabilities, losses, costs or expenses resulting therefrom or in any way connected therewith, so long as the Trustee acts only in accordance with these Instructions and the operative documents pertaining to the Issue.

SQUIRE, SANDERS & DEMPSEY L.L.P.

May 6, 2009

Attachment B
To Tax Compliance Certificate of

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Dated May 6, 2009

UNDERWRITER'S CERTIFICATE

UBS Financial Services Inc. (the "Underwriter"), as underwriter for the Bonds identified above (the "Issue"), issued by Pima County, Arizona (the "Issuer"), based on its knowledge regarding the sale of the Issue, certifies as of this date as follows:

1. Issue Price -- Section 148. All of the bonds of the Issue were actually offered to the general public in a bona fide public offering at the initial offering prices set forth on the cover to the Official Statement (the "Initial Offering Price" as applicable to respective maturities), which is not more than the fair market value of each maturity as of April 21, 2009, the Sale Date of the Issue, and as of the Sale Date at least 10% in principal amount of each maturity was sold or was reasonably expected to be sold (other than to bond houses, brokers and other intermediaries) at the Initial Offering Price (the "Issue Price"). The aggregate Issue Price of the Issue is $19,352,702.25.

2. Information Return. For purposes of the Information Return required by Section 149(e) of the Code to be filed in connection with the Issue:

(A) The Initial Offering Price of the entire Issue is $19,352,702.25.

(B) The Underwriter's discount or compensation is $119,322.00.

(C) The CUSIP Number assigned to the final maturity of the Issue is 721876PP9.

3. Premium Bonds. The bonds of the Issue maturing on July 1, 2021 are the only bonds of the Issue that are subject to optional redemption before maturity (but not within five years of the Issuance Date of the Issue) and have an Initial Offering Price that exceeds their stated redemption price at maturity by more than one-fourth of 1% multiplied by the product of their stated redemption price at maturity and the number of complete years to their first optional redemption date. Accordingly, in computing the Yield on the Issue stated in paragraph (2), such bonds were treated, pursuant to Treasury Regulations §1.148-4(b)(3), as redeemed on their optional redemption date that would result in the lowest Yield on the Issue.

4. Discount Bonds Subject to Mandatory Early Redemption. No bond of the Issue is subject to mandatory early redemption.

5. No Stepped Coupon Bonds. No bond of the Issue bears interest at an increasing interest rate.

All capitalized terms not defined in this Certificate have the meaning set forth in the Issuer's Tax Compliance Certificate or in Attachment A to it.

[Remainder of page left blank intentionally]

The signer is an officer of the Underwriter and duly authorized to execute and deliver this Certificate of the Underwriter. The Underwriter understands that the certifications contained in this Certificate will be relied on by the Issuer in making certain of its representations in its Tax Compliance Certificate and in completing and filing the Information Return for the Issue, and by Squire, Sanders & Dempsey L.L.P., as bond counsel, in rendering certain of its legal opinions in connection with the issuance of the Issue.

Dated: May 6, 2009

UBS FINANCIAL SERVICES INC.

By: _____

Title: Director

[Signature page of Underwriter's Certificate]

CERTIFICATE OF ASSURED GUARANTY CORP.

In connection with the issuance of $18,940,000 Sewer Revenue Bonds, Series 2009 (the "Obligations") by Pima County, Arizona (the "Issuer"), Assured Guaranty Corp. ("Assured Guaranty") is issuing financial guaranty insurance policy no. D-2009-579 (the "FG Policy") and financial guaranty insurance policy no. D-2009-580 (the "Reserve Fund Policy" and, together with the FG Policy, collectively the "Policies" and each a "Policy") guaranteeing, when due, the scheduled payment of principal of and interest on the Obligations, all as set forth in the Policies.

On behalf of Assured Guaranty, the undersigned hereby certifies that:

(i) each Policy is an unconditional and recourse obligation of Assured Guaranty (enforceable on behalf of the holders of the Obligations) to pay the scheduled payments of interest and principal on the Obligations in the event of a Nonpayment (as defined in the Policies);

(ii) the insurance premium of $192,951.63 for the FG Policy and $80,500 for the Reserve Fund Policy was determined in an arm's length negotiation in accordance with our standard procedure, and is required to be paid as a condition of the issuance of each Policy;

(iii) no portion of such premium represents a payment for any direct or indirect services other than the transfer of credit risk;

(iv) Assured Guaranty is not a co-obligor on the Obligations and does not reasonably expect that it will be called upon to make any payment under the Policies;

(v) the Issuer is not entitled to a refund of premium for the Policies in the event that the Obligations are retired prior to their stated maturity;

(vi) there has not come to the attention of the undersigned any information which would cause the undersigned to believe that the description of Assured Guaranty under the caption "BOND INSURANCE" in the official statement relating to the above referenced Obligations dated April 21, 2009 as supplemented by the Supplement to the Official Statement dated May 4, 2009 (collectively, the "Official Statement"), as of the date of the Official Statement or as of the date of this certificate, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(vii) Assured Guaranty is not currently in default nor has Assured Guaranty ever been in default under any policy or obligation guaranteeing the payment of principal of or interest on an obligation;

(viii) except for the insurance premium referred to in paragraph (ii) above, neither Assured Guaranty nor any party related to Assured Guaranty within the meaning of Section 1.150-1(b) of the Treasury Regulations will use any portion of the proceeds of the Obligations; and

(ix) Assured Guaranty would not have issued the FG Policy in the absence of a debt service reserve fund of the size and type established by the documents pursuant to which the Obligations are being issued.

IN WITNESS WHEREOF, Assured Guaranty has caused this certificate to be executed in its name on this 6th day of May, 2009, by one of its duly authorized officers.

ASSURED GUARANTY CORP.

By: _____
John Trahan
Managing Director

Attachment D
To Tax Compliance Certificate of

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

CERTIFICATE OF FINANCIAL ADVISOR

The undersigned is an authorized representative of RBC Capital Markets Corporation, the Financial Advisor (the "Financial Advisor") to Pima County, Arizona (the "Issuer"). Based on its records and information available to the Financial Advisor, including the Underwriter's Certificate of UBS Financial Services Inc., the underwriter for the Bonds identified above (the "Bonds"), which the undersigned believes to be correct, the Financial Advisor represents as follows:

1. The weighted average maturity of the Bonds is 9.1876 years.

2. Yield. The yield on the Bonds is 3.693253%, calculated according to direction from bond counsel, as the yield that, when used in computing the present worth of all payments of principal and interest to be paid on the Bonds, computed on the basis of a 360 day year and semi-annual compounding, produces an amount equal to the aggregate of the Issue Price of the Bonds as stated in the Underwriter's Certificate, less the premium paid to Assured Guaranty Corp. for the Bond Insurance and computed with the adjustment stated in paragraph 3 of the Underwriter's Certificate.

3. Bond Insurance. The amount and time of payment of the premium for the Bond Insurance insuring all of the obligations of the Bonds are stated in the Issuer's Tax Compliance Certificate.

(A) The fees payable to the Assured Guaranty Corp. for the Bond Insurance securing the Bonds represent a reasonable charge for the assumption of risk involved in this transaction.

(B) The present value of the premium paid for the Bond Insurance is less than the present value of interest reasonably expected to be saved with respect to the Bonds as the result of the Bond Insurance. The discount rate used for computing such present value is the yield-to-maturity of the Bonds (determined with regard to the premium paid for the Bond Insurance).

All capitalized terms not defined in this Certificate have the meaning set forth in the Issuer's Tax Compliance Certificate or in Attachment A to it.

The signer is duly authorized to execute and deliver this Certificate. The Issuer may rely on the foregoing representations in making its certification as to issue price of the Bonds under the Code and Squire, Sanders & Dempsey L.L.P, as bond counsel may rely on the foregoing representations in rendering their opinion on the exclusion from federal gross income of the interest on the Bonds; provided, however, that nothing herein represents our interpretation of any laws, and in particular, regulations under section 148 of the Internal Revenue Code. To the extent that we are providing the Issuer and bond counsel with certain computations that show a bond yield, weighted average maturity and certain other information with respect to Bonds, these computations are provided for informational purposes and are based on our understanding of directions that we have received from bond counsel regarding interpretation of the applicable law. We express no view regarding the legal sufficiency of any such computations or the correctness of any legal interpretation made by bond counsel.

Dated: May 6, 2009

RBC CAPITAL MARKETS CORPORATION

By: Kurt M. Freund

Name: Kurt M. Freund

Title: Managing Director

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

CERTIFICATE OF REGISTRAR AND PAYING AGENT

The Bank of New York Mellon Trust Company, N.A. (the "Bank"), as bond registrar and paying agent pursuant to a Bond Registrar, Transfer Agent and Paying Agent Agreement, dated as of May 1, 2009 (the "Bond Registrar and Paying Agent Agreement"), between Pima County, Arizona (the "County") and the Bank, entered into in connection with the $18,940,000 Pima County, Arizona, Sewer Revenue Bonds, Series 2009 (the "Bonds") does hereby accept the duties and obligations imposed upon it as Bond Registrar and Paying Agent pursuant to the Bond Registrar and Paying Agent Agreement, and does hereby certify as follows:

1. The Bank is duly organized, validly existing and in good standing under the laws of the United States, having full power and authority to exercise corporate trust powers in the State of Arizona and to execute, deliver and perform its obligations under the Bond Registrar and Paying Agent Agreement.

2. The execution and delivery of the Bond Registrar and Paying Agent Agreement and the due performance by the Bank of its obligations thereunder and the taking of any and all other actions required on the part of the Bank to carry out, give effect to, and consummate the transactions contemplated thereby, have been duly authorized by all necessary corporate action on the part of the Bank, and to the knowledge of the undersigned, under present law do not contravene any provision of any order, decree, writ or injunction known to the Bank or the Bank's Articles of Association or Bylaws, or result in a breach of or default under, or require consent under any material agreement or material instrument to which the Bank is a party or by which it is bound,

3. The Bank has taken all action necessary for the acceptance of, and has duly accepted the offices of Bond Registrar and Paying Agent pursuant to the Bond Registrar and Paying Agent Agreement, and will comply with the requirements of such agreement, and in accordance therewith will not take or omit to take any action which will in any way result in the proceeds from the sale of the Bonds being applied in a manner inconsistent with the Bond Registrar and Paying Agent Agreement.

4. The representations of the Bank contained in the Bond Registrar and Paying Agent Agreement are true and correct in all material respects as of the date hereof and the Bank has complied with all agreements and satisfied all conditions on its part to be performed or satisfied thereunder at or prior to the date hereof.

5. To the knowledge of the undersigned, no litigation is pending or threatened against the Bank before any judicial, quasi-judicial or administrative forum (a) restraining or

enjoining the execution or delivery of the Bonds or the application of the proceeds thereof, (b) contesting or affecting any authority for, or the validity of the Bonds, or (c) contesting or affecting the existence or corporate trust powers of the Bank or the Bank's ability to perform and fulfill its duties and obligations under the Bond Registrar and Paying Agent Agreement.

6. The Bond Registrar and Paying Agent Agreement was signed on behalf of the Bank by the person named below, and such person was, at the time of the execution of such agreement, and is now, the duly elected, qualified and acting officer or other authorized representative of the Bank, duly authorized to execute the above-named documents, and that the signature appearing below is a true and correct specimen of such person's genuine signature:

Name	**Office**	**Signature**
Deborah M. Scherer	Vice President	

7. Pursuant to the Bond Registrar and Paying Agent Agreement and the General Certificate of the County, dated the date hereof, the Bonds were authenticated by an authorized signatory of the Bank.

8. All blanks in each of the Bonds requiring completion by the Registrar have been accurately completed and the Certificate of Authentication appearing on each of the Bonds has been duly executed and dated the date of its authentication, which is the date hereof, by an authorized officer or representative of the Registrar.

9. Attached hereto as Exhibit A is a true, complete and correct copy of a resolution or bylaw excerpt of the Bank which clearly demonstrates the authority of the person named in paragraph 6 above to act on behalf of the Bank and said resolution or bylaw excerpt was in effect on the date or dates said person or persons acted and remains in full force and effect on the date hereof.

[Remainder of page left blank intentionally]

Dated: May 6, 2009

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Bond Registrar and Paying Agent

By: _____

Name: Deborah M. Scherer

Title: Vice President

[Signature page of Certificate of Registrar and Paying Agent]

EXHIBIT A

RESOLUTION OR BYLAW EXCERPT AS TO SIGNATURE AUTHORITY

THE BANK OF NEW YORK TRUST MELLON COMPANY, N.A.

I, the undersigned, Mark Krietemeyer, Assistant Secretary of The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States (the "Association") and located in the State of California, with a trust office located at 1225 West Washington Street, Suite 126, Tempe, Arizona, DO HEREBY CERTIFY that the following individuals are duly appointed and qualified Officers of the Association:

OFFICER	TITLE	SIGNING AUTHORITY
Gregory Cross	Vice President	A, C2, J
Scott Blair	Assistant Vice President	A, C4, J
Mark Krietemeyer	Vice President	A, C2, J
Deborah Scherer	Vice President	A, C2, J
Nancy Wakefield	Authorized Signer	A, C4, J

I further certify that as of this date they have been authorized to sign on behalf of the Association in discharging or performing their duties in accordance with the senior and limited signing powers provided under Article V, Sections 5.2 and 5.3 of the By-laws of the Association and the paragraphs indicated above of the signing authority resolution of the Board of Directors of the Association.

Attached hereto are true and correct copies of excerpts of the By-laws of the Association and the signing authority resolution, which have not been amended or revised since July 1, 2008 and are in full force and effect.

IN WITNESS WHEREFO, I have hereunto set my hand and affixed the seal of The Bank of New York Mellon Trust Company, N.A. this 2nd day of July, 2008.

Mark Krietemeyer, Assistant Secretary

Extracts from By-Laws

Of

The Bank of New York Mellon Trust Company, N.A.

As Amended January 20, 2005 and July 1, 2008

ARTICLE V
SIGNING AUTHORITIES

Section 5.1 Real Property. Real property owned by the Association in its own right shall not be deeded, conveyed, mortgaged, assigned or transferred except when duly authorized by a resolution of the Board. The Board may from time-to-time authorize officers to deed, convey, mortgage, assign or transfer real property owned by the Association in its own right with such maximum values as the Board may fix in its authorizing resolution.

Section 5.2. Senior Signing Powers. Subject to the exception provided in Section 5.1, the President and any Executive Vice President is authorized to accept, endorse, execute or sign any document, instrument or paper in the name of, or on behalf of, the Association in all transactions arising out of, or in connection with, the normal course of the Association's business or in any fiduciary, representative or agency capacity and, when required, to affix the seal of the Association thereto. In such instances as in the judgment of the President, or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer to have the powers set forth in this section applicable only to the performance or discharge of the duties of such officer within his or her particular division or function. Any officer of the Association authorized in or pursuant to Section 5.3 to have any of the powers set forth therein, other than the officer signing pursuant to this Section 5.2, is authorized to attest to the seal of the Association on any documents requiring such seal.

Section 5.3. Limited Signing Powers. Subject to the exception provided in Section 5.1, in such instances as in the judgment of the President or any Executive Vice President, may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer, employee or individual to have the limited signing powers or limited power to affix the seal of the Association to specified classes of documents set forth in a resolution of the Board applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function.

Section 5.4. Powers of Attorney. All powers of attorney on behalf of the Association shall be executed by any officer of the Association jointly with the President, any Executive Vice President, or any Managing Director, provided that the execution by such Managing Director of said Power of Attorney shall be applicable only to the performance or discharge of the duties of said officer within his or her particular division or function. Any such power of attorney may, however, be executed by any officer or officers or person or persons who may be specifically authorized to execute the same by the Board of Directors.

Section 5.5. Auditor. The Auditor or any officer designated by the Auditor is authorized to certify in the name of, or on behalf of the Association, in its own right or in a fiduciary or representative capacity, as to the accuracy and completeness of any account, schedule of assets, or other document, instrument or paper requiring such certification.

SIGNING AUTHORITY RESOLUTION

Pursuant to Article V, Section 5.3 of the By-Laws

RESOLVED that, pursuant to Section 5.3 of the By-Laws of the Association, authority be, and hereby is, granted to the President or any Executive Vice President, in such instances as in the judgment of any one of said officers may be proper and desirable, to authorize in writing from time-to-time any other officer, employee or individual to have the limited signing authority set forth in any one or more of the following paragraphs applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function:

(A) All signing authority set forth in paragraphs (B) through (I) below except Level C which must be specifically designated.

(B1) Individuals authorized to accept, endorse, execute or sign any bill receivable; certification; contract, document or other instrument evidencing, embodying a commitment with respect to, or reflecting the terms or conditions of, a loan or an extension of credit by the Association; note; and document, instrument or paper of any type, including stock and bond powers, required for purchasing, selling, transferring, exchanging or otherwise disposing of or dealing in foreign currency, derivatives or any form of securities, including options and futures thereon; in each case in transactions arising out of, or in connection with, the normal course of the Association's business.

(B2) Individuals authorized to endorse, execute or sign any certification; disclosure notice required by law; document, instrument or paper of any type required for judicial, regulatory or administrative proceedings or filings; and legal opinions.

(C1) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of $100,000,000 with single authorization for all transactions.

(C2) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of $100,000,000*.

(C3) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $100,000,000.

(C4) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check

certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $10,000,000.

(C5) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $5,000,000.

(C6) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $1,000,000.

(C7) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $250,000.

(C8) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $50,000.

(C9) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $5,000.

> *Dual authorization is required by any combination of senior officer and/or Sector Head approved designee for non-exempt transactions. Single authorization required for exempt transactions.

(D1) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $1,000,000.

(D2) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $250,000.

(D3) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $50,000.

(D4) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $5,000.

(E) Authority to accept, endorse, execute or sign any guarantee of signature to assignments of stocks, bonds or other instruments; certification required for transfers and deliveries of stocks, bonds or other instruments; and document,

instrument or paper of any type required in connection with any Individual Retirement Account or Keogh Plan or similar plan.

(F) Authority to accept, endorse, execute or sign any certificate of authentication as bond, unit investment trust or debenture trustee and on behalf of the Association as registrar and transfer agent.

(G) Authority to accept, endorse, execute or sign any bankers acceptance; letter of credit; and bill of lading.

(H) Authority to accept, endorse, execute or sign any document, instrument or paper of any type required in connection with the ownership, management or transfer of real or personal property held by the Association in trust or in connection with any transaction with respect to which the Association is acting in any fiduciary, representative or agency capacity, including the acceptance of such fiduciary, representative or agency account.

(I1) Authority to effect the external movement of free delivery of securities and internal transfers resulting in changes of beneficial ownership.

(I2) Authority to effect the movement of securities versus payment at market or contract value.

(J) Authority to either sign on behalf of the Association or to affix the seal of the Association to any of the following classes of documents: Trust Indentures, Escrow Agreements, Pooling and Servicing Agreements, Collateral Agency Agreements, Custody Agreements, Trustee's Deeds, Executor's Deeds, Personal Representative's Deeds, Other Real Estate Deeds for property not owned by the Association in its own right, Corporate Resolutions, Mortgage Satisfactions, Mortgage Assignments, Trust Agreements, Loan Agreements, Trust and Estate Accountings, Probate Petitions, responsive pleadings in litigated matters and Petitions in Probate Court with respect to Accountings, Contracts for providing customers with Association products or services.

(N) Individuals authorized to accept, endorse, execute or sign internal transactions only, (i.e., general ledger tickets); does not include the authority to authorize external money movements, internal money movements or internal free deliveries that result in changes of beneficial ownership.

RESOLVED, that any signing authority granted pursuant to this resolution may be rescinded by the President or any Executive Vice President and such signing authority shall terminate without the necessity of any further action when the person having such authority leaves the employ of the Association.

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

CERTIFICATE AS TO SATISFACTION OF REQUIREMENTS FOR ISSUANCE OF PARITY BONDS

The undersigned Finance and Risk Management Director of Pima County, Arizona (the "County"), acting for and on behalf of the County, does hereby certify as follows with respect to the issuance of the above-described Bonds as Parity Bonds within the meaning of Resolution No. 1991-138, adopted by the Board of Supervisors of the County on June 18, 1991, as amended by Resolution No. 1991-183, adopted on August 6, 1991, as supplemented, including as supplemented by Resolution No. 2009-69 adopted by the Board of Supervisors of the County on April 21, 2009 (collectively, the "Bond Resolution"). Capitalized terms used herein which are not otherwise defined herein shall have the meaning set forth in the Bond Resolution.

1. The Net Revenues of the System for the most recently completed Fiscal Year have been at least equal to one hundred twenty percent (120%) of Maximum Annual Debt Service on all Bonds to be Outstanding immediately after the issuance of the above-described Bonds, and no Policy Costs are due and owing as of this date.

2. As of this date, all payments and deposits required to be made by the Bond Resolution are current.

3. The proceeds of the above-described Bonds shall be used solely to make extensions, renewals, improvements or replacements to the System or to refund bonds previously issued pursuant to the Bond Resolution.

4. Upon the issuance of the above-described Bonds, the Reserve Fund Value will be at least equal to the amount of the Reserve Requirement.

[Remainder of page left blank intentionally]

Dated: May 6, 2009

PIMA COUNTY, ARIZONA

By: _____
Thomas Burke
Finance and Risk Management Director

[Signature page of Certificate as to Satisfaction of Requirements for Issuance of Parity Bonds]

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

COUNTY TREASURER'S RECEIPT FOR BOND PROCEEDS

I, the undersigned, hereby certify that I am the duly elected and acting Treasurer of Pima County, Arizona (the "County"), and that in connection with the sale and delivery of $18,940,000 in aggregate principal amount of Pima County, Arizona Sewer Revenue Bonds, Series 2009 (the "Bonds"), issued by the County pursuant to Resolution No. 1991-138, adopted by the Board of Supervisors of the County on June 18, 1991, as supplemented and amended, including by Resolution No. 2009-69, passed, adopted and approved by the Board of Supervisors of the County on April 21, 2009 (the "Resolution"), authorizing and providing for the issuance and ordering the sale of the Bonds, the County has received from UBS Financial Services Inc. (the "Underwriter"), the sum of $18,959,928.62 (representing $18,581,128.62 received on the date hereof and a $378,800.00 good faith deposit previously received), representing the total purchase price of the Bonds paid to the County.

I do further certify that the proceeds received by the undersigned from the sale of the Bonds in the amount of $18,959,928.62 will be set aside in the account established by the Resolution for such proceeds of the Bonds.

Dated: May 6, 2009

PIMA COUNTY, ARIZONA

Beth Ford, County Treasurer

By: Beth Ford

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

PAYING AGENT'S RECEIPT FOR INSURANCE POLICY AND RESERVE FUND GUARANTY POLICY

The Bank of New York Mellon Trust Company, N.A. (the "Bank"), in its capacity as paying agent pursuant to that certain Bond Registrar, Transfer Agent and Paying Agent Agreement, dated as of May 1, 2009, between the Bank and Pima County, Arizona (the "County"), in connection with the County's issuance and sale of $18,940,000 in aggregate principal amount of its Sewer Revenue Bonds, Series 2009, hereby acknowledges receipt of Financial Guaranty Insurance Policy No. D-2009-579, and Reserve Fund Financial Guaranty Insurance Policy No. D-2009-580 issued by Assured Guaranty Corp.

Dated: May 6, 2009

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

By: _____
Name: Deborah M. Scherer
Its: Vice President

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

PAYING AGENT'S RECEIPT FOR INSURANCE POLICY AND RESERVE FUND GUARANTY POLICY

The Bank of New York Mellon Trust Company, N.A. (the "Bank"), in its capacity as paying agent pursuant to that certain Bond Registrar, Transfer Agent and Paying Agent Agreement, dated as of May 1, 2009, between the Bank and Pima County, Arizona (the "County"), in connection with the County's issuance and sale of $18,940,000 in aggregate principal amount of its Sewer Revenue Bonds, Series 2009, hereby acknowledges receipt of Financial Guaranty Insurance Policy No. D-2009-579, and Reserve Fund Financial Guaranty Insurance Policy No. D-2009-580 issued by Assured Guaranty Corp.

Dated: May 6, 2009

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

By: _____
Name: Deborah M. Scherer
Its: Vice President

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

UNDERWRITER'S RECEIPT FOR BONDS

Receipt of the Pima County, Arizona Sewer Revenue Bonds, Series 2009 (the "Bonds"), in the aggregate principal amount of $18,940,000 is hereby acknowledged as of the date hereof on behalf of the undersigned, UBS Financial Services Inc., as underwriter of the Bonds.

The Bonds are dated May 6, 2009, are in denominations of $5,000 or integral multiples thereof, mature on July 1 in the years 2010 through and including 2024, and bear interest at the rates per annum from the date of the Bonds to the maturity of each Bond as follows:

Year	Par Amount	Interest Rate
2010	$ 810,000	3.250%
2011	1,015,000	3.250%
2012	400,000	3.250%
2013	1,065,000	3.250%
2014	1,110,000	3.250%
2015	1,155,000	3.250%
2016	1,210,000	3.500%
2017	1,265,000	3.500%
2018	1,325,000	3.750%
2019	1,395,000	3.750%
2020	1,465,000	3.750%
2021	1,545,000	4.000%
2022	1,630,000	4.000%
2023	1,725,000	4.250%
2024	1,825,000	4.250%

Dated: May 6, 2009

UBS FINANCIAL SERVICES INC.

By: _____
Name: Roberta Specter
Title: Director

478610.2

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

SQUIRE, SANDERS & DEMPSEY L.L.P.

Two Renaissance Square
40 North Central Avenue, Suite 2700
Phoenix, AZ 85004-4498

Office: +1.602.528.4000
Fax: +1.602.253.8129

May 6, 2009

Pima County, Arizona
Tucson, Arizona

Ladies and Gentlemen:

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by Pima County, Arizona (the "County") of its $18,940,000 aggregate principal amount of bonds designated the Pima County, Arizona Sewer Revenue Bonds, Series 2009 (the "Bonds"). The Bonds are issued pursuant to Title 11, Chapter 2, Article 4 of the Arizona Revised Statutes, as amended (the "Act"), and under the provisions of an authorizing resolution adopted by the Board of Supervisors of the County on June 18, 1991, as supplemented and amended, including a supplemental resolution adopted by the Board of Supervisors of the County on April 21, 2009 (the "Bond Resolution"). The documents in the Transcript include a certified copy of the Bond Resolution. All capitalized terms not defined herein shall have the meanings set forth in the Bond Resolution. We have also examined a conformed copy of a Bond.

Based on this examination, we are of the opinion that, under existing law:

1. The Bonds are valid, legal and binding special obligations of the County which, together with other bonds and obligations issued on a parity therewith and subject to bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion, are to be paid solely from, and secured by a pledge of the revenues derived by the County from the operation of its sewer system, after provision has been made for the expenses of operation and maintenance of the sewer system (the "Net Revenues"), subject to no other liens granted under the Act. The Bonds are issued on a parity with the County's outstanding Sewer Improvement and Refunding Revenue Bonds, Series 1998, Sewer Revenue Refunding Bonds, Series 2001, Sewer Revenue Refunding Bonds, Series 2004, Sewer Revenue Bonds, Series 2007 and Sewer Revenue Bonds, Series 2008, and those certain Loan Agreements between the County, as borrower, and the Water Infrastructure Finance Authority of Arizona, dated March 1, 1996, August 6, 1997, October 27, 2000, as amended, and May 11, 2004, as amended. The Bonds and the payment of principal thereof and interest thereon are not secured by an obligation or pledge of any moneys or property of the County other than the Net Revenues, and the Bonds do not represent or constitute a general obligation or a pledge of the full faith and credit of the County or the State of Arizona.

2. The interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 as amended (the "Code"), and is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. The interest on the Bonds is exempt from Arizona state income tax. We express no opinion as to any other tax consequences regarding the Bonds.

In giving the foregoing opinion with respect to the treatment of the interest on the Bonds under the tax laws, we have assumed and relied upon compliance with the covenants of the County and the accuracy, which we have not independently verified, of the representations and certifications of the County, contained in the Transcript. The accuracy of those representations and certifications, and the County's compliance with those covenants, may be necessary for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain of those covenants subsequent to issuance of the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Under the Code, interest on the Bonds is excluded from the calculation of a corporation's adjusted current earnings for purposes of the corporate alternative minimum tax, but interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

The opinions expressed in this letter are based on the law in effect on the date hereof and may be affected by actions taken or omitted or events occurring after the date hereof, and we assume no obligations to revise or supplement this opinion should such law be changed by legislative action, judicial decision, or otherwise, or to determine or to inform any person whether any such actions are taken or omitted or any such events occur.

We express no opinion as to the Statement of Insurance on the Bonds referring to the Financial Guaranty Insurance Policy issued by Assured Guaranty Corp., or as to the insurance referred to in that statement.

Respectfully submitted,

Squire, Sanders & Dempsey LLP

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

SQUIRE, SANDERS & DEMPSEY L.L.P.

Two Renaissance Square
40 North Central Avenue, Suite 2700
Phoenix, AZ 85004-4498

Office: +1.602.528.4000
Fax: +1.602.253.8129

May 6, 2009

Assured Guaranty Corp.
New York, New York

We have today delivered to you a copy of our executed legal opinion as bond counsel, dated this date, relating to the issuance of the Pima County, Arizona Sewer Revenue Bonds, Series 2009, in the aggregate principal amount of $18,940,000.

Please consider this letter as our advice to you that you are entitled to rely upon that opinion as issuer of the municipal bond insurance policy relating to the Bonds.

Respectfully submitted,

Squire, Sanders & Dempsey LLP.

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

SQUIRE, SANDERS & DEMPSEY L.L.P.

Two Renaissance Square
40 North Central Avenue, Suite 2700
Phoenix, AZ 85004-4498

Office: +1.602.528.4000
Fax: +1.602.253.8129

May 6, 2009

Pima County, Arizona
Tucson, Arizona

Assured Guaranty Corp.
New York, New York

Re: $18,940,000 Pima County, Arizona Sewer Revenue Bonds, Series 2009
Insurance Agreement

Ladies and Gentlemen:

We have served as bond counsel for Pima County, Arizona (the "County") in connection with the execution and delivery by the County of an Insurance Agreement, dated as of May 6, 2009 (the "Agreement") between the County and Assured Guaranty Corp. ("Assured"), entered into in connection with Assured's issuance of a Financial Guaranty Insurance Policy and Reserve Fund Insurance Policy (the "Policies"), of even date therewith, in connection with the issuance of the above-described bonds (the "Bonds"). The Bonds are being issued pursuant to Title 11, Chapter 2, Article 4 of the Arizona Revised Statutes, as amended (the "Act"), and under the provisions of an authorizing resolution adopted by the Board of Supervisors of the County on June 18, 1991, as supplemented and amended, including a supplemental resolution adopted by the Board of Supervisors of the County on April 21, 2009 (the "Bond Resolution").

In our capacity as bond counsel, and for purposes of this opinion letter, we have examined such matters of law and fact as we have deemed necessary or appropriate, and have examined an executed counterpart of the Agreement. Based upon the foregoing, and based upon the assumptions and subject to the qualifications and limitations set forth below, we are of the opinion and hereby advise you that the Agreement has been duly authorized, executed and delivered by the County and constitutes a legal, valid and binding obligation of the County enforceable in accordance with its terms.

This opinion is subject to the following qualifications and limitations:

(a) The enforceability of the Agreement may be subject to, or limited by, bankruptcy, insolvency, reorganization, arrangement, moratorium, or other similar laws relating to or affecting the rights of creditors generally.

(b) The enforceability of the Agreement is subject to general principles of equity.

We are qualified to practice law in the State of Arizona, and we do not purport to be experts on, or to express any opinion concerning, any law other than the law of the State of Arizona and the United States of America.

The opinions expressed in this letter are based upon the law in effect on the date hereof, and we assume no obligation to revise or supplement this opinion or to notify you or any other person or entity should such law be changed by legislative actions, judicial decision, or otherwise.

This opinion letter is rendered solely to you and solely in connection with the delivery of the Policy. It may not be relied upon by any other person or entity for any purpose whatsoever without, in each instance, our prior written consent.

Respectfully submitted,

Squire, Sanders & Dempsey LLP

ASSURED GUARANTY®
ENDURING FINANCIAL STRENGTH

May 6, 2009

To the Addressees listed on Annex A hereto

Re: Financial Guaranty Insurance Policy No. D-2009-579 relating to $18,940,000 Pima County, Arizona Sewer Revenue Bonds, Series 2009 and Debt Service Reserve Fund Policy No. D-2009-580 (each a "Policy" and collectively, the "Policies")

Ladies and Gentlemen:

This opinion letter has been requested of the undersigned, in the capacity of the undersigned as a Director, Counsel of Assured Guaranty Corp., a Maryland corporation ("Assured Guaranty"), in connection with the issuance by Assured Guaranty of its Policies, effective as of the date hereof.

In connection with this opinion letter, I have examined an execution copy of each Policy and such documents, certificates, agreements and instruments and proceedings as I have considered necessary or appropriate under the circumstances to render the following opinion letter. As to all questions of fact material to this opinion letter, which have not been independently established by me, I have relied upon certificates or comparable documents of public officials or of officers and representatives of Assured Guaranty. In addition, I have assumed the genuineness of all signatures other than those of representatives of Assured Guaranty, the authenticity of all documents submitted to me as originals, the conformity to the original document of certified or photostatic copies thereof and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the limitations and qualifications hereinafter set forth, I am of the opinion that:

1. Assured Guaranty is a corporation duly incorporated and validly existing under the laws of the State of Maryland and has all requisite corporate power and authority to issue and to perform its obligations under each Policy in accordance with the terms thereof.

2. The execution and delivery by Assured Guaranty of the Policies, and the performance by Assured Guaranty of its obligations thereunder, have been duly authorized by all necessary corporate action on the part of Assured Guaranty.

3. Each Policy has been validly executed and delivered by Assured Guaranty, and each constitutes the legal, valid and binding obligation of Assured Guaranty, enforceable against Assured Guaranty in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, liquidation, rehabilitation, moratorium, arrangement, fraudulent conveyance or similar laws or enactments now or hereafter enacted affecting the enforcement of creditors' rights generally, as well as to equitable principles of general application limiting the availability of equitable remedies and the discretion of the court before which any proceeding therefor may be brought (regardless, in each case, of whether enforcement is sought in a proceeding in equity or at law).

I am licensed to practice law in the State of New York, and do not purport to be an expert as to, or to express any opinion concerning the laws of any other jurisdiction other than the laws of the State of New York and the federal laws of the United States of America to the extent specifically referred to herein. To the extent that the opinions set forth herein purport to deal with matters of Maryland law, the statements made therein are based solely upon my review of the corporate documents of Assured Guaranty, my reading of the Maryland General Corporation Law and, in respect of the opinion set forth in paragraph (1) above, my reading of the Maryland Insurance Code.

Assured Guaranty Corp.

1325 Avenue of the Americas
New York, NY 10019

main 212 974 0100
fax 212 581 3268

info@assuredguaranty.com

www.assuredguaranty.com

The opinions expressed herein are limited to the matters expressly set forth herein, and no opinion is implied or may be inferred beyond the matters expressly set forth herein. The opinions expressed herein are based solely on factual matters in existence as of the date hereof and laws and regulations in effect on the date hereof. I assume no obligation to revise or supplement this opinion letter should such factual matters change or should such laws or regulations be changed by legislative or regulatory action, judicial decision or otherwise, and I hereby express no opinion as to the effect any such changes may have on the foregoing opinions.

This opinion letter is being delivered to you solely for your benefit in connection with the issuance of the Policies, and may not be used, circulated, quoted or otherwise referred to or relied upon for any other purpose by any other person, in each case without my express prior written consent.

Very truly yours,

Annex A

Pima County, Arizona, as Issuer
UBS Financial Services, Inc., as Underwriter
The Bank of New York Mellon Trust Company N.A., as Bond Registrar/Paying Agent

Form **8038-G** (Rev. November 2000) Department of the Treasury Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)

▶ See separate Instructions.

Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

Part I Reporting Authority

If **Amended Return,** check here ▶ ☐

1	Issuer's name **Pima County, Arizona**	2	Issuer's employer identification number **86 : 6000543**
3	Number and street (or P.O. box if mail is not delivered to street address) **130 West Congress, 6th Floor**	Room/suite	4 Report number **3 02**
5	City, town, or post office, state, and ZIP code **Tucson, Arizona 85701**	6	Date of issue **5/6/2009**
7	Name of issue **Sewer Revenue Bonds, Series 2009**	8	CUSIP number **721876PP9**
9	Name and title of officer or legal representative whom the IRS may call for more information **Thomas E. Burke, Finance and Risk Management Director**	10	Telephone number of officer or legal representative **(520) 740-3030**

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11	☐ Education	11	
12	☐ Health and hospital	12	
13	☐ Transportation	13	
14	☐ Public safety	14	
15	☑ Environment (including sewage bonds)	15	19,352,702.25
16	☐ Housing	16	
17	☐ Utilities	17	
18	☐ Other. Describe ▶	18	
19	If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☐		
20	If obligations are in the form of a lease or installment sale, check box ▶ ☐		

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	July 1, 2024	$19,352,702.25	$18,940,000.00	9.1876 years	3.6932 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	0
23	Issue price of entire issue (enter amount from line 21, column (b))			23	19,352,702.25
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	139,250.62		
25	Proceeds used for credit enhancement	25	192,951.63		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	80,500.00		
27	Proceeds used to currently refund prior issues	27	0		
28	Proceeds used to advance refund prior issues	28	0		
29	Total (add lines 24 through 28)			29	412,702.25
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	18,940,000.00

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

31	Enter the remaining weighted average maturity of the bonds to be currently refunded ▶	N/A	years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded ▶	N/A	years
33	Enter the last date on which the refunded bonds will be called ▶	N/A	
34	Enter the date(s) the refunded bonds were issued ▶		

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	0
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	0
b	Enter the final maturity date of the guaranteed investment contract ▶		
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	0

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the issuer ▶ _____ and the date of the issue ▶ _____

38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☐

39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐

40 If the issuer has identified a hedge, check box ▶ ☐

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Tom Burke — May 6, 2009

▶ Signature of issuer's authorized representative — Date ▶ **Thomas Burke, Finance and Risk Mngt Director** — Type or print name and title

For Paperwork Reduction Act Notice, see page 2 of the Instructions.

Cat. No. 63773S Form **8038-G** (Rev. 11-2000)

478629.v3

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

SQUIRE, SANDERS & DEMPSEY L.L.P.

Two Renaissance Square
40 North Central Avenue, Suite 2700
Phoenix, AZ 85004-4498

Office: +1.602.528.4000
Fax: +1.602.253.8129

Direct: +1.602.528.4031
tpickrell@ssd.com

May 6, 2009

Via Certified Mail

Internal Revenue Service Center
Ogden, Utah 84201

Re: $18,940,000 Pima County, Arizona
Sewer Revenue Bonds, Series 2009

Ladies and Gentlemen:

On behalf of Pima County, Arizona, enclosed is Form 8038-G, Information Return for Tax-Exempt Governmental Obligations.

Sincerely,

Timothy E. Pickrell

TEP:jer

Enclosure

Certified Number 7003 2260 0003 0960 3797

480483.1

7003 2260 0003 0960 3797

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com®

OFFICIAL USE

TEP
Jean

Pima Sewer
2009-
8038-G

Postage	$ .83
Certified Fee	2.70
Return Reciept Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$ 3.53

Postmark Here

USPS
MAY - 6 2009
AZ 85028

Sent To Internal Revenue Service Center

Street, Apt. No.; or PO Box No. Ogden, Utah 84201

City, State, ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions

AFFIDAVIT OF MAILING

STATE OF ARIZONA)
) ss:
County of Maricopa)

I, Timothy E. Pickrell, being first duly sworn upon my oath, depose and say that I delivered to the United States Postal Service on the 6th day of May, 2009, an envelope containing a Form 8038-G, Information Return for Tax-Exempt Governmental Obligations, with respect to the Pima County, Arizona $18,940,000 Sewer Revenue Bonds, Series 2009, postage prepaid, certified mail (Certified Number 7003 2260 0003 0960 3797), addressed as follows:

Internal Revenue Service Center
Ogden, Utah 84201

Timothy E. Pickrell

SUBSCRIBED AND SWORN to before me this 6th day of May, 2009.

Jean E. Reynolds
Notary Public

My Commission Expires:

August 15, 2012

JEAN E REYNOLDS
Notary Public—Arizona
Maricopa County
Expires on 08/15/2012

Report of Bond and Security Issuance
Pursuant to A.R.S. § 35-501B

This information is due to the Department of Revenue within 60 days of the issue.

1. Jurisdiction: Pima County, Arizona	
2. Issue name/title: Sewer Revenue Bonds, Series 2009	
3. Dated Date: May 6, 2009 Closing Date: May 6, 2009	4. Par amount: $18,940,000
5. Overall Interest rate (~~TIC~~ OR NIC): 3.6998%	6. Type of Bond or Security: Revenue
7. Repayment sources: Sewer system revenues.	
8. Total amount outstanding: $248,477,247	9. Total amount outstanding of senior or subordinate bonds: 0
10. Original issue price: a. Par Amount (Principal Amount) $18,940,000.00	11. Total limitations (Constitutional or Statutory) on the type of bonds/securities issued: N/A **For general obligation Bonds:** a. Secondary net assessed value: N/A
b. Original Issue Discount (-) $ (28,532.05)	
c. Premium Amount (+) 441,234.30	b. Debt limit percentage: N/A
d. Original Issue Price (=) 19,352,702.25	c. Total debt limit: N/A
e. Underwriter Compensation (Discount) (-) (119,322.00)	12. Available debt limit: N/A
f. Net Proceeds (=) $19,233,380.25	13. Total amount authorized: $255,000,000
14. Remaining authorized amount: $10,002,383	15. If voter authorized, Election dates: 5/20/97; 5/14/04

16 – 19 Please attach 1) a schedule providing a detailed listing of Issue Costs; 2) the Debt Service Schedule; 3) Form 8038 and 4) the Final Official Statement. Please refer to instructions on back of form.

Signature

May 6, 2009
Date

Political Subdivision Contact Name, address, phone number

Thomas E. Burke, Finance & Risk Mngt. Director
Pima County Finance Department
130 West Congress, 6th Floor
Tucson, Arizona 85701
(520) 740-3030

Trustee name, address and phone number

Deborah Scherer, Vice President
The Bank of New York Mellon Trust Company, N.A.
1225 West Washington Street, Suite 126
Tempe, Arizona 85281
(602) 629-2862

Submit this form with attachments within 60 days of issuance to:

Arizona Department of Revenue
Attention Econometrics Section
1600 W Monroe
Phoenix AZ 85007

478631

ARIZONA DEPARTMENT OF REVENUE
Report of Bond and Security Issuance
Schedule 1

For each maturity date, list either the Original Issue Discount or the Premium Amount. The total of these figures should equal the amounts listed on 10b and 10c on the form. In all cases, 10a - 10B + 10C - 10e = 10f.

Name of Issue: Pima County, Arizona Sewer Revenue Bonds, Series 2009

Par Amount: $18,940,000 Date Closed: May 6, 2009

Maturity Date	Par Amount (Principal Amount) 10a	Coupon Rate	Yield	Original Issue Price	Premium or Discount 10b or 10c
July 1, 2010	$ 810,000.00	3.250%	0.800%	$ 832,720.50	$ 22,720.50
July 1, 2011	1,015,000.00	3.250%	1.350%	1,055,762.40	40,762.40
July 1, 2012	400,000.00	3.250%	1.650%	419,576.00	19,576.00
July 1, 2013	1,065,000.00	3.250%	1.900%	1,122,126.60	57,126.60
July 1, 2014	1,110,000.00	3.250%	2.250%	1,163,690.70	53,690.70
July 1, 2015	1,155,000.00	3.250%	2.500%	1,204,087.50	49,087.50
July 1, 2016	1,210,000.00	3.500%	2.750%	1,268,527.70	58,527.70
July 1, 2017	1,265,000.00	3.500%	3.000%	1,310,400.85	45,400.85
July 1, 2018	1,325,000.00	3.750%	3.250%	1,377,032.75	52,032.75
July 1, 2019	1,395,000.00	3.750%	3.500%	1,424,532.15	29,532.15
July 1, 2020	1,465,000.00	3.750%	3.750%	1,465,000.00	-
July 1, 2021	1,545,000.00	4.000%	3.900%	1,557,777.15	12,777.15
July 1, 2022	1,630,000.00	4.000%	4.050%	1,621,670.70	(8,329.30)
July 1, 2023	1,725,000.00	4.250%	4.250%	1,725,000.00	-
July 1, 2024	1,825,000.00	4.250%	4.350%	1,804,797.25	(20,202.75)
Total	$ 18,940,000.00	N/A	N/A	$ 19,352,702.25	$ 412,702.25
10e Underwriter's Discount and/or Placement Agent Fee, if any				N/A	$ 119,322.00
10f Net Proceeds (as shown on issuance form)				N/A	$ 19,233,380.25

478631

ATTACHMENT TO
REPORT OF BOND AND SECURITY ISSUANCE

Name of Issue: PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS, SERIES 2009

COSTS OF ISSUANCE

Bond Counsel	$12,500
Financial Advisor	25,000
Moody's Investors Service	15,000
Standard & Poor's	16,000
Bond Registrar/Paying Agent	500
Printing of Official Statement	5,000
POS/OS Electronic Distribution	750
Miscellaneous	2,750
Total:	$77,500

EXHIBIT A

$18,940,000
PIMA COUNTY, ARIZONA
Sewer Revenue Bonds
Series 2009

Principal and Interest Payments

Dated: 5/6/2009 **Delivery: 5/06/2009**

Date	Principal (a)	Coupon	Interest	Total Debt Service	Fiscal Year Debt Service	CUSIP # (721876)
1/1/2010			$458,233.68	$458,233.68		
7/1/2010	$810,000.00	3.25%	350,987.50	1,160,987.50	$1,619,221.18	NZ9
1/1/2011			337,825.00	337,825.00		
7/1/2011	1,015,000.00	3.25%	337,825.00	1,352,825.00	1,690,650.00	PA2
1/1/2012			321,331.25	321,331.25		
7/1/2012	400,000.00	3.25%	321,331.25	721,331.25	1,042,662.50	PB0
1/1/2013			314,831.25	314,831.25		
7/1/2013	1,065,000.00	3.25%	314,831.25	1,379,831.25	1,694,662.50	PC8
1/1/2014			297,525.00	297,525.00		
7/1/2014	1,110,000.00	3.25%	297,525.00	1,407,525.00	1,705,050.00	PD6
1/1/2015			279,487.50	279,487.50		
7/1/2015	1,155,000.00	3.25%	279,487.50	1,434,487.50	1,713,975.00	PE4
1/1/2016			260,718.75	260,718.75		
7/1/2016	1,210,000.00	3.50%	260,718.75	1,470,718.75	1,731,437.50	PF1
1/1/2017			239,543.75	239,543.75		
7/1/2017	1,265,000.00	3.50%	239,543.75	1,504,543.75	1,744,087.50	PG9
1/1/2018			217,406.25	217,406.25		
7/1/2018	1,325,000.00	3.75%	217,406.25	1,542,406.25	1,759,812.50	PH7
1/1/2019			192,562.50	192,562.50		
7/1/2019	1,395,000.00	3.75%	192,562.50	1,587,562.50	1,780,125.00	PJ3
1/1/2020			166,406.25	166,406.25		
7/1/2020	1,465,000.00	3.75%	166,406.25	1,631,406.25	1,797,812.50	PK0
1/1/2021			138,937.50	138,937.50		
7/1/2021	1,545,000.00	4.00%	138,937.50	1,683,937.50	1,822,875.00	PL8
1/1/2022			108,037.50	108,037.50		
7/1/2022	1,630,000.00	4.00%	108,037.50	1,738,037.50	1,846,075.00	PM6
1/1/2023			75,437.50	75,437.50		
7/1/2023	1,725,000.00	4.25%	75,437.50	1,800,437.50	1,875,875.00	PN4
1/1/2024			38,781.25	38,781.25		
7/1/2024	1,825,000.00	4.25%	38,781.25	1,863,781.25	1,902,562.50	PP9
Total	$18,940,000.00		$6,786,883.68	$25,726,883.68	$25,726,883.68	

(a) The Bonds maturing on or after July 1, 2020 are subject to redemption prior to maturity on or after July 1, 2019 at Par.

-Prepared By-
RBC Capital Markets
4/27/2009

Form **8038-G**
(Rev. November 2000)
Department of the Treasury
Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)
▶ See separate Instructions.
Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

Part I Reporting Authority

If **Amended Return,** check here ▶ ☐

1	Issuer's name **Pima County, Arizona**	2	Issuer's employer identification number **86 : 6000543**
3	Number and street (or P.O. box if mail is not delivered to street address) **130 West Congress, 6th Floor**	Room/suite	4 Report number **3 02**
5	City, town, or post office, state, and ZIP code **Tucson, Arizona 85701**	6	Date of issue **5/6/2009**
7	Name of issue **Sewer Revenue Bonds, Series 2009**	8	CUSIP number **721876PP9**
9	Name and title of officer or legal representative whom the IRS may call for more information **Thomas E. Burke, Finance and Risk Management Director**	10	Telephone number of officer or legal representative **(520) 740-3030**

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11	☐ Education	11	
12	☐ Health and hospital	12	
13	☐ Transportation	13	
14	☐ Public safety	14	
15	☑ Environment (including sewage bonds)	15	19,352,702.25
16	☐ Housing	16	
17	☐ Utilities	17	
18	☐ Other. Describe ▶	18	
19	If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☐		
20	If obligations are in the form of a lease or installment sale, check box ▶ ☐		

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	July 1, 2024	$19,352,702.25	$18,940,000.00	9.1876 years	3.6932 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	0
23	Issue price of entire issue (enter amount from line 21, column (b))			23	19,352,702.25
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	139,250.62		
25	Proceeds used for credit enhancement	25	192,951.63		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	80,500.00		
27	Proceeds used to currently refund prior issues	27	0		
28	Proceeds used to advance refund prior issues	28	0		
29	Total (add lines 24 through 28)			29	412,702.25
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	18,940,000.00

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

31	Enter the remaining weighted average maturity of the bonds to be currently refunded ▶	N/A years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded ▶	N/A years
33	Enter the last date on which the refunded bonds will be called ▶	N/A
34	Enter the date(s) the refunded bonds were issued ▶	

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	0
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	0
b	Enter the final maturity date of the guaranteed investment contract ▶		
37	Pooled financings: **a** Proceeds of this issue that are to be used to make loans to other governmental units	37a	0

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the issuer ▶ _____ and the date of the issue ▶ _____

38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☐

39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐

40 If the issuer has identified a hedge, check box ▶ ☐

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

▶ Signature of issuer's authorized representative — Date: **May 6, 2009**

▶ **Thomas Burke, Finance and Risk Mngt Director**
Type or print name and title

For Paperwork Reduction Act Notice, see page 2 of the Instructions.

Cat. No. 63773S Form **8038-G** (Rev. 11-2000)

478629.v3

OFFICIAL STATEMENT

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS: See "Ratings" herein

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Bonds is exempt from Arizona state income tax. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Dated: Date of Initial Delivery

Due: July 1, as shown on next page

The Sewer Revenue Bonds, Series 2009 (the "Bonds") are being issued by Pima County, Arizona (the "County") in accordance with applicable State of Arizona law. Initially, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry-only form in denominations of $5,000 or any integral multiple thereof.

Interest on the Bonds is payable until maturity or prior redemption semiannually on January 1 and July 1 (each an "Interest Payment Date"), commencing January 1, 2010 and principal of the Bonds will be payable annually in accordance with the schedule set forth below. So long as the Bonds are registered in the name of DTC, or its nominee, payments of the principal and interest on the Bonds will be made directly by the paying agent, initially The Bank of New York Mellon Trust Company, N.A., to DTC which, in turn, is obligated to remit such payments to its participants for subsequent distribution to beneficial owners of the Bonds, as described herein.

The Bonds are subject to redemption prior to their stated maturities as described herein.

The Bonds are being issued for the purpose of providing funds to (i) make various improvements in the County's sewer system (the "System") and (ii) pay costs relating to the issuance of the Bonds.

Principal of and interest on the Bonds is payable solely from and secured by a pledge of the Net Revenues of the System on a parity of lien with certain outstanding sewer revenue debt and additional parity debt that may be issued or incurred in the future under the herein-described Sewer Bond Resolution. The Bonds are not general obligations of the County or a charge against the general credit or taxing power of the County. The County is not liable for the payment of the Bonds from any sources of funds except from the sources and funds described herein. See "THE BONDS - Security and Source of Payment" herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp. ("Assured Guaranty").

ASSURED GUARANTY®

MATURITY SCHEDULE

Due July 1	Principal Amount	Interest Rate	Yield
2010	$810,000	3.25%	0.80%
2011	1,015,000	3.25	1.35
2012	400,000	3.25	1.65
2013	1,065,000	3.25	1.90
2014	1,110,000	3.25	2.25
2015	1,155,000	3.25	2.50
2016	1,210,000	3.50	2.75
2017	1,265,000	3.50	3.00

Due July 1	Principal Amount	Interest Rate	Yield
2018	$1,325,000	3.75%	3.25%
2019	1,395,000	3.75	3.50
2020	1,465,000	3.75	3.75
2021	1,545,000	4.00	3.90*
2022	1,630,000	4.00	4.05
2023	1,725,000	4.25	4.25
2024	1,825,000	4.25	4.35

* Price to the July 1, 2019 first optional redemption date.

This cover page contains only a brief description of the Bonds and the security therefor. It is not intended to be a summary of material information with respect to the Bonds. Investors should read the entire Official Statement to obtain information necessary to make an informed investment decision.

The Bonds are offered when, as and if issued by the County subject to the approving opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel as to validity and tax exemption. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about May 6, 2009.

April 21, 2009

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

SQUIRE, SANDERS & DEMPSEY L.L.P.

Two Renaissance Square
40 North Central Avenue, Suite 2700
Phoenix, AZ 85004-4498

Office: +1.602.528.4000
Fax: +1.602.253.8129

Direct: +1.602.528.4031
tpickrell@ssd.com

May 8, 2009

Via Certified Mail
Return Receipt Requested

Arizona Department of Revenue
Attention: OERA, 9th Floor
1600 W. Monroe
Phoenix, AZ 85007

Re: $18,940,000 Pima County, Arizona Sewer Revenue Bonds, Series 2009

Ladies and Gentlemen:

On behalf of Pima County, Arizona, enclosed is the Report of Bond and Security Issuance Pursuant to A.R.S. §35-501B for the above-referenced financing.

Sincerely,

Timothy E. Pickrell

TEP:jer
Enclosure

Certified No. 7003 2260 0003 0960 3810

480488.1

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS. FOLD AT DOTTED LINE

CERTIFIED MAIL™

7003 2260 0003 0960 3810

7003 2260 0003 0960 3810

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com®

TEI Jewel

OFFICIAL USE

Pima Sewer 2009-1000R

Postage	$ 4.95
Certified Fee	2.70
Return Reciept Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	2.20
Total Postage & Fees	$ 9.85

Postmark Here

PHOENIX AZ 85007 USPS

Sent To

Street, Apt. No.; or PO Box No. Arizona Department of Revenue
Attention: OERA, 9th Floor
City, State, ZIP+4 1600 W. Monroe
Phoenix, AZ 85007

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Arizona Department of Revenue
Attention: OERA, 9th Floor
1600 W. Monroe
Phoenix, AZ 85007

COMPLETE THIS SECTION ON DELIVERY

A. Signature ☐ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes ☐ No
If YES, enter delivery address below:

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7003 2260 0003 0960 3810

PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-1540

AFFIDAVIT OF MAILING

STATE OF ARIZONA)
) ss:
County of Maricopa)

I, Timothy E. Pickrell, being first duly sworn upon my oath, depose and say that I delivered to the United States Postal Service on the 8th day of May, 2009, an envelope containing the Report of Bond and Security Issuance Pursuant to A.R.S. §35-501B, with respect to $18,940,000 Pima County, Arizona Sewer Revenue Bonds, Series 2009, postage prepaid, certified mail (Certified Number 7003 2260 0003 0960 3810), return receipt requested, addressed as follows:

Arizona Department of Revenue
Attention: OERA, 9th Floor
1600 W. Monroe
Phoenix, AZ 85007

Timothy E. Pickrell

SUBSCRIBED AND SWORN to before me this 6th day of May, 2009.

Jean E. Reynolds
Notary Public

My Commission Expires:
August 15, 2012

JEAN E REYNOLDS
Notary Public—Arizona
Maricopa County
Expires on 08/15/2012

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Number:
R-1

Denomination:
$810,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
3.250%	July 1, 2010	May 6, 2009	721876NZ9

Registered Owner: CEDE & CO.

Principal Amount: EIGHT HUNDRED TEN THOUSAND AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County"), for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain Bonds of the issue of which this Bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth within this Bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 2010, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check payable in such money drawn on the Paying Agent and payable to the order of and mailed by the Paying Agent to the registered owner at the address shown on the registration books maintained by the Bond Registrar at the close of business on the record date, or by wire transfer, as explained herein. The principal and any premium will be paid when due to the registered owner upon surrender of this Bond for payment at the designated office of the Paying Agent, which on the original issue date is the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A.

SPECIMEN

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Number:
R-2

Denomination:
$1,015,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
3.250%	July 1, 2011	May 6, 2009	721876PA2

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION FIFTEEN THOUSAND AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County"), for value received hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain Bonds of the issue of which this Bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth within this Bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 2010, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check payable in such money drawn on the Paying Agent and payable to the order of and mailed by the Paying Agent to the registered owner at the address shown on the registration books maintained by the Bond Registrar at the close of business on the record date, or by wire transfer, as explained herein. The principal and any premium will be paid when due to the registered owner upon surrender of this Bond for payment at the designated office of the Paying Agent, which on the original issue date is the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A.

SPECIMEN

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Number:
R-3

Denomination:
$400,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
3.250%	July 1, 2012	May 6, 2009	721876PB0

Registered Owner: CEDE & CO.

Principal Amount: FOUR HUNDRED THOUSAND AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County"), for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain Bonds of the issue of which this Bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth within this Bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 2010, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check payable in such money drawn on the Paying Agent and payable to the order of and mailed by the Paying Agent to the registered owner at the address shown on the registration books maintained by the Bond Registrar at the close of business on the record date, or by wire transfer, as explained herein. The principal and any premium will be paid when due to the registered owner upon surrender of this Bond for payment at the designated office of the Paying Agent, which on the original issue date is the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A.

SPECIMEN

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Number:
R-4

Denomination:
$1,065,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
3.250%	July 1, 2013	May 6, 2009	721876PC8

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION SIXTY-FIVE THOUSAND AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County"), for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain Bonds of the issue of which this Bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth within this Bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 2010, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check payable in such money drawn on the Paying Agent and payable to the order of and mailed by the Paying Agent to the registered owner at the address shown on the registration books maintained by the Bond Registrar at the close of business on the record date, or by wire transfer, as explained herein. The principal and any premium will be paid when due to the registered owner upon surrender of this Bond for payment at the designated office of the Paying Agent, which on the original issue date is the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A.

SPECIMEN

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Number:
R-5

Denomination:
$1,110,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
3.250%	July 1, 2014	May 6, 2009	721876PD6

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION ONE HUNDRED TEN THOUSAND AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County"), for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain Bonds of the issue of which this Bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth within this Bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 2010, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check payable in such money drawn on the Paying Agent and payable to the order of and mailed by the Paying Agent to the registered owner at the address shown on the registration books maintained by the Bond Registrar at the close of business on the record date, or by wire transfer, as explained herein. The principal and any premium will be paid when due to the registered owner upon surrender of this Bond for payment at the designated office of the Paying Agent, which on the original issue date is the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A.

SPECIMEN

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Number:
R-6

Denomination:
$1,155,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
3.250%	July 1, 2015	May 6, 2009	721876PE4

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION ONE HUNDRED FIFTY-FIVE THOUSAND AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County"), for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain Bonds of the issue of which this Bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth within this Bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 2010, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check payable in such money drawn on the Paying Agent and payable to the order of and mailed by the Paying Agent to the registered owner at the address shown on the registration books maintained by the Bond Registrar at the close of business on the record date or by wire transfer, as explained herein. The principal and any premium will be paid when due to the registered owner upon surrender of this Bond for payment at the designated office of the Paying Agent, which on the original issue date is the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A.

SPECIMEN

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Number:
R-7

Denomination:
$1,210,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
3.500%	July 1, 2016	May 6, 2009	721876PF1

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION TWO HUNDRED TEN THOUSAND AND 00/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County"), for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain Bonds of the issue of which this Bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth within this Bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 2010, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check payable in such money drawn on the Paying Agent and payable to the order of and mailed by the Paying Agent to the registered owner at the address shown on the registration books maintained by the Bond Registrar at the close of business on the record date, or by wire transfer, as explained herein. The principal and any premium will be paid when due to the registered owner upon surrender of this Bond for payment at the designated office of the Paying Agent, which on the original issue date is the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A.

SPECIMEN

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Number:
R-8

Denomination:
$1,265,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
3.500%	July 1, 2017	May 6, 2009	721876PG9

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION TWO HUNDRED SIXTY-FIVE THOUSAND AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County"), for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain Bonds of the issue of which this Bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth within this Bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 2010, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check payable in such money drawn on the Paying Agent and payable to the order of and mailed by the Paying Agent to the registered owner at the address shown on the registration books maintained by the Bond Registrar at the close of business on the record date, or by wire transfer, as explained herein. The principal and any premium will be paid when due to the registered owner upon surrender of this Bond for payment at the designated office of the Paying Agent, which on the original issue date is the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A.

SPECIMEN

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Number:
R-9

Denomination:
$1,325,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
3.750%	July 1, 2018	May 6, 2009	721876PH7

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION THREE HUNDRED TWENTY-FIVE THOUSAND AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County"), for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain Bonds of the issue of which this Bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth within this Bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 2010, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check payable in such money drawn on the Paying Agent and payable to the order of and mailed by the Paying Agent to the registered owner at the address shown on the registration books maintained by the Bond Registrar at the close of business on the record date, or by wire transfer, as explained herein. The principal and any premium will be paid when due to the registered owner upon surrender of this Bond for payment at the designated office of the Paying Agent, which on the original issue date is the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A.

SPECIMEN

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Number:
R-10

Denomination:
$1,395,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
3.750%	July 1, 2019	May 6, 2009	721876PJ3

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION THREE HUNDRED NINETY-FIVE THOUSAND AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County"), for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain Bonds of the issue of which this Bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth within this Bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 2010, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check payable in such money drawn on the Paying Agent and payable to the order of and mailed by the Paying Agent to the registered owner at the address shown on the registration books maintained by the Bond Registrar at the close of business on the record date, or by wire transfer, as explained herein. The principal and any premium will be paid when due to the registered owner upon surrender of this Bond for payment at the designated office of the Paying Agent, which on the original issue date is the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A.

SPECIMEN

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Number:
R-11

Denomination:
$1,465,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
3.750%	July 1, 2020	May 6, 2009	721876PK0

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION FOUR HUNDRED SIXTY-FIVE THOUSAND AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County"), for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain Bonds of the issue of which this Bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth within this Bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 2010, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check payable in such money drawn on the Paying Agent and payable to the order of and mailed by the Paying Agent to the registered owner at the address shown on the registration books maintained by the Bond Registrar at the close of business on the record date, or by wire transfer, as explained herein. The principal and any premium will be paid when due to the registered owner upon surrender of this Bond for payment at the designated office of the Paying Agent, which on the original issue date is the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A.

SPECIMEN

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PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Number:
R-12

Denomination:
$1,545,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
4.000%	July 1, 2021	May 6, 2009	721876PL8

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION FIVE HUNDRED FORTY-FIVE THOUSAND AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County"), for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain Bonds of the issue of which this Bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth within this Bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 2010, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check payable in such money drawn on the Paying Agent and payable to the order of and mailed by the Paying Agent to the registered owner at the address shown on the registration books maintained by the Bond Registrar at the close of business on the record date, or by wire transfer, as explained herein. The principal and any premium will be paid when due to the registered owner upon surrender of this Bond for payment at the designated office of the Paying Agent, which on the original issue date is the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A.

SPECIMEN

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Number:
R-13

Denomination:
$1,630,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
4.000%	July 1, 2022	May 6, 2009	721876PM6

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION SIX HUNDRED THIRTY THOUSAND AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County"), for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain Bonds of the issue of which this Bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth within this Bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 2010, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check payable in such money drawn on the Paying Agent and payable to the order of and mailed by the Paying Agent to the registered owner at the address shown on the registration books maintained by the Bond Registrar at the close of business on the record date, or by wire transfer, as explained herein. The principal and any premium will be paid when due to the registered owner upon surrender of this Bond for payment at the designated office of the Paying Agent, which on the original issue date is the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A.

SPECIMEN

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Number:
R-14

Denomination:
$1,725,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
4.250%	July 1, 2023	May 6, 2009	721876PN4

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION SEVEN HUNDRED TWENTY-FIVE THOUSAND AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County"), for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain Bonds of the issue of which this Bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth within this Bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 2010, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check payable in such money drawn on the Paying Agent and payable to the order of and mailed by the Paying Agent to the registered owner at the address shown on the registration books maintained by the Bond Registrar at the close of business on the record date, or by wire transfer, as explained herein. The principal and any premium will be paid when due to the registered owner upon surrender of this Bond for payment at the designated office of the Paying Agent, which on the original issue date is the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A.

SPECIMEN

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

Number:
R-15

Denomination:
$1,825,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
4.250%	July 1, 2024	May 6, 2009	721876PP9

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION EIGHT HUNDRED TWENTY-FIVE THOUSAND AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County"), for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain Bonds of the issue of which this Bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth within this Bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 2010, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest prior to maturity will be paid by check payable in such money drawn on the Paying Agent and payable to the order of and mailed by the Paying Agent to the registered owner at the address shown on the registration books maintained by the Bond Registrar at the close of business on the record date, or by wire transfer, as explained herein. The principal and any premium will be paid when due to the registered owner upon surrender of this Bond for payment at the designated office of the Paying Agent, which on the original issue date is the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A.

SPECIMEN

This Bond is one of an issue of $18,940,000 principal amount of Bonds of like date, tenor and effect except as to rate of interest, number and maturity date, issued pursuant to the Constitution and laws of the State of Arizona including particularly Title 11, Chapter 2, Article 4, Arizona Revised Statutes, as amended, and Resolution Nos. 1991-138, 1991-182, 2008-119 and No. 2009-69 adopted by the Board of Supervisors of Pima County on June 18, 1991, August 6, 1991 and April 21, 2009 respectively (collectively, the "Bond Resolution"), for the purpose of providing funds to pay the costs of improvements, expansions and extensions to the County's sewer plant and system and paying the costs of issuance therefor and necessary premiums and commissions in connection therewith.

This Bond and the issue of which it is a part are payable as to both principal and interest solely from the net revenues to be derived by the County from the sewer system of the County. For a more complete statement of the provisions made to secure payment of the Bonds, the revenues from which and conditions under which this Bond is payable, statements of the terms under which the Bond Resolution may be modified, and the general covenants and provisions pursuant to which this Bond is issued, reference is made to the Bond Resolution.

This Bond and the interest hereon are enforceable exclusively from the revenues pledged thereto in the Bond Resolution and no owner hereof shall have the right to compel any exercise of the taxing power of the County to pay this Bond or the interest hereon. This Bond does not constitute an indebtedness or pledge of the general credit of the County within the meaning of any constitutional, charter or statutory provisions relating to the incurring of indebtedness.

Interest on the Bonds will be paid on each interest payment date by check mailed by the Paying Agent to each registered owner of the Bonds at the address shown on the registration book of the Bond Registrar on the record date (as described below) or by wire transfer to any securities depository or, upon two days prior written request delivered to the paying agent specifying a wire transfer address in the continental United States by any registered owner of at least $1,000,000 aggregate principal amount of Bonds.

Bonds maturing on or before July 1, 2019 are not subject to call for redemption prior to their respective maturity dates. The Bonds maturing on or after July 1, 2020 are subject to call for redemption on any date on or after July 1, 2019 at the election of the County, in whole or in part from maturities selected by the County and within any maturity by lot by the payment of a redemption price equal to the principal amount of each bond called for redemption plus accrued interest to the date fixed for redemption, without premium.

Notice of redemption of any Bond will be mailed to the registered holder of the Bond or Bonds being redeemed at the address shown on the bond register maintained by the Bond Registrar not less than 30 days nor more than 60 days prior to the specified redemption date.

The Bond Registrar and Paying Agent is The Bank of New York Mellon Trust Company, N.A. The Bond Registrar or Paying Agent may be changed without notice.

This Bond is transferable by the registered owner in person or by attorney duly authorized in writing at the designated office of the Bond Registrar upon surrender and cancellation of this Bond, but only in the manner and subject to the limitation and upon payment of the charges provided in the Bond Resolution. Upon such transfer a new bond or bonds of the same aggregate principal amount, maturity and interest rate will be issued to the transferee in

SPECIMEN

exchange. The Bond Registrar may require an owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Bond Resolution. The County has chosen the 15th day of the month preceding an interest payment date as the record date for this series of Bonds, unless such date is a Saturday, Sunday or holiday, in which case the record date will be deemed to be the previous business day. Should this Bond be submitted to the Bond Registrar for transfer during the period commencing after the close of business on the record date and continuing to and including the next subsequent interest payment date, ownership will be transferred in the normal manner but the interest payment will be made payable to and mailed to the registered owner as shown on the Bond Registrar's books at the close of business on the record date.

The Bond Registrar may but need not register the transfer of a Bond which has been selected for redemption and need not register the transfer of any Bond for a period of 15 days before a selection of Bonds to be redeemed. If the transfer of any Bond which has been called or selected for call for redemption in whole or in part is registered, any notice of redemption which has been given to the transferor will be binding upon the transferee and a copy of the notice of redemption will be delivered to the transferee along with the Bond or Bonds.

Bonds of this issue are issuable only in fully registered form in the denomination of $5,000 each or integral multiples of $5,000. This Bond may be exchanged at the designated office of the Bond Registrar for a like aggregate principal amount of Bonds of the same maturity in authorized denominations upon the terms set forth in the Bond Resolution.

The County, the Bond Registrar and the Paying Agent may treat the registered owner of this Bond as the absolute owner for the purpose of receiving principal, interest and any premium and for all other purposes and none of them shall be affected by any notice to the contrary.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and laws of the State of Arizona to exist, to occur and to be performed pursuant to and in the issuance of this Bond exist, have occurred and have been performed, and that the series of Bonds of which this is one, together with all other indebtedness of the County, is within every debt and other limit prescribed by the Constitution and laws of the State of Arizona.

The County has caused this Bond to be executed by the Chairman of its Board of Supervisors and attested by its Clerk of the Board of Supervisors, which signatures may be facsimile signatures. This Bond is not valid or binding upon the County without the manually affixed signature of an authorized representative of the Bond Registrar.

PIMA COUNTY, ARIZONA

_____

Chairman, Board of Supervisors

ATTEST:

_____

Clerk, Board of Supervisors

SPECIMEN

AUTHENTICATION CERTIFICATE

This Bond is one of the Pima County, Arizona Sewer Revenue Bonds, Series 2009, described in the Bond Resolution mentioned herein.

Date of Authentication: May 6, 2009

The Bank of New York Mellon Trust Company, N.A., as Registrar

By: _____
Authorized Representative

SPECIMEN

STATEMENT OF INSURANCE

Assured Guaranty Corp. ("Assured Guaranty"), a Maryland-domiciled insurance company, has delivered its financial guaranty insurance policy (the "Policy") with respect to the scheduled payments of principal of and interest on this Bond to The Bank of New York Mellon Trust Company, N.A., as paying agent on behalf of the holders of the Bonds (the "Paying Agent"). Such Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Assured Guaranty or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of Assured Guaranty as more fully set forth in the Policy.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common
TEN ENT -- as tenants by the entireties
JT TEN -- as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT --
_____ Custodian _____
(Cust) (Minor)
Under Uniform Gifts to Minor Act

_____
(State)

Additional abbreviations may also be used though not in list above.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

_____
(Name and Address of Transferee)

_____
(Social Security or other Federal Tax Identification Number of Transferee)

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

_____
Note: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within registered bond in every particular without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

_____

Note: Signature(s) must be guaranteed by an eligible guarantor institution pursuant to Securities and Exchange Commission Rule 17Ad-15 that is a participant in a signature guarantor program recognized by the Trustee.

SPECIMEN

Moody's Investors Service

7 World Trade Center at 250 Greenwich Street,
New York, New York 10007

May 5, 2009

Assured Guaranty Corp
1325 Avenue of the Americas
New York, NY 10019

To Whom It May Concern:

Moody's Investors Service has assigned the rating of **Aa2** to the **$18,940,000.00, Pima County, Arizona - Sewer Revenue Bonds, Series 2009**, dated May 6, 2009 which sold on April 21, 2009, insured by Assured Guaranty Corp (Policy No. **D-2009-579**). The rating is the highest of (i) the guarantor's financial strength rating, (ii) any published underlying rating on the security, or (iii) any published enhanced rating based on a state credit enhancement program.

Should you have any questions regarding the above, please do not hesitate to contact Vincent Guadagno Jr. at (212) 553-2948.

Sincerely yours,

Joann Hempel

Joann Hempel
Vice President / Senior Credit Officer

JH / TM

Moody's Investors Service

One Front Street, Suite 1900
San Francisco, CA 94111

Tel: 415.274.1700

April 13, 2009

Mr. Tom Burke
Finance Director
Pima County
130 West Congress
10th Floor
Tucson, AZ 85701

Dear Mr. Burke:

We wish to inform you that on April 2, 2009, Moody's Investors Service assigned a rating of **A2** to the Pima County, Arizona, Sewer Revenue Bonds Series 2009.

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure of current financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's ratings desk.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Jolene Yee, at 415-274-1720.

Sincerely,

Kenneth B. Kurtz

Kenneth B. Kurtz
Managing Director

KBK:JY/cm

cc: Mr. Kurt Freund
RBC Dain Rauscher Inc.
2398 East Camelback Road, Suite 700
Phoenix, AZ 85016

STANDARD
&POOR'S

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2074
reference no.: 40266011

May 5, 2009

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, NY 10019
Attention: Mr. William Hogan, Managing Director

Re: ***$18,940,000 Pima County, Arizona, Sewer Revenue Bonds, Series 2009, dated: Date of Delivery, due: July 1, 2010-2024, (POLICY #D-2009-579)***

Dear Mr. Hogan:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating to "AAA" from "A+". The rating reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy your company is providing. Therefore, rating adjustments may result from changes in the financial position of your company or from alterations in the documents governing the issue.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

Standard & Poor's is pleased to be of service to you. For more information please visit our website at www.standardandpoors.com. If we can be of help in any other way, please contact us. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

Standard and Poor's /WSD

rm

STANDARD
&POOR'S

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5004
reference no.: 1049932

March 19, 2009

Pima County
Finance Department
130 West Congress Street, 10th Floor
Tucson, AZ 85701
Attention: Mr. Thomas Burke, Director of Finance

Re: ***US$18,940,000 Pima County, Arizona, Sewer Revenue Bonds, Series 2009, dated: Date of Delivery, due: July 1, 2024***

Dear Mr. Burke:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions,* have assigned a rating of "A+". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial

information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

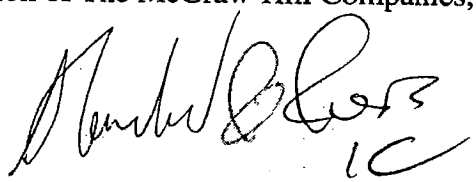
Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. If we can be of help in any other way, please call or contact us at nypublicfinance@standardandpoors.com. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.



js
enclosures
cc: Mr. Nicholas J. Dodd, Vice President
RBC Capital Markets

STANDARD
&POOR'S

Standard & Poor's Ratings Services
Terms and Conditions
Applicable To
U.S. Public Finance Ratings

Request for a rating. Standard & Poor's issues public finance ratings for a fee upon request from an issuer, or from an underwriter, financial advisor, investor, insurance company, or other entity, provided that the obligor and issuer (if different from the obligor) each has knowledge of the request. The term "issuer/obligor" in these Terms and Conditions means the issuer and the obligor if the obligor is different from the issuer.

Agreement to Accept Terms and Conditions. Standard & Poor's assigns Public Finance ratings subject to the terms and conditions stated herein and in the rating letter. The issuer/obligor's use of a Standard & Poor's public finance rating constitutes agreement to comply in all respects with the terms and conditions contained herein and in the rating letter and acknowledges the issuer/obligor's understanding of the scope and limitations of the Standard & Poor's rating as stated herein and in the rating letter.

Fees and expenses. In consideration of our analytic review and issuance of the rating, the issuer/obligor agrees to pay Standard & Poor's a rating fee. Payment of the fee is not conditioned on Standard & Poor's issuance of any particular rating. In most cases an annual surveillance fee will be charged for so long as we maintain the rating. The issuer/obligor will reimburse Standard & Poor's for reasonable travel and legal expenses if such expenses are not included in the fee. Should the rating not be issued, the issuer/obligor agrees to compensate Standard & Poor's based on the time, effort, and charges incurred through the date upon which it is determined that the rating will not be issued.

Scope of Rating. The issuer/obligor understands and agrees that (i) an issuer rating reflects Standard & Poor's current opinion of the issuer/obligor's overall financial capacity to pay its financial obligations as they come due, (ii) an issue rating reflects Standard & Poor's current opinion of the likelihood that the issuer/obligor will make payments of principal and interest on a timely basis in accordance with the terms of the obligation, (iii) a rating is an opinion and is not a verifiable statement of fact, (iv) ratings are based on information supplied to Standard & Poor's by the issuer/obligor or by its agents and upon other information obtained by Standard & Poor's from other sources it considers reliable, (v) Standard & Poor's does not perform an audit in connection with any rating and a rating does not represent an audit by Standard & Poor's, (vi) Standard & Poor's relies on the issuer/obligor, its accountants, counsel, and other experts for the accuracy and completeness of the information submitted in connection with the rating and surveillance process, (vii) Standard & Poor's undertakes no duty of due diligence or independent verification of any information, (viii) Standard & Poor's does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information, (ix) Standard & Poor's may raise, lower, suspend, place on CreditWatch, or withdraw a rating at any time, in Standard & Poor's sole discretion, and (x) a rating is not a "market" rating nor a recommendation to buy, hold, or sell any financial obligation.

Publication. Standard & Poor's reserves the right to publish, disseminate, or license others to publish or disseminate the rating and the rationale for the rating unless the issuer/obligor specifically requests that the rating be assigned and maintained on a confidential basis. If a confidential rating subsequently becomes public through disclosure by the issuer/obligor or a third party other than Standard & Poor's, Standard & Poor's reserves the right to publish it. Standard & Poor's may publish explanations of Standard & Poor's ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Standard & Poor's ability to modify or refine Standard & Poor's criteria at any time as Standard & Poor's deems appropriate.

Information to be Provided by the Issuer/obligor. The issuer/obligor shall meet with Standard & Poor's for an analytic review at any reasonable time Standard & Poor's requests. The issuer/obligor also agrees to provide Standard & Poor's promptly with all information relevant to the rating and surveillance of the rating including information on material changes to information previously supplied to Standard & Poor's. The rating may be affected by Standard & Poor's opinion of the accuracy, completeness, timeliness, and reliability of information received from the issuer/obligor or its agents. Standard & Poor's undertakes no duty of due diligence or independent verification of

information provided by the issuer/obligor or its agents. Standard & Poor's reserves the right to withdraw the rating if the issuer/obligor or its agents fails to provide Standard & Poor's with accurate, complete, timely, or reliable information.

Standard & Poor's Not an Advisor, Fiduciary, or Expert. The issuer/obligor understands and agrees that Standard & Poor's is not acting as an investment, financial, or other advisor to the issuer/obligor and that the issuer/obligor should not and cannot rely upon the rating or any other information provided by Standard & Poor's as investment or financial advice. Nothing in this Agreement is intended to or should be construed as creating a fiduciary relationship between Standard & Poor's and the issuer/obligor or between Standard & Poor's and recipients of the rating. The issuer/obligor understands and agrees that Standard & Poor's has not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933.

Limitation on Damages. The issuer/obligor agrees that Standard & Poor's, its officers, directors, shareholders, and employees shall not be liable to the issuer/obligor or any other person for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the rating or the related analytic services provided for in an aggregate amount in excess of the aggregate fees paid to Standard & Poor's for the rating, except for Standard & Poor's gross negligence or willful misconduct. In no event shall Standard & Poor's, its officers, directors, shareholders, or employees be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, legal fees, or losses (including, without limitation, lost profits and opportunity costs). In furtherance and not in limitation of the foregoing, Standard & Poor's will not be liable in respect of any decisions made by the issuer/obligor or any other person as a result of the issuance of the rating or the related analytic services provided by Standard & Poor's hereunder or based on anything that appears to be advice or recommendations. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. The issuer/obligor acknowledges and agrees that Standard & Poor's does not waive any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Term. This Agreement shall terminate when the ratings are withdrawn. Notwithstanding the foregoing, the paragraphs above, "Standard & Poor's Not an Advisor, Fiduciary, or Expert" and "Limitation on Damages", shall survive the termination of this Agreement or any withdrawal of a rating.

Third Parties. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary to this Agreement or to the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Complete Agreement. This Agreement constitutes the complete agreement between the parties with respect to its subject matter. This Agreement may not be modified except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties agree that the state and federal courts of New York shall be the exclusive forums for any dispute arising out of this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

RBC Capital Markets®

FINAL

SETTLEMENT, DELIVERY & CLOSING PROCEDURES

ISSUE:

$18,940,000
Pima County, Arizona
Sewer Revenue Bonds
Series 2009

BONDS DATED:

May 6, 2009

INTEREST PAYMENT DATES:

Interest payable semiannually on January 1 and July 1 of each year, commencing January 1, 2010.

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES:

See Exhibit A.

CLOSING:

The Closing will be held on **Wednesday, May 6, 2009** at 8:00 a.m. (MST) at the offices of Squire, Sanders & Dempsey, Two Renaissance Square, 40 North Central Avenue, Suite 2700, Phoenix, AZ 85004. Mr. Tim Pickrell will conduct the closing (602) 528-4031, Fax: (602) 253-8129.

PARTICIPANTS:

See Exhibit B.

REGISTRATION & AUTHENTICATION:

After the Bonds have been registered and executed, the Bond Registrar and Paying Agent will confirm arrangements for a F.A.S.T. closing with the Depository Trust Co. (DTC), 55 Water Street, 1st Floor, New York, New York 10041.

SETTLEMENT INSTRUCTIONS:

Par Value @ 100	$18,940,000.00
Plus: Excess Net Premium	293,380.25
Less: Good Faith Deposit	(378,800.00)
Remaining Purchase Price	$18,854,580.25

FLOW OF FUNDS:

(A) **$192,951.63**, representing the bond insurance premium for Assured Guaranty Corp., will be wire transferred prior to the closing by UBS Financial Services Inc. to:

JPMorgan Chase New York
Acct. Name: Assured Guaranty Corp.
Acct. #323-355919
ABA #021-000-021
Policy #D-2009-579
Reference: Pima County, Arizona Sewer Revenue Bonds, Series 2009
Contact: Nicole DiMarco (212) 261-5593

(B) **$80,500.00**, representing the surety bond premium, will be wire transferred prior to the closing by UBS Financial Services Inc. to:

JPMorgan Chase New York
Acct. Name: Assured Guaranty Corp.
Acct. #323-355919
ABA #021-000-021
Policy #D-2009-580
Reference: Pima County, Arizona Sewer Revenue Bonds, Series 2009
Contact: Nicole DiMarco (212) 261-5593

(C) On the day of closing, UBS Financial Services Inc. will wire transfer the remaining purchase price of **$18,581,128.62**:

Bank of America, Arizona
Phoenix, Arizona
ABA #026009593
Credit to Pima County Treasurer
Account #412724156
Reference: Pima County, AZ $18.9 million Sewer Bonds, Series 2009

Confirmation of the receipt of funds will be made with Cheryl Cruz at the Pima County Treasurer's Office at (520) 740-8826 or (520) 740-8775.

USES

The amount listed under (C) above, will be combined with the **$378,800** good faith deposit and applied as follows:

(A) **$18,959,928.62** in proceeds received on the day of sale plus the good faith deposit will be held in a separate fund and used for construction costs and costs of issuance.

DELIVERY INSTRUCTIONS:

When all parties are satisfied that all monies have been transferred and that documentation is in order, the Bonds will be released to the credit of UBS Financial Services Inc., via the DTC closing desk (212) 855-3752.

EXHIBIT A

$18,940,000
PIMA COUNTY, ARIZONA
Sewer Revenue Bonds
Series 2009

Principal and Interest Payments

Dated: 5/6/2009 **Delivery: 5/06/2009**

Date	Principal (a)	Coupon	Interest	Total Debt Service	Fiscal Year Debt Service	CUSIP # (721876)
1/1/2010			$458,233.68	$458,233.68		
7/1/2010	$810,000.00	3.25%	350,987.50	1,160,987.50	$1,619,221.18	NZ9
1/1/2011			337,825.00	337,825.00		
7/1/2011	1,015,000.00	3.25%	337,825.00	1,352,825.00	1,690,650.00	PA2
1/1/2012			321,331.25	321,331.25		
7/1/2012	400,000.00	3.25%	321,331.25	721,331.25	1,042,662.50	PB0
1/1/2013			314,831.25	314,831.25		
7/1/2013	1,065,000.00	3.25%	314,831.25	1,379,831.25	1,694,662.50	PC8
1/1/2014			297,525.00	297,525.00		
7/1/2014	1,110,000.00	3.25%	297,525.00	1,407,525.00	1,705,050.00	PD6
1/1/2015			279,487.50	279,487.50		
7/1/2015	1,155,000.00	3.25%	279,487.50	1,434,487.50	1,713,975.00	PE4
1/1/2016			260,718.75	260,718.75		
7/1/2016	1,210,000.00	3.50%	260,718.75	1,470,718.75	1,731,437.50	PF1
1/1/2017			239,543.75	239,543.75		
7/1/2017	1,265,000.00	3.50%	239,543.75	1,504,543.75	1,744,087.50	PG9
1/1/2018			217,406.25	217,406.25		
7/1/2018	1,325,000.00	3.75%	217,406.25	1,542,406.25	1,759,812.50	PH7
1/1/2019			192,562.50	192,562.50		
7/1/2019	1,395,000.00	3.75%	192,562.50	1,587,562.50	1,780,125.00	PJ3
1/1/2020			166,406.25	166,406.25		
7/1/2020	1,465,000.00	3.75%	166,406.25	1,631,406.25	1,797,812.50	PK0
1/1/2021			138,937.50	138,937.50		
7/1/2021	1,545,000.00	4.00%	138,937.50	1,683,937.50	1,822,875.00	PL8
1/1/2022			108,037.50	108,037.50		
7/1/2022	1,630,000.00	4.00%	108,037.50	1,738,037.50	1,846,075.00	PM6
1/1/2023			75,437.50	75,437.50		
7/1/2023	1,725,000.00	4.25%	75,437.50	1,800,437.50	1,875,875.00	PN4
1/1/2024			38,781.25	38,781.25		
7/1/2024	1,825,000.00	4.25%	38,781.25	1,863,781.25	1,902,562.50	PP9
Total	$18,940,000.00		$6,786,883.68	$25,726,883.68	$25,726,883.68	

(a) The Bonds maturing on or after July 1, 2020 are subject to redemption prior to maturity on or after July 1, 2019 at Par.

-Prepared By-
RBC Capital Markets
4/27/2009

EXHIBIT B

$18,940,000
PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 2009

DISTRIBUTION LIST

PIMA COUNTY

Finance and Risk Management Department
130 West Congress, 10th Floor
Tucson, AZ 85701
Fax: (520) 740-8171

Tom Burke
Finance and Risk Management Director
(520) 740-3030
e-mail: tom.burke@pima.gov

Finance and Risk Management Department
130 West Congress, 6th Floor
Tucson, AZ 85701
Fax: (520) 243-2329

Michelle Campagne
(520) 740-8410
e-mail: michelle.campagne@pima.gov

County Attorney's Office
130 West Congress
Tucson, Arizona 85701

Regina Nassen
(520) 740-5411
e-mail: regina.nassen@pcao.pima.gov

BOND COUNSEL

Squire, Sanders & Dempsey L.L.P.
Two Renaissance Square, Suite 2700
40 North Central Avenue
Phoenix, AZ 85004-4498
Fax: (602) 253-8129

Timothy E. Pickrell
P: (602) 528-4031
C: (602) 617-9260
e-mail: tpickrell@ssd.com

Chris Dodd
P: (602) 528-4003
e-mail: cdodd@ssd.com

FINANCIAL ADVISOR

RBC Capital Markets
2398 East Camelback Road, Suite 700
Phoenix, AZ 85016
Fax: (602) 381-5380

Kurt M. Freund
Managing Director/Manager
(602) 381-5365
e-mail: kurt.freund@rbccm.com

Nicholas J. Dodd
Vice President
(602) 381-5360
e-mail: nick.dodd@rbccm.com

RATING AGENCIES

Moody's Investors Service
One Front Street, Suite 1900
San Francisco, CA 94111
Fax: (415) 274-1726

Jolene Yee
(415) 274-1720
e-mail: jolene.yee@moodys.com

Standard & Poor's Corporation
One Market, Steuart Tower 15th Floor
San Francisco, California
94105-1000
Fax: (415) 371-5090

Matthew Reining
(415) 371-5044
e-mail: matthew_reining@sandp.com

EXHIBIT B

REGISTRAR & PAYING AGENT

The Bank of New York Mellon Trust Company, N.A.
1225 W Washington St, Ste 126
Tempe, Arizona 85281
Fax: (602) 231-5466

Debbie Scherer
(602) 629-2862
e-mail: Deborah.Scherer@bnymellon.com

BOND INSURER

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, New York 10019
Fax: (212) 581-3268

Leonard Lasek
(212) 408-6078
e-mail: llasek@assuredguaranty.com

Natalie Woodruff
(212) 261-5553
e-mail: nwoodruff@assuredguaranty.com

Nicole DiMarco
(212) 261-5593
e-mail: ndimarco@assuredguaranty.com

PURCHASER

UBS Financial Services
1285 Avenue Of The Americas
New York NY 10019

Roberta Breck Specter
(212)713-2500
e-mail: roberta.specter@ubs.com

PIMA COUNTY TREASURER

Pima County Treasurer
115 North Church Avenue
Tucson, AZ 85701
Fax: (520) 884-4809

Beth Ford
Pima County Treasurer
(520) 740-8775
e-mail: beth.ford@pima.gov