$51,200,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2005

Closing: May 26, 2005

CD prepared by:
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PIMA COUNTY, ARIZONA
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CLOSING DOCUMENT INDEX

TERMS USED HEREIN

County	-	Pima County, Arizona
Bond Counsel	-	Squire, Sanders & Dempsey L.L.P.
Underwriter	-	ABN AMRO Financial Services, Inc.
Bond Registrar and Paying Agent	-	U.S. Bank National Association
Financial Advisor	-	RBC Dain Rauscher Inc.
Bond Insurer	-	MBIA Insurance Corporation

		Item No.
I.	COUNTY PROCEEDINGS AND RELATED DOCUMENTS:	
1.	Certified copy of Resolution No. 2005-80, passed, adopted and approved by the Board of Supervisors (the "*Board*") of the County on April 5, 2005, ordering the sale of the Bonds	1
2.	Preliminary Official Statement, dated April 28, 2005, including a Notice Inviting Bids for the Purchase of Street and Highway Revenue Bonds	2
3.	Copy of Resolution No. 2005-99, passed, adopted and approved by the Board on May 10, 2005, authorizing the issuance and sale of the Bonds	3
4.	Official Statement, dated May 10, 2005	4
5.	Bond Registrar, Transfer Agent and Paying Agent Agreement dated as of May 1, 2005, between the County and the Registrar	5
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DISTRIBUTION OF TRANSCRIPTS

Nine Transcripts containing executed counterparts or photocopies of the closing documents will be distributed by Bond Counsel to the following parties:

Pima County, Arizona	3
RBC Dain Rauscher Inc.	1
Squire, Sanders & Dempsey L.L.P.	1
ABN AMRO Financial Services, Inc.	1
MBIA Insurance Corporation	3
U.S. Bank National Association	1

RESOLUTION NO. 2005- 80

A RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA ORDERING THE SALE OF NOT TO EXCEED $51,200,000 PRINCIPAL AMOUNT OF PIMA COUNTY, ARIZONA, STREET AND HIGHWAY REVENUE BONDS, SERIES 2005.

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

Section 1. Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005, in the principal amount of not to exceed $51,200,000 (the "Bonds") are hereby ordered to be sold in accordance with the Notice Inviting Bids for the Purchase of Street and Highway Revenue Bonds (the "Notice Inviting Bids") in substantially the form attached hereto as Exhibit A. The Bonds are authorized pursuant to a special bond election held in and for Pima County, Arizona (the "County") on November 4, 1997.

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 Finance Director of the County, as described in Exhibit A, until 10:00 A.M., M.S.T., on the sale date specified therein, provided that the sale date for the Bonds will be postponed to a later date if, by 10:00 A.M., M.S.T., on the business day before the sale date, the County Administrator or his designee shall cause to be filed in the office of the Finance Director 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. The opinion of the County Administrator 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 County Administrator or his designee.

Electronic bids will be announced immediately after the deadline for submission of bids in the office of the Finance Director. 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 Dain Rauscher Inc., 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 April 5, 2005.

PIMA COUNTY, ARIZONA

By:_____
Chair, Board of Supervisors

APR 0 5 2005

ATTEST:

By:_____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

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

By:_____
Timothy E. Pickrell

EXHIBIT A

NOTICE INVITING BIDS FOR THE PURCHASE OF STREET AND HIGHWAY REVENUE BONDS

$_____
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2005

NOTICE IS HEREBY GIVEN that unconditional bids will be received to and including the hour of 10:00 A.M., Mountain Standard Time (M.S.T.) (Arizona does not observe daylight savings time), on May 3, 2005, 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 Highway User Revenue Bonds, Series 2005 (the "Street and Highway Revenue Bonds"), unless the County acting through the County Administrator or his designee postpones receipt of bids to a later date. A determination to postpone the sale date will be made and announced by 10:00 A.M., M.S.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 Street and Highway Revenues 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 10:00 A.M., M.S.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 Street and Highway Revenue Bonds.

All bids made through the facilities of PARITY shall be deemed irrevocable offers to purchase the Street and Highway Revenue Bonds on the terms provided in this Notice Inviting Bids for the Purchase of Street and Highway Revenue Bonds and shall be binding upon the bidder. Neither the County nor RBC Dain Rauscher Inc., 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 Street and Highway Revenue Bonds conflicts with information provided by PARITY as the approved provider of electronic bidding services, this Notice Inviting Bids for the Purchase of Street and Highway 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 Street and Highway Revenue Bonds and the Official Bid Form.

THE STREET AND HIGHWAY REVENUE BONDS: The Street and Highway Revenue Bonds will be dated May 1, 2005, and upon initial issuance will bear interest from such date to the maturity or earlier redemption of each of the Street and Highway Revenue Bonds at a rate or rates none of which may exceed twelve percent (12%) per annum, payable on January 1, 2006, and semiannually thereafter on January 1 and July 1 of each year during the term of each of the Street and Highway Revenue Bonds. The Street and Highway 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
2009		2015	
2010		2016	
2011		2017	
2012		2018	
2013		2019	
2014		2020	

PURPOSE: The Street and Highway Revenue Bonds are being issued pursuant to the Constitution and laws of the State of Arizona, including Chapter 2, Article 12 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 April 5, 2005 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 improvements to County streets and highways and (2) paying costs relating to the issuance of the Street and Highway Revenue Bonds.

OPTIONAL REDEMPTION: The Street and Highway Revenue Bonds maturing on or before July 1, 2015 are not subject to call for redemption prior to their respective maturity dates. The Street and Highway Revenue Bonds maturing on or after July 1, 2016 are subject to call for redemption on any date on or after July 1, 2015 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 Street and Highway Revenue Bond called for redemption, without premium.

NOTICE OF REDEMPTION: Notice of redemption will be given by mail to the registered owners of the Street and Highway 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 Street and Highway 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 Street and Highway Revenue Bonds. One fully registered Street and Highway 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 Street and Highway 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 Street and Highway Revenue Bonds will not receive certificates representing their interests in the Street and Highway 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 Street and Highway Revenue Bonds will be payable by _____, 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 Street and Highway 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 Street and Highway 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 Street and Highway 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 Street and Highway Revenue Bonds, but no failure to assign such numbers to any Street and Highway 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 Street and Highway Revenue Bonds in accordance with the terms of the sale. No CUSIP number shall be deemed to be a part of any Street and Highway 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 Street and Highway Revenue Bonds.

INTEREST RATES AND OFFERING PRICES: Bids for the purchase of the Street and Highway Revenue Bonds must state the rate or rates of interest to be paid. All Street and Highway 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 (1-1/2%) 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 Street and Highway Revenue Bond.

SECURITY: Principal of and interest on the Street and Highway Revenue Bonds are payable solely from the revenues derived from taxes, fees charges and other monies collected by the State of Arizona and returned to the County pursuant to Title 28, Chapter 18, Article 2 of the Arizona Revised Statutes. The Street and Highway 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 Street and Highway 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 Street and Highway Revenue Bonds will be insured at the bidder's expense, or that the Street and Highway 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; SURETY BOND: The prescribed form of bid for the Street and Highway 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 Street and Highway 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 Street and Highway 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 10:00 A.M., M.S.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 Street and Highway Revenue Bonds or retained and forfeited as liquidated damages in the event such bidder does not take up and pay for the Street and Highway 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 Street and Highway 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 Street and Highway 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 Street and Highway Revenue Bonds based upon the total principal

amount of Street and Highway 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 Street and Highway 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 Street and Highway 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. A copy of the opinion, but without its date, will be printed on the Street and Highway Revenue Bonds. 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 Street and Highway Revenue Bonds under Arizona law and on the exclusion of the interest on the Street and Highway Revenue Bonds from the gross income of the owners of the Street and Highway Revenue Bonds for federal and state of Arizona income tax purposes. Fees of Bond Counsel will be paid from the Street and Highway 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 Street and Highway Revenue Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Street and Highway 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 Street and Highway Revenue Bonds to be excludable from gross income. Failure to comply with certain of such covenants could cause interest on the Street and Highway Revenue Bonds to become includable in gross income retroactive to the date of issuance of the Street and Highway 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 Street and Highway Revenue Bonds are not "private activity bonds" under the Code, and interest on the Street and Highway 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 Street and Highway 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 Street and Highway Revenue Bonds may result in collateral federal income tax consequences to certain taxpayers. Prospective purchasers of the Street and Highway 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 Street and Highway Revenue Bonds, the successful bidder shall furnish to the County a certificate acceptable to Bond Counsel to the effect that (i) all of the Street and Highway 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 Street and Highway Revenue Bonds, based upon their assessment of the then prevailing market conditions, they reasonably expected that all Street and Highway 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 Street and Highway Revenue Bonds were the fair market value of such Street and Highway 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 Street and Highway Revenue Bonds and (ii) to their best knowledge, information and belief, the information contained in the Official Statement relating to the Street and Highway 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 Street and Highway 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 Street and Highway 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 Street and Highway 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 Street and Highway Revenue Bonds, the County will provide the winning bidder with up to three hundred (300) 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 Street and Highway 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 Street and Highway Revenue Bonds will be furnished to any bidder upon request made to RBC Dain Rauscher Inc., 2398 East Camelback Road, 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
STREET AND HIGHWAY REVENUE BONDS
SERIES 2005

Maturity Dates (July 1)	Principal Amounts	Bond Years	Cumulative Bond Years
2009			
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			

Average Bond Life: _____ Years

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 28, 2005

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 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, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of tax aspects, see "TAX EXEMPTION" herein.

$51,200,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2005

Dated: May 1, 2005 **Due: July 1, as shown below**

The Street and Highway Revenue Bonds, Series 2005 (the "Bonds") are being issued by Pima County, Arizona (the "County") in accordance with applicable State of Arizona law. The Bonds are issued in the form of fully registered bonds in denominations of $5,000 and integral multiples thereof and will bear interest from the date of the Bonds to the date of maturity or prior redemption of each of the Bonds. Interest on the Bonds is payable semiannually on each January 1 and July 1 (each an "Interest Payment Date"), commencing January 1, 2006. Interest 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 books (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, or by wire transfer 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 owning an aggregate principal amount of at least $1,000,000. Principal of and any premium on the Bonds will be payable at the designated corporate trust office of U.S. Bank National Association, or any successor thereto, as registrar and paying agent.

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

The Bonds are being issued (i) to make various street and highway improvements within the County and (ii) to pay costs relating to the issuance of the Bonds. Principal of and interest on the Bonds is payable solely from the portion of taxes, fees, charges and other moneys collected by the State of Arizona and returned to the County for street and highway purposes pursuant to Title 28, chapter 18, Article 2, Arizona Revised Statutes. See "SECURITY AND SOURCES OF PAYMENT" herein.

The Bonds do not constitute a debt, general obligation or pledge of the full faith and credit of the County nor is the County obligated to levy or collect any form of ad valorem taxes with respect to the Bonds.

The County initially intends to utilize the book-entry-only system of The Depository Trust Company ("DTC"), although the County and DTC each reserve the right to discontinue that system at any time. Utilization of the book-entry-only system will affect the method and timing of payment and the method of transfer of beneficial interests in the Bonds. So long as the book-entry-only system is in effect, the County will issue a single fully-registered bond for each maturity registered in the name of Cede & Co., as nominee of DTC, and will make all payments of principal and interest to Cede & Co. DTC will be responsible for distributing the principal and interest payments to its direct and indirect participants which will, in turn, be responsible for distribution to the purchasers of beneficial interests in the Bonds pursuant to this offering (the "Beneficial Owners"). So long as the book-entry-only system is in effect and Cede & Co., as nominee of DTC, is the registered owner of the Bonds, all references herein to owners of the Bonds and provisions for consents by owners of the Bonds will refer to and be solicited from Cede & Co. and not the Beneficial Owners.

Maturity Schedule

Due July 1	Principal Amount	Interest Rate	Price or Yield	Due July 1	Principal Amount	Interest Rate	Price or Yield
2009	$3,390,000			2015	$4,285,000		
2010	3,510,000			2016	4,475,000		
2011	3,645,000			2017	4,680,000		
2012	3,790,000			2018	4,890,000		
2013	3,945,000			2019	5,120,000		
2014	4,110,000			2020	5,360,000		

(Accrued Interest to be Added)

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 are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if issued by the County, and subject to the approving opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel. 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 26, 2005.

May __, 2005

SALE DATE AND TIME: TUESDAY, MAY 10, 2005, 10:00 A.M., M.S.T.

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

Sharon Bronson, *Chair*

Ray Carroll

Ann Day

Richard Elías

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 Director

FINANCIAL ADVISOR

RBC Dain Rauscher Inc.
Phoenix, Arizona

BOND COUNSEL

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

BOND REGISTRAR AND PAYING AGENT

U.S. Bank National Association
Phoenix, 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 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 jurisdiction 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.

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Financial Information

Appendix C — Form of Opinion of Bond Counsel

Appendix D — Excerpts from Pima County, Arizona
Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2004

Appendix E — Form of Continuing Disclosure Undertaking

$51,200,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2005

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 Street and Highway Revenue Bonds, Series 2005 (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 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.

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 being issued pursuant to the authority contained in Title 11, Chapter 2, Article 12, Arizona Revised Statutes, and more specifically under the provisions of a resolution ordering the sale of Bonds adopted by the Board of Supervisors of Pima County, Arizona (the "Board") on April 5, 2005, and an authorizing Resolution adopted by the Board on May 10, 2005* (the "Bond Resolution"). The Bonds are to be issued for the purpose of (i) making certain street and highway improvements within the County; and (ii) paying costs relating to the issuance of the Bonds.

The Bonds offered herein represent a portion of the $350,000,000 authorization approved at a special bond election held in the County on November 4, 1997. After the issuance of the Bonds, the County will have $168,800,000 principal amount of authorized but unissued street and highway revenue bonds.

General Description

The Bonds will be dated May 1, 2005 and will be issued in the form of fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Bonds will bear interest from May 1, 2005, payable semiannually on January 1 and July 1 (each an "Interest Payment Date"), commencing January 1, 2006.

Interest will be paid on each Interest Payment Date by check mailed to each registered owner of the Bonds at the address shown on the registration books (the "Bond Register") maintained by the bond registrar at the close of

*Preliminary, subject to change.

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"), or by wire transfer 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 owning an aggregate principal amount of Bonds of at least $1,000,000, and the principal of the Bonds will be payable at maturity upon surrender of the Bonds to the designated corporate trust office of U.S. Bank National Association, as the bond registrar and paying agent (the "Bond Registrar" or the "Paying Agent", as applicable).

Redemption

The Bonds maturing on or before July 1, 2015 are not subject to call for redemption prior to their respective maturity dates. The Bonds maturing on or after July 1, 2016 are subject to call for redemption on any date on or after July 1, 2015 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 SECTION "BOOK-ENTRY-ONLY SYSTEM" HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE COUNTY 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 will be issued for each maturity of the Bonds 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 and, together with the Direct Participants, the "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**.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which 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, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the 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 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-only 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 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 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.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds. 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made 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 Bond Registrar and Paying Agent on the 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 Participants and not of DTC, the County or the Bond Registrar and Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar and Paying 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 Participants.

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

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

THE COUNTY WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS OR TO INDIRECT 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 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; (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF BONDS; OR (5) 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 EXEMPTION") will mean Cede & Co., as aforesaid, not 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 will 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 will be sent by the County or the Bond Registrar and 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 Bond Registrar with an appropriate instrument of transfer executed by the transferor.

SECURITY AND SOURCE OF PAYMENT

General

Both principal of and interest on the Bonds (and any bonds hereafter issued on a parity therewith) are payable from an irrevocable lien on and first pledge of all revenues received by the County from taxes, fees, charges and other moneys collected by the State of Arizona (the "State") and returned to the County for street and highway purposes pursuant to Title 28, Chapter 18, Article 2, Arizona Revised Statutes (the "Street and Highway Revenues"). See "STREET AND HIGHWAY REVENUES" herein.

The Bonds are limited obligations of the County secured only by the Street and Highway Revenues and do not constitute a debt of the County within the meaning of any constitutional, charter or statutory provisions. The owners of the Bonds shall have no right to compel the exercise of the taxing power of the County to pay principal of or interest on the Bonds.

Additional Bonds

Statutory Requirements. Arizona Revised Statutes Section 11-378 presently requires that in order for the County to issue bonds payable from Street and Highway Revenues, the County must have received Street and Highway Revenues in the year preceding the issuance of the additional bonds in an amount equal to at least one and one-half times the highest annual principal and interest requirements thereafter to come due on all such bonds to be outstanding following the issuance of the additional bonds, provided that if the Street and Highway Revenues received in the preceding year do not equal at least two times the highest annual principal and interest requirements, the proposed bonds must bear a rating at the time of issuance of "A" or better by at least one nationally recognized credit rating service, taking into account any credit enhancement facility in effect with respect to such bonds.

Bond Resolution Requirements. The Bond Resolution provides that additional bonds payable from Street and Highway Revenues may be issued if (i) the Street and Highway Revenues received by the County in the twelve-month period immediately preceding the issuance of such additional bonds equals not less than two times the maximum annual debt service on all such bonds outstanding and on such additional bonds to be issued, (ii) the payments required to be made into the bond fund for such bonds are current and (iii) no obligation payable from the bond fund for such bonds is in default as to either principal or interest.

The County will have $168,800,000 in authorized but unissued street and highway revenue bond authorization available after the issuance of the Bonds, that may only be issued subject to meeting the requirements outlined above.

Amendment of Bond Resolution

The County may modify the Bond Resolution without the consent of or notice to owners of the Bonds for one or more of the following purposes: (i) to cure any ambiguity, formal defect or omission or inconsistency; (ii) to grant to the owners of Bonds additional rights, remedies, powers or authority; (iii) to secure additional revenues or provide additional security or reserves; (iv) to comply with state or federal securities laws; (v) to preserve the exclusion of the interest on Bonds from gross income; (vi) to make other changes which do not materially adversely affect the interests of owners of Bonds; (vii) to provide for the refunding or advance refunding of any Bonds; and (viii) to provide for the issuance of Parity Bonds as permitted by the provisions of the Bond Resolution.

Other amendments to the Bond Resolution may be made with the consent of the owners of not less than a majority in principal amount of the Bonds then outstanding, but no such amendment may (i) extend the stated maturity of or time for paying interest on any Bond or reduce the principal amount of or the redemption premium or rate of interest payable on any Bond, without the consent of the owner of such Bond; (ii) prefer or give a priority to any Bond over any other Bond, without the consent of the owner of each Bond then outstanding not receiving such preference or priority; (iii) reduce the principal amount of Bonds which is required to authorize such amendment, without the consent of the owners of all Bonds then outstanding; or (iv) reduce the redemption price of any Bond upon optional redemption or reduce any period of time prior to commencement of any optional redemption period, without the consent of the owner of such Bond.

Defeasance

Under the Bond Resolution, payment of all or any part of the Bonds may be provided for by the irrevocable deposit with a trustee of moneys or U.S. Government Obligations or both, which, with the maturing principal of and interest on such U.S. Government Obligations, if any, will be sufficient, as evidenced by a certificate of an accountant, to pay when due the principal or redemption price of and interest on such Bonds. Any Bonds so provided for will no longer be considered to be outstanding under the Bond Resolution, and the owners of such Bonds shall thereafter be entitled to payment only from the amounts and obligations deposited with the trustee.

STREET AND HIGHWAY REVENUES

The Bonds are issued pursuant to the Constitution and laws of the State, including, specifically, Title 11, Chapter 2, Article 12, of the Arizona Revised Statutes, and all amendments thereto (the "Act"), and the Bond Resolution.

Under the provisions of the Act, a county may, with voter approval, borrow money and issue bonds for the purposes of improving, constructing, reconstructing, acquiring rights-of-way for or maintaining streets and highways of the county. Principal of and interest on bonds issued for such purposes are secured by a pledge of and lien on such county's Street and Highway Revenues.

The following is a summary of the County's Street and Highway Revenue sources. Such summary does not purport to be a complete description of the revenue sources and, accordingly, is qualified by reference to the Arizona Revised Statutes regarding these sources of revenue.

Highway User Tax Revenues

The Highway User Tax Revenues (as described below) are derived from and distributed pursuant to a highway and transportation financing program established by the State Legislature for the benefit of the State, counties within the State, including the County, and incorporated cities and towns within the State. The Highway User Tax Revenues are held until distributed in the State Highway User Revenue Fund (the "Highway Revenue Fund"). Highway User Tax Revenues include a number of sources of revenue. The principal sources and the manner in which they are distributed are described below.

Highway User Tax Revenues currently include the following taxes, fees and charges paid to the motor vehicle division of the Arizona Department of Transportation ("ADOT"): (i) motor vehicle fuel taxes and fuel use taxes, (ii) motor vehicle registration fees, (iii) motor carrier fees, (iv) a portion of motor vehicle license (in lieu)

taxes, and (v) motor vehicle operators' license fees and miscellaneous fees and revenues. These revenue sources are further described below.

Motor Vehicle Fuel Tax Revenues. Motor vehicle fuel taxes consist of motor vehicle fuel (gasoline) taxes and motor vehicle use fuel (primarily diesel) taxes. Every distributor of gasoline is required to pay a fuel license tax for each gallon of gasoline imported into or refined in the State. These are excise taxes imposed primarily upon diesel fuel used in the propulsion of motor vehicles on the public highways of the State. The motor vehicle fuel (gasoline) tax is currently assessed at the rate of $0.18 per gallon, and the use fuel (primarily diesel) tax is assessed at $0.18 for vehicles under 26,001 pounds and other qualifying vehicles and $0.26 per gallon for all other vehicles. The motor vehicle fuel gasoline tax is collected by ADOT from licensed suppliers for each gallon of gasoline possessed, used or consumed in the State and the use fuel tax is collected by ADOT from the supplier or paid by the user for the use of the highways in this State and remitted to ADOT.

Motor Vehicle Registration Fee Revenues. Motor vehicles are required to be registered in the State on a staggered monthly registration schedule. The fee for passenger vehicles and non-commercial pickup trucks is $8 and for motorcycles the fee is $9, of which $1 is paid to the motorcycle safety fund. The fee for commercial motor vehicles, including trucks, buses and taxis, is $12, plus a graduated registration fee based upon the declared gross weight of the motor vehicle. Commercial motor vehicles that operate in several states may instead pay fees which are prorated based on the ratio of operating mileage in the State to the total fleet operating mileage in all states. Each motor vehicle registration fee is deposited in the Arizona Highway User Revenue Fund or the State Highway Fund.

Motor Vehicle License (In Lieu) Tax Revenues. The motor vehicle license (in lieu) taxes are based upon the value of the vehicle (according to a statutory formula) and are collected with the vehicle registration fees. These license taxes are distributed as follows: (i) 44.99% to the Arizona Highway User Revenue Fund, (ii) 24.59% to the general fund of the county where the motor vehicle is registered, (iii) 24.59% to the cities and towns of the county where the motor vehicle is registered, and (iv) 5.83% to the Local Transportation Assistance Fund for transit and transportation purposes. The above distribution percentages are blended since the tax rates vary between new and renewal vehicles. The small amount of Vehicle License Tax (VLT) that is collected from alternative fuel powered vehicles is distributed to the recipients listed above as well as the State General Fund to aid in school financial assistance.

Motor Carrier Fee Revenues. The motor carrier fee is imposed on commercial motor vehicles, whether common, contract or private carriers, with a gross weight in excess of 12,000 pounds. The motor carrier fee increases as the declared gross vehicle weight of the vehicle increases. All motor carrier fee revenues are deposited to the Arizona Highway User Revenue Fund.

Motor Vehicle Operators' License Fees and Miscellaneous Fees and Revenues. The balance of the Arizona Highway User Revenue Fund revenues includes motor vehicle operators' license fees and miscellaneous fees and revenues. The miscellaneous fees and revenues include certificates of title fees, oversize permit fees, inquiry fees, investment income on moneys held in the Arizona Highway User Revenue Fund, certain fines, penalties and other miscellaneous fees.

Distribution of Highway User Tax Revenues

After certain de minimus statutory allocations are made, all remaining Highway User Tax Revenues are allocated under the following statutory formula: ADOT receives 50.5%, counties 19%, cities of over 300,000 population 3% and all incorporated cities and towns 27.5%. The monies distributed to counties are allocated among the counties in the State and distributed on a monthly basis, as follows: (i) 72% of the funds are distributed among the counties in proportion to the sale and consumption of fuel within each county during the month preceding the distribution at issue; and (ii) the remainder is distributed among the counties based on the proportionate population within the unincorporated areas of each county.

Receipt of monies under this distribution formula is subject to certain adjustments, reporting requirements and limitations including a requirement that the County comply with the procedural guidelines established by ADOT and the standards established by the Technical Advisory Committee of ADOT when submitting ADOT required data

and information concerning the status of transportation systems. The County has covenanted in the Bond Resolution to comply with these provisions of the law and meet certain local revenue spending requirements.

Since 1981 the Arizona Legislature has on several occasions enacted legislation to fund the State's transportation needs. (In both 1981 and 1985, comprehensive transportation finance programs were enacted that significantly increased transportation funding in the State and put into place many of the current funding mechanisms.) The Arizona Legislature has previously altered and may in the future alter (1) the type and/or rate of the taxes, fees and charges which are deposited into the State Highway User Revenue Fund or (2) the allocation formulas for such moneys. The authority of the State Legislature to make such changes in the allocation of moneys deposited into the State Highway User Revenue Fund is subject to the requirement of the Arizona Constitution that the majority of the items comprising the Highway User Revenue Funds may only be used for highway-related purposes including, but not limited to, paying debt service on bonds issued for such purposes by the State and political subdivisions such as the County. In addition, the Arizona Supreme Court has indicated that the State Legislature may not reduce revenues to any recipient who has issued street and highway user revenue bonds in such a manner which impairs the recipient's ability to meet debt service requirements on such bonds.

The following tables indicate for the periods shown the amount of Highway User Tax Revenues collected by the State and the number of motor vehicle registrations and gallons of motor vehicle fuel taxed within the State and the County.

STATE OF ARIZONA
HIGHWAY USER TAX REVENUES
(000'S)

Fiscal Year	Gasoline & Use Fuel Revenues	Registration & In Lieu Taxes	Motor Carrier Tax	License Fees & Other	Total Highway User Tax Revenues
2003-04	642,533	458,900	34,617	43,510	1,179,561
2002-03	613,635	423,274	32,856	41,490	1,111,256
2001-02	596,325	408,851	29,347	41,873	1,076,396
2000-01	574,259	383,882	32,678	40,147	1,030,966
1999-00	565,736	376,892	36,563	40,409	1,019,599

Source: Arizona Department of Transportation, Administrative Services Division

MOTOR VEHICLE REGISTRATIONS

	State of Arizona		Pima County	
Calendar Year	Total Number of Vehicle Registrations	Percentage Change	Total Number of Vehicle Registrations	Percentage Change
2005 (a)	5,236,491	3.1%	749,284	2.1%
2004	5,079,849	4.9%	733,810	4.2%
2003	4,844,172	3.3%	704,394	2.4%
2002	4,690,865	1.1%	687,668	0.5%
2001	4,639,405	5.3%	684,396	3.1%
2000	4,407,098	3.5%	664,135	3.1%

(a) Calendar year 2005 data through March 8, 2005.

Source: Arizona Department of Transportation, Motor Vehicle Division

GALLONS OF MOTOR VEHICLE FUEL TAXED (a)

Fiscal Year	State of Arizona Total Gallons Taxed	State of Arizona Percentage Change	Pima County Total Gallons Taxed	Pima County Percentage Change
2003-04	3,430,332,569	2.48%	509,735,935	(0.74%)
2002-03	3,347,257,504	1.65%	513,530,700	2.24%
2001-02	3,292,998,725	4.87%	502,266,054	0.21%
2000-01	3,140,049,863	0.97%	501,235,940	(0.18%)
1999-00	3,109,862,515	4.03%	502,147,619	7.97%

(a) Includes both gasoline and use fuel gallonage.

Source: Arizona Department of Transportation, Motor Vehicle Division.

Street and Highway Revenues Received by the County

The following table sets forth the annual Street and Highway Revenues received by the County during the most recent five-year period.

PIMA COUNTY
STREET AND HIGHWAY REVENUES

Fiscal Year	Street & Highway Revenue Receipts
2003-04	51,334,009
2002-03	48,071,873
2001-02	47,071,345
2000-01	48,317,053
1999-00	47,699,000

Source: Pima County, Financial and Information Services Department.

STREET AND HIGHWAY REVENUE BOND DEBT SERVICE REQUIREMENTS AND DEBT SERVICE COVERAGE

Fiscal Year	Street & Highway Revenues Pledged (1)	Outstanding Debt Service (2)	Series 2005 Bonds*		Total Debt Service Requirements*	Debt Service Coverage (1)(4)*
			Principal	Interest (3)		
2003-04	$51,334,000	N/A			N/A	N/A
2004-05		$12,870,013			$12,870,013	3.99
2005-06		14,298,813		$2,593,299	16,892,112	3.04
2006-07		14,575,413		2,222,828	16,798,241	3.06
2007-08		14,381,388		2,222,828	16,604,216	3.09
2008-09		10,235,275	$3,390,000	2,222,828	15,848,103	3.24
2009-10		10,269,244	3,510,000	2,099,771	15,879,015	3.23
2010-11		10,305,963	3,645,000	1,966,742	15,917,705	3.22
2011-12		10,349,050	3,790,000	1,822,765	15,961,815	3.22
2012-13		3,415,713	3,945,000	1,668,133	9,028,845	5.69
2013-14		3,423,913	4,110,000	1,502,048	9,035,961	5.68
2014-15		3,437,513	4,285,000	1,324,907	9,047,420	5.67
2015-16		3,456,113	4,475,000	1,135,939	9,067,051	5.66
2016-17		3,471,700	4,680,000	935,011	9,086,711	5.65
2017-18		3,486,125	4,890,000	721,135	9,097,260	5.64
2018-19			5,120,000	494,728	5,614,728	9.14
2019-20			5,360,000	254,600	5,614,600	9.14

(1) As reported by the Arizona Department of Transportation and the County for fiscal year 2003-04.

(2) Does not include two loans currently outstanding in the aggregate principal amount of $1.98 million that the County received in 2002 from the Highway Expansion and Extension Loan Program (HELP) of ADOT. The loans from the HELP program allowed the County to accelerate by several years the completion of two projects that were scheduled to be funded from Federal aid highway revenues in future years. Final payments on each loan are due in January 2007 and each loan is payable solely from the County's Highway User Tax Revenues, on a basis junior and subordinate to amounts due on the Bonds and all parity bonds.

(3) Interest is assumed at a 4.44% annual rate.

(4) Pursuant to the Bond Resolution in order for the County to issue Parity Bonds, the Street and Highway Revenues received for the year immediately preceding the issuance of such Bonds must be equal to at least two times the highest annual debt service requirement on all outstanding Parity Bonds, including the Bonds proposed to be issued. The debt service coverage shown reflects the calculations of this requirement. See "SECURITY AND SOURCE OF PAYMENT – Additional Bonds" herein.

*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 C to this Official Statement. Fees of Bond Counsel will be paid from Bond proceeds.

TAX EXEMPTION

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 will express no opinion as to any other tax consequences regarding the Bonds.

The opinion on federal 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 to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the interest on the Bonds is and will remain excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of those certifications and representations or compliance.

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 in order for the interest to be and to remain so excluded from the date of issuance. Noncompliance with these requirements by the County may cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to the date of their issuance. 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.

A portion of the interest on the Bonds earned by corporations may be subject to the federal corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

Pursuant to 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 or other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding such consequences.

Purchasers of the Bonds at other than their original issuance at the respective prices indicated on the inside front cover of this Official Statement should consult their own tax advisers regarding other tax considerations such as the consequences of any market discount.

Original Issue Discount/Original Issue Premium

Certain of the Bonds ("Discount Bonds") as indicated on the inside front 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 to 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 inside front 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 (for purposes of this subheading, "Premium Bonds") as indicated on the inside front cover of this Official Statement were offered and sold to the public at a price in excess of their stated principal amounts payable at the scheduled principal payment dates. That excess constitutes premium. For federal income tax purposes, premium is amortized over the period to scheduled principal payment date of a Premium Bond, based on the yield to scheduled principal payment date of that Premium Bond (or, in the case of a Premium Bond callable prior to its scheduled principal payment date, 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 premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, payment (including payment at the scheduled principal payment date) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of 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 inside front cover of this Official Statement who holds that Premium Bond to its scheduled principal payment date (or, in the case of a callable Premium Bond, to its earlier prepayment 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 Premium Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of premium properly accruable in any period with respect to the Premium Bonds and as to other federal tax consequences and the treatment of 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.

On April 1, 2005, the County received a notice of claim from the widow of a local doctor who was a homicide victim in October 2004. The notice of claim is a statutorily required precedent to filing a lawsuit against the County. The notice of claim, which seeks $20 million of damages, contends that a former County prosecutor was aware of threats made against the widow's late husband by the individual arrested, but not yet tried, in connection with the homicide and failed to warn the victim. The County has 60 days from receipt to consider whether to respond to the claim, after which the claimant may file a lawsuit. The County is unable to determine presently whether this matter will result in litigation or, if pursued, to assess any resulting potential liability of the County.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Rating Group ("S&P") have assigned the Bonds uninsured ratings of "A1" and "A+", respectively. Such ratings reflect only the respective views of Moody's and S&P, 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 its 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 the first business day in February in each year, commencing February 1, 2006 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material (the "Notice of Material Events"). The Annual Report will be filed by the County with each Nationally Recognized Municipal Securities Information Repository and with any state information depository established by the State. (At present no such state information depository has been designated.) The Notices of Material Events will be filed by the County with each Nationally Recognized Municipal Securities Information Repository and with any state information depository established by the State. The specific nature of the information to be contained in the Annual Report and the Notices of Material Events is set forth in "Appendix E - Form of Continuing Disclosure Undertaking."

These covenants have been made in order to assist the underwriter 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 Nationally Recognized Municipal Securities Information Repository and to any state information depository established by the State. 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 failed to file certain schedules as part of its continuing disclosure requirements related to its 1998 Sewer Revenue Bonds by February 1, 2002. The disclosures were filed, however, with all Nationally Recognized Municipal Securities Information Repositories by July 1, 2002. The County has otherwise complied with all existing continuing disclosure undertakings relating to the County in all material respects.

FINANCIAL STATEMENTS

Included as Appendix D of this Official Statement are the County's basic financial statements for the fiscal year ended June 30, 2004. The County has not requested or obtained the consent of the Office of the Arizona Auditor General to include such basic financial statements in the Official Statement and the Office of the Arizona Auditor General has performed no procedures subsequent to rendering their opinion on such basic financial statements.

ADDITIONAL INFORMATION

Additional information and copies of the Official Statement may be obtained from RBC Dain Rauscher Inc., 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: _____
Chair, Board of Supervisors

By: _____
County Administrator

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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 2004 population of 931,210. Nearly 56% 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
2004 Estimate (a)	931,210	521,605	5,832,150
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, 2004.

Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Economic Security, 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 "Department") 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 and during 1969 to 1972; he was a Civil Engineer and Land Surveyor for Jones and Associates. 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 Director in January 2005 and served as Deputy Director of the Finance Department from May 2004. Prior to his move to the Finance Department, Mr. Burke served as Deputy Director of Pima County's Department of Natural Resources, Parks and Recreation beginning September 2003.

From 2000 to 2003, he was a Deputy County Attorney representing various Pima County departments primarily including the County Assessor, the County Treasurer, Public Works departments, and the Natural Resources, Parks and Recreation Department. From 1989 to 1998 Mr. Burke served as the Manager of Pima County's Real Property Division of the Pima County Department of Transportation and Flood Control District 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.

Mr. John M. Bernal was appointed Deputy County Administrator for Public Works in March 2001. From June 1994 through March 2001, Mr. Bernal served as United States Commissioner to the International Boundary and Water Commission, an international agency responsible for the application of boundary and water treaties between the United States and Mexico and for the amicable resolution of any differences arising in relation to those agreements. From 1980 to 1984 and then again from 1990 to 1994 Mr. Bernal worked for the Pima County Department of Transportation and Flood Control District in a variety of positions with his last position being that of Director. Mr. Bernal left the County during 1984 to 1990 and worked for various developers in the Tucson area. He holds both a Bachelor of Science Degree in Civil Engineering and a Master in Business Administration from the University of Arizona, Tucson and is a registered engineer and registered Land Surveyor for Arizona as well as a member of numerous professional organizations.

Mr. Kurt Weinrich was appointed in October of 2001 to be the Director of the Pima County Department of Transportation and Flood Control. Prior to assuming his current position Mr. Weinrich was employed as Senior Consultant in the Las Vegas, Nevada office of the international consulting firm, CH2M HILL, Inc. Prior to that, he served as the Director of the Regional Transportation Commission of Clark County, Nevada, for eleven years. His career includes various positions as traffic engineer, city engineer, or director of public works for municipalities in three states. He holds a Bachelor of Science Degree in Civil Engineering from Cleveland State University, Cleveland, Ohio and is a registered engineer as well as a member of numerous professional organizations.

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 U.S. Highways 80, 89 and 93. 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; these three industries represented nearly 85% of total employment in 2004. Figures from the Arizona Department of Economic Security indicate that 351,500 persons were employed, on average (not including the agricultural industry), in the County in 2004. 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 2001-2004

Industry	2001	2002	2003	2004
Goods Producing				
Natural Resources and Mining	1,800	1,500	1,200	1,200
Construction	22,700	22,500	22,900	23,700
Manufacturing	33,000	30,500	28,700	28,300
Service Producing				
Trade, Transportation and Utilities	55,300	54,400	54,400	54,600
Information	7,700	7,900	7,600	7,700
Financial Activities	14,400	14,400	15,100	15,900
Professional and Business Services	41,300	41,500	41,300	41,800
Education and Health Services	41,800	43,600	45,600	47,700
Leisure and Hospitality	38,200	37,300	36,500	37,700
Other Services	14,300	14,500	14,500	14,800
Government	76,800	77,900	78,200	78,100
Total Wage & Salary Employment	347,300	346,000	346,000	351,500

Source: Arizona Department of Economic Security.

The average unemployment rate for the County in 2004 was 3.7%. The average annual unemployment rate for 2003 and 2002 was 4.3% and 4.5%, respectively. The table below shows comparative unemployment rates for the County, the State and the United States.

TABLE 3

Pima County
Comparative Employment Statistics

	Pima County		Unemployment Rate		
Calendar Year	Average Employment	Average Unemployment	Pima County	Arizona	U.S.
2004	419,043	16,191	3.7%	4.8%	5.5%
2003	407,620	18,398	4.3%	5.6%	6.0%
2002	405,558	20,721	4.9%	6.2%	5.8%
2001	400,495	14,552	3.5%	4.7%	4.8%
2000	395,897	11,811	2.9%	4.0%	4.0%

Source: Arizona Department of Economic Security

TABLE 4

Pima County
Major Employers

Company	Type of Business	Approximate Number of Full-Time Equivalents
University of Arizona	Education	10,348
Raytheon Missile Systems	Missile Manufacturing	10,300
State of Arizona	Government	9,750
Davis-Monthan Air Force Base	Military	8,727
Tucson Unified School District	Education	7,684
Pima County	Government	6,767
City of Tucson	Government	6,757
Wal-Mart Stores, Inc.	Retail	4,595
Phelps Dodge Mining Company	Mining	4,500
Carondelet Health Network	Health Care	3,746
Tohono O'odham Nation	Tribal Government	3,665
TMC Health Care	Health Care	3,135
University Medical Center	Health Care	2,918
Pascua Yaqui Tribe	Tribal Government	2,500
U.S. Border Patrol	Government	2,300
Pima Community College	Education	2,226
Sunnyside Unified School District	Education	2,223

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2005).

Services

From 2001 to 2004, the service-providing industry in the County (excluding Government employees) expanded by 7,200 jobs or 3.4%. The average annual employment in the service-providing industry in 2004 was 220,200. 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 78,100 in 2004. This sector expanded by 1,300 jobs from 2001 to 2004. The University of Arizona, 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 aircraft. Texas Instruments and International Business Machines manufacture 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 2004 was 28,300, representing 8.0% of the County's total wage and salary employment base. Manufacturing employment during 2003 and 2002 averaged 28,700 and 30,500, respectively.

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

TABLE 5

Metropolitan Pima County
Major Manufacturers

Company	Type of Business	Approximate 2004 Employment
Raytheon Missile Systems	Missile Manufacturing	10,300
IBM Storage System Division	Computer Systems	1,700
Texas Instruments Tucson	Semiconductor Products	950
Bombardier Aerospace	Aircraft Maintenance	890
Honeywell	Aircraft Electronic Systems	800
Ventana Medical Systems	Computer Systems	446
Air System Components	Air Registers	405
Beacon Group Phoenix	Contract Labor Work	347
Kalil Bottling Co.	Soft Drinks	321
Precision Shooting Equipment	Firearms	300

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2005).

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 Mexican economy may negatively impact the growth of the previously described manufacturing concerns.

The County has encouraged the location of industry within the community by the development of 33 industrial parks and funding, in conjunction with Tucson, the Greater Tucson Economic Council, a private, non-profit organization.

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 700 convention bookings with 215,625 convention delegates visited the Tucson area in fiscal year 2003-04. In the Tucson area, there are 232 hotels and resorts with over 15,165 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, Chicago White Sox and Colorado Rockies.

According to the Arizona Hospitality Research & Resource Center, nearly $1.3 billion was spent in the County in 2004. 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 2000 and 2004.

Total Tourist Expenditures
($ in millions)

Year	Pima County	State of Arizona
2004	$1,283	$8,515
2003	1,190	7,808
2002	1,163	7,441
2001	1,161	7,413
2000	1,167	7,522

Education

The University of Arizona (the "University") provides approximately 10,300 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 2004 were estimated at 36,932 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 2002-03 was estimated at 68,300 students.

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 on the following page 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 2.5% 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
2004	$6,594,312,765	6.08%
2003	6,216,097,166	3.39%
2002	6,012,022,946	1.13%
2001	5,944,792,196	2.20%
2000	5,816,299,178	8.63%

(a) Excludes Food Sales and Gas Tax.

Source: Arizona Department of Revenue.

Financial Institutions

The following table illustrates the total dollars on deposit with participating banks for the County on June 30 of each year.

TABLE 7

Pima County
Bank Deposits (a)

Year	Amount
2004	$8,941,000,000
2003	8,091,000,000
2002	7,391,000,000
2001	6,538,000,000
2000	6,427,000,000

(a) As of June 30, for commercial banks, savings institutions and U.S. branches of foreign banks.

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. This level of impact dropped to $0.875 billion in 1986, but increased to $1.49 billion in 1999. The direct economic impact of the industry statewide was approximately $1.087 billion, $1.075 billion, and $1.278 billion in 2003, 2002 and 2001, respectively. The direct impact of the copper industry within the County was nearly $370 million in 2003, $275 million in 2002 and $315 million in 2001. Employment in the mining industry within the County was approximately 1,200 in 2004, 1,200 in 2003 and 1,500 in 2002.

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
2003	$66,646,000
2002	51,983,000
2001	48,013,000
2000	45,502,000
1999	53,573,000

Source: *Arizona Agricultural Statistics Bulletin,* September 2004.

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
2004	$1,680,800,000	$284,275,000	$16,206,000	$117,220,000	$2,098,501,000
2003	1,386,884,000	312,257,000	8,717,000	82,909,000	1,790,767,000
2002	1,089,239,000	277,762,000	10,766,000	131,771,000	1,509,538,000
2001	989,210,000	234,454,000	23,526,000	98,008,000	1,345,198,000
2000	859,751,000	182,831,000	16,748,000	216,626,000	1,275,956,000

Source: Arizona Real Estate Center, L. William Seidman Research Institute, College of Business, Arizona State University.

TABLE 10

Pima County
New Housing Starts

Year	Total Housing Units Permitted
2004	11,452
2003	9,635
2002	8,915
2001	8,735
2000	8,337

Source: Arizona Real Estate Center, L. William Seidman Research Institute, College of Business, Arizona State University.

During 1998, the Arizona Legislature promulgated the Growing Smarter Act of 1998 ("Growing Smarter") which created new planning requirements throughout the State and provided stronger tools for local governments in their efforts to manage rapid development. Growing Smarter also created the "Growing Smarter Commission" which conducted hearings throughout the State on ways to enhance the law and to address certain other issues. During 2000, the Arizona Legislature adopted additional legislation known as "Growing Smarter Plus" which significantly expanded the requirements of Growing Smarter, and particularly the planning requirements passed in 1998. Fast growing communities are now 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. To pay for growth, communities are permitted to establish service area limits, beyond which new growth pays the full cost for services. Growing Smarter allowed citizens to refer general plans passed by local government to the ballot for voter approval. Growing Smarter Plus goes a step farther by requiring fast growing and large cities, the County and Maricopa County to submit their general plans to the voters for ratification. The general plan of such jurisdictions will be subject to future ratification by its voters every 10 years. It is not possible to determine the effect the foregoing will have on continuing development in the County.

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APPENDIX B

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 2003-04 fiscal year was $381,461,790. The County's expenditures for the 2003-04 fiscal year were under the limit. The County's 2004-05 fiscal year expenditure limitation is $396,261,892.

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 described herein under the subheading "The Bonds – Security and Sources 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 Projection 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 2000-01 through 2004-05 for each class of property are set forth below.

Property Tax Assessment Ratios
2000-01 through 2004-05

Classification (a)	2000-01	2001-02	2002-03	2003-04	2004-05
Mining , Utility, Commercial and Industrial (b)	25%	25%	25%	25%	25%
Agriculture and Vacant Land (b)	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 (c)	21%	21%	21%	20%	21%

(a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body's total valuation.
(b) The first $56,298 of full cash value of commercial, industrial and agricultural personal property is exempt from taxation. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of those amounts will be assessed at 25% or 16%, as applicable.
(c) 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 it 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 2004-05

Estimated Actual Valuation*	$43,778,402,824
Net Secondary Assessed Valuation	$ 5,620,156,274
Net Primary Assessed Valuation	$ 5,412,550,080

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

Source: Pima County Assessor's *Abstract of the 2004 Tax Roll for Pima County.*

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
2004-05	$5,620,156,274	$43,778,402,824	12.84%
2003-04	5,221,270,997	43,733,555,507	11.94%
2002-03	4,835,561,219	36,999,609,652	13.07%
2001-02	4,491,395,307	34,150,201,378	13.15%
2000-01	4,236,070,095	32,488,178,944	13.03%

Source: Arizona Tax Research Foundation, *Property Tax Rates and Assessed Value*, Pima County Finance Department and Pima County Assessor's *Abstract of the 2004 Tax Roll for Pima County.*

* 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
2004-05	$2,558,231,181	5.40%	$5,620,156,274	7.64%	$44,461,738,026	8.87%
2003-04	2,427,120,926	5.98%	5,221,270,997	7.98%	40,839,898,348	10.97%
2002-03	2,268,733,334	6.09%	4,835,561,219	7.66%	36,805,206,912	6.76%
2001-02	2,138,461,318	4.40%	4,491,395,307	6.03%	34,473,431,135	8.28%
2000-01	2,048,620,866	5.31%	4,236,070,095	5.88%	31,837,391,782	9.41%

Source: Arizona Tax Research Foundation, *Property Tax Rates and Assessed Value*, Pima County Finance Department and Pima County Assessor's *Abstract of the 2004 Tax Roll for Pima County.*

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 2004-05 Net Secondary Assessed Valuation	As Percent of County's 2004-05 Net Secondary Assessed Valuation
Tucson Electric Power Co.	$145,703,385	2.59%
Qwest Corporation	104,468,013	1.86%
Southwest Gas Corporation	63,012,885	1.12%
DND Neffson Co	22,376,657	0.40%
Arizona Portland Cement Co	21,299,034	0.38%
Phelps Dodge	20,264,613	0.36%
Westin Tucson Hotel Co	16,358,321	0.29%
HDP Northwest LLC	14,708,284	0.26%
CHH Tucson Partnership LP	14,098,866	0.25%
Northwest Hospital	13,778,530	0.25%
	$436,068,588	7.76%

(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 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
2004-05	$281,171,502	(c)	(c)	$151,071,836	53.73%
2003-04	260,569,500	$250,928,829	96.30%	257,682,348	98.89%
2002-03	241,415,870	231,618,482	95.94%	240,387,530	99.57%
2001-02	228,476,979	218,191,563	95.50%	227,163,167	99.42%
2000-01	214,642,135	204,963,396	95.49%	213,527,948	99.48%
1999-00	201,924,932	192,408,605	95.29%	200,950,582	99.52%

(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 January 31, 2005 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
2004-05	$4.0720	$1.4247	$5.4967
2003-04	4.0720	1.4261	5.4981
2002-03	4.0720	1.4278	5.4998
2001-02	4.0720	1.5108	5.5828
2000-01	4.0720	1.4915	5.5635

Source: *Property Tax Rates and Assessed Values,* The Arizona Tax Research Foundation and Pima County Finance 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 County's General Obligation Bonds, Series 2005.

Net Secondary Assessed Valuation (FY 2004-05)	**$5,620,156,274**
15% Constitutional Limitation	843,023,441
Net Direct General Obligation Bonds Outstanding	(297,105,000)
Unused 15% Limitation	$545,918,441

General Obligation Bonded Debt to be Outstanding

The following chart indicates the outstanding general obligation bonded debt of the County that will be outstanding after the issuance of the County's General Obligation Bonds, Series 2005 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%	$25,465,000
10-01-99	50,000,000	Various Improvements	7-1-00/10	5.040%	31,115,000
08-01-00	50,000,000	Various Improvements	7-1-01/14	4.760%	38,000,000
07-01-01	17,835,000	Refunding	7-1-03/09	4.410%	13,175,000
01-01-02	20,000,000	Various Improvements	7-1-02/16	4.000%	13,000,000
01-05-03	50,000,000	Various Improvements	7-1-03/17	3.900%	46,350,000
06-01-04	65,000,000	Various Improvements	7-1-05/19	4.207%	65,000,000
Total General Obligation Bonded Debt Outstanding					232,105,000
Plus: The General Obligation Bonds, Series 2005					65,000,000(a)
Total General Obligation Bonded Debt to be Outstanding					$297,105,000

(a) The General Obligation Bonds, Series 2005 are being issued concurrently with the sale of the Bonds under a separate Official Statement.

Estimated Annual Debt Service Requirements of General Obligation Bonded Debt to be Outstanding

The following chart indicates the general obligation debt service requirements of the County that will be outstanding after the issuance of the County's General Obligation Bonds, Series 2005.

Fiscal Year	Existing General Obligation Bonded Debt Outstanding		Series 2005 Bonds Dated: May 1, 2005*		Total Debt Service
30-Jun	Principal	Interest	Principal	Interest (a)	Requirement*
2005	$29,785,000	$5,143,518			$34,928,518
2006	29,785,000	9,001,385	$6,175,000	$3,412,500	48,373,885
2007	25,825,000	7,612,435	6,510,000	2,647,125	42,594,560
2008	21,955,000	6,416,530	3,050,000	2,354,175	33,775,705
2009	17,075,000	5,416,380	3,185,000	2,216,925	27,893,305
2010	16,460,000	4,629,730	3,330,000	2,073,600	26,493,330
2011	13,710,000	3,875,950	3,480,000	1,923,750	22,989,700
2012	13,890,000	3,245,550	3,635,000	1,767,150	22,537,700
2013	14,085,000	2,609,250	3,800,000	1,603,575	22,097,825
2014	11,965,000	1,989,050	3,970,000	1,432,575	19,356,625
2015	9,115,000	1,463,300	4,150,000	1,253,925	15,982,225
2016	8,935,000	1,089,681	4,335,000	1,067,175	15,426,856
2017	8,970,000	708,400	4,530,000	872,100	15,080,500
2018	5,115,000	315,000	4,735,000	668,250	10,833,250
2019	5,385,000	161,550	4,945,000	455,175	10,946,725
2019			5,170,000	232,650	5,402,650

(a) The first interest payment date on the General Obligation Bonds, Series 2005 is January 1, 2006. Interest on such bonds is estimated at an average rate of 4.5%,

*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	2004-05 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	$44,461,738,026	None	100%	None	$0.0000
Pima County	**5,620,156,274**	**$297,105,000**	**100%**	**$297,105,000**	**5.1421 (b)**
Pima County Flood Control District (c)	4,907,357,254	4,120,000	100%	4,120,000	0.3546
Elementary School Districts	225,932,271	3,390,000	100%	3,390,000	2.7572 (d)
Unified School Districts	5,386,025,233	587,295,000	100%	587,295,000	7.4711 (d)
Cities and Towns	3,229,591,904	274,059,070	100%	274,059,070	0.9398 (d)
Pima County Community College District	5,620,156,274	80,785,000	100%	80,785,000	1.3428
Total				**$1,246,754,070**	

Jurisdiction	2004-05 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding (a)(f)	Combined Tax Rate Per $100 Assessed Valuation (e)
State of Arizona	$44,461,738,026	None	$0.0000
Pima County	5,620,156,274	$297,105,000	5.1421 (b)
Pima County Flood Control District (c)	4,907,357,254	4,120,000	0.3546
Pima County Community College District	5,620,156,274	80,785,000	1.3428
Elementary School Districts:			
San Fernando ESD #35	911,229	None	0.0000
Empire ESD #37	4,428,357	None	6.1171
Continental ESD #39	193,866,290	3,390,000	2.2216
Redington ESD #44	1,126,040	None	3.9915
Altar Valley ESD #51	25,600,355	None	6.2759
Unified School Districts:			
Tucson USD #1	2,498,086,222	266,600,000	8.3286
Marana USD #6	454,309,453	74,330,000	6.5034
Flowing Wells USD #8	164,538,782	12,835,000	6.5883
Amphitheater USD #10	1,035,842,553	99,895,000	6.3375
Sunnyside USD #12	311,227,376	51,605,000	8.4846
Tanque Verde USD #13	135,898,992	6,170,000	5.6661
Ajo USD #15	13,579,791	None	4.4316
Catalina Foothills USD #16	440,943,767	39,805,000	6.6459
Vail USD #20	228,913,523	17,435,000	7.0008
Sahuarita USD #30	98,749,653	18,620,000	8.3095
Indian Oasis USD #40	2,935,121	None	0.0000
Cities and Towns:			
City of Tucson	2,558,231,181	274,059,070	1.1847
City of South Tucson	18,395,271	None	0.2383
Town of Marana	213,420,010	None	0.0000
Town of Oro Valley	375,458,828	None	0.0000
Town of Sahuarita	64,086,614	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 $0.2124 tax rate of the Free Library District, and the $0.0427 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 General Obligation Bonds, Series 2005.

Jurisdiction (g)	Authorized But Unissued General Obligation Bonds
Pima County	$519,710,000
Tucson Unified School District No. 1	188,000,000
City of Tucson	39,140,000
Catalina Foothills Unified School District No. 16	18,810,000
Marana Unified School District No. 6	4,845,000
Indian Oasis Unified School District No. 40	500,000

(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 2004-05	
	Per Capita Net Debt (Pop. @ 931,210) (a)	Secondary Assessed Valuation ($5,620,156,274)	Est. Actual Valuation ($43,778,402,824)
Net Direct General Obligation Bonded Debt ($297,105,000) (b)	$319.05	5.29%	0.68%
Net Direct and Overlapping General Obligation Bonded Debt ($1,246,754,070)	$1,338.85	22.18%	2.85%

(a) Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Economic Security, Population Statistics, July, 2004.
(b) Reflects the Net General Obligation Bonds Outstanding after the issuance of the County's General Obligation Bonds, Series 2005.

Street and Highway Revenue Bonded Debt Outstanding (a)

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

Date of Issue	Original Amount	Purpose	Original Maturity Dates	Remaining Balance Outstanding
5-01-98	$40,000,000	Street & Highway Improvements	7-1-99/08	$ 16,000,000
1-01-02	55,000,000	Street & Highway Improvements	7-1-03/12	45,750,000
1-15-03	35,000,000	Street & Highway Improvements	7-1-04/18	33,500,000
Total Street and Highway Revenue Bonds Outstanding				$95,250,000
Plus: The Bonds Offered Herein				51,200,000
Total Street and Highway Revenue Bonds to be Outstanding				$146,450,000

(a) In 2002, the County received two loans totaling $5.1 million from the Highway Expansion and Extension Loan Program (HELP) of the Arizona Department of Transportation. The loans from the HELP program allowed the County to accelerate by several years the completion of two projects that were scheduled to be funded from Federal aid highway revenues in future years. Final payments on each loan, which are currently outstanding in the aggregate principal amount of $1.98 million, are due in January 2007 and each loan is payable solely from the County's Highway User Tax Revenues, on a basis junior and subordinate to amounts due on the Bonds and all Parity Bonds.

Sewer Revenue Debt Outstanding

The following chart lists the sewer revenue debt of the County that is currently outstanding.

Date of Issue	Original Amount	Purpose	Remaining Maturity Dates	Balance Outstanding
01-01-93	$ 6,000,000	Sewer Improvements	7-1-01/05	$ 315,000
02-01-96	11,313,350	Refunding (a)(b)	7-1-04/12	10,615,744
06-01-97	7,500,000	Sewer Improvements (b)	7-1-01/11	4,221,854
05-01-98	29,185,000	Sewer Improvements	7-1-01-15	21,575,000
10-27-00	61,180,286	Sewer Improvements (b)(c)	7-1-02-16	51,942,063
04-01-01	19,440,000	Refunding	7-1-04/15	17,120,000
05-01-04	25,770,000	Refunding	7-1-05/15	25,770,000
05-11-04	18,015,219	Sewer Improvements (b)	7-1-05/24	18,015,219
Total Sewer Revenue Bonded Debt Outstanding				$149,574,880

(a) Proceeds of this loan were used to refund in advance of maturity $5,025,000 of the Sewer Revenue Bonds, Series 1992, $2,845,000 of the Sewer Revenue Bonds, Series 1993 and $2,650,000 of the Sewer Revenue Bonds, Series 1994B. The debt service requirements on the refunded bonds are secured for payment by U.S. Government Securities, which are held in an irrevocable trust.

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

(c) 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.

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 three fiscal years appears below.

	Fiscal Year		
County Department	**2001-02**	**2002-03**	**2003-04**
Elections	$ 459,635	$459,635	$ -
Clerk of Superior Court	58,251	144,062	195,417
Juvenile Court	115,935	73,986	73,986
Legal Services Building	52,550	-	-
Public Works Building	1,641,810	1,644,900	1,642,680
Sheriff	138,910	42,274	42,279
Superior Court	269,315	-	-
Fiscal Year Total	$2,736,406	$2,364,857	$1,954,357

Source: Pima County Finance Department.

Certificates of Participation

The following chart lists the certificates of participation obligations outstanding for the County.

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	27,525,000
Total Certificates of Participation Obligations Outstanding				$31,525,000

Management's Review of the County's Financial Position

Since 1998-99 Pima County's General Fund financial performance has improved from an actual $8.5 million ending fund balance on June 30, 1999 to a June 30, 2004 fund balance of $32.7 million, with an unrestricted fund balance of $25.6 million. During the same period the County also eliminated several long-term cash deficits in certain enterprise and special revenue funds; implemented significant changes in the County's Health Care System including, most recently, leasing its hospital property to a private nonprofit corporation; increased its budgeted ending fund balance; absorbed cost shifts from the State; increased operating and maintenance costs associated with voter authorized capital bond programs approved in May 1997, in November 1997 and in May 2004; increased the County's Contingency Fund; and funded several General Fund supported capital projects. All of the above issues, as well as the rest of the County's budget, were funded by maintaining the County's primary property tax rate at the current level of $4.0720 per $100 of assessed value, continued growth in County tax revenues due to the strong local economy and an equity transfer from the County's managed care fund in previous years.

The County had a long-term cash deficit in the County's Stadium District Fund which has been eliminated during the current fiscal year. The County Administrator's Fiscal Year 2003-04 Recommended Budget proposed to retire the then existing $6.0 million Stadium District deficit over a three year period at $2 million per year. By the time the fiscal year 2003-04 budget was adopted, additional one-time funds had become available and the Board of Supervisors voted to increase the fiscal year 2003-04 reduction to almost $3 million or approximately one half of the deficit. During the current fiscal year, additional one-time funds became available due to a larger than anticipated fiscal year 2003-04 ending balance in the General Fund and the County eliminated the remaining $3.4 million deficit in the Stadium District Fund.

As of June 30, 2003, the County's Wastewater Management Enterprise Fund had borrowed $10.8 million from the General Fund to cover a short-term cash deficit due to expenses related to the failure of a main sewer trunk line. The $10.8 million was fully repaid to the General Fund in fiscal year 2003-04. The damaged line has subsequently been replaced. As a result of the sewer line failure, the County has been in negotiations with the Arizona Department of Environmental Quality ("ADEQ"). At its February 1, 2005 meeting, the Board considered a confidential settlement proposal from ADEQ. The County and ADEQ continue to meet to develop an acceptable settlement. Previous Notices of Violations received by the County have not resulted in financial penalties, however, the violations associated with those notices were not of the same magnitude and the County and ADEQ have discussed a possible financial penalty for this event. It is too early to determine what a final settlement agreement or the resulting financial impact of any such agreement might be, but the County does not expect any financial penalty to require a General Fund subsidy of the Wastewater Management Department's operations.

The Wastewater Management Department eliminated the cash deficit during fiscal year 2003-04 and is not anticipated to require any further subsidy from the General Fund. In order to meet this goal, the Wastewater Management Department revised its Five Year Capital Improvement Program, reduced operating expenses and received approval from the Board to raise the sewer user fee rates by four percent (4%) and sewer connection fees by six percent (6%) effective July 1, 2004.

In July 2004, the County retained Black & Veatch Corporation to conduct a Management Audit of the County's Wastewater Management Department. In the Audit Report, Black & Veatch recommended certain improvements to the management of the Wastewater Management Department. The County has implemented these changes by, among other things, restructuring the Wastewater Management Department management, creating and filling the position of a financial controller for the Wastewater Management Department, increasing the training of Wastewater Management Department staff relating to capital improvement project management, and commencing a rate review study that Black & Veatch Corporation is expected to complete in June of this year.

Following a series of public meetings in fiscal year 2002-03, the County made several major operational changes in its Health Care system that were intended to limit the County's financial liability while continuing to provide much needed health care services to an underserved section of the County and to provide critical psychiatric care services for County residents. Following this, in November 2003, University Physicians Inc., a non-profit organization affiliated with the University of Arizona School of Medicine ("UPI"), expressed an interest in operating a hospital at the County hospital facility as an integral part of their teaching mission. To meet the critical healthcare needs of the community in a fiscally responsible manner, the Board of Supervisors approved a 25-year lease (the "Lease") with UPI for the land and buildings at which the County hospital had been operated. Under the

terms of the Lease, which began June 16, 2004, UPI assumed full responsibility for operation of a new hospital, known as University Physicians HealthCare Hospital at Kino Campus ("UPH"), located at the site of the former County hospital facility. As consideration for UPI's provision of the services to be offered at UPH, the Lease requires the County to pay UPI a Service Fee in the amount, if any, by which the cost of providing these services exceeds the revenue generated by UPI at UPH, up to the following annual amounts:

Year 1:	$25,833,333
Year 2:	$19,791,667
Year 3:	$14,791,667
Years 4 through 7:	$10,000,000
Year 8:	$ 9,958,333
Year 9:	$ 8,958,333
Year 10	$ 7,666,667
Year 11 through 25:	$ 0

In addition to the Service Fee, the Lease requires the County to complete two capital projects for mold abatement and ADA compliance. These projects have been funded with 1997 General Obligation bond funds and with prior operating transfers from the General Fund. Additional General Fund support from the County is not expected to be needed to complete these projects. As part of the Lease, UPI assumed responsibility for all other maintenance and capital expenditures related to the existing facilities covered by the Lease. In UPI's January 2005 report to the Board of Supervisors, UPI has reported progress in expanding the level of services provided at UPH.

The Lease provides the County with a cap on the County funding needed in future years. The payment to UPI of $25.8 is included in the current year 2004-05 adopted budget and the County does not expect additional General Fund subsidy of the facility.

The Board of Supervisors has taken a variety of significant actions to stabilize the finances and enhance the fiscal integrity of the County. The Board has steadily increased the amount budgeted as the General Fund ending balance from its low point of zero in fiscal year 1996-97. For the current fiscal year, the Board initially budgeted an unrestricted General Fund ending balance of $13 million. This amount was subsequently adjusted upward to a budgeted ending balance of $24 million as a result of a higher than expected ending balance for fiscal year 2003-04 as reflected in the year-end audit. As explained above, a portion of these funds were used to eliminate the cash deficit in the Stadium District Fund. After eliminating the cash deficit in the Stadium District, the County is currently projecting a June 30, 2005 unrestricted General Fund balance of $19.1 million.

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

	Actual					Budget
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05 (a)
Revenues by Source:						
Taxes	$214,332	$227,542	$244,807	$258,375	$279,527	$297,298
Special Assessments	703	845	598	1,023	505	606
Licenses and Permits	4,541	4,882	6,077	6,087	6,566	6,615
Intergovernmental	241,225	253,863	260,218	245,378	273,225	276,378
Charges for Services	27,308	26,613	31,112	35,721	43,505	34,759
Fines and Forfeits	4,245	4,365	4,882	5,047	5,010	4,751
Interest Income	11,384	15,468	6,952	4,152	2,656	4,008
Miscellaneous	9,452	8,131	8,143	10,356	11,918	10,838
Total Revenues	$513,190	$541,709	$562,789	$566,139	$622,912	$635,209
Expenditures by Fund:						
General	253,563	270,028	285,486	308,917	323,591	372,103
Special Revenues	141,860	147,367	153,888	149,633	161,716	186,137
Debt Service	46,992	50,219	48,102	57,563	60,828	62,048
Capital Projects	89,215	87,673	109,670	97,147	103,167	132,118
Total Expenditures	$531,630	$555,287	$597,146	$613,260	$649,302	$752,406
Excess of Revenues Over (Under) Expenditures	(18,440)	(13,578)	(34,357)	(47,121)	(26,390)	(117,197)
Proceeds of Long-Term Debt	54,129	50,358	82,717	85,247	65,148	96,000
Proceeds of Refunding Bonds	0	0	22,420	0	6,880	0
Payment to Refunded Bond Escrow Agent	0	0	(22,551)	0	(6,846)	0
Operating Transfers In (Out)	(13,134)	(37,941)	(12,905)	(15,140)	(21,333)	2,801
Capital Leases	0	0	0	177	0	
Sale of General Fixed Assets	0	0	590	37	406	
Beginning Fund Balance, as restated	80,675	105,554	110,664	147,803	165,395	182,894
Restatement Adjustment/LGIP Loss	1,816	2,063	1,175	(6,237)	0	0
Changes in Reserve for Inventory	166	(117)	64	629	(379)	0
Charges in Reserve for Prepaid	(6)	10	(14)	0	13	0
Residual Equity Transfer In (Out)	348	4,315	0	0	0	0
Ending Fund Balance	$105,554	$110,664	$147,803	$165,395	$182,894	$164,498

(a) These amounts are based on budgeted data and are subject to change based on actual results.

Source: Pima County Finance 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					Budget
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05 (a)
General						
Reserved	$ 1,846	$ 2,233	$ 2,486	$ 2,549	$7,068	$3,884
Unreserved	24,721	19,653	28,656	30,999	25,628	24,054
	26,567	**21,886**	**31,142**	**33,548**	**32,696**	**27,938**
Special Revenue						
Reserved	2,785	3,639	2,570	3,623	3,399	2,549
Unreserved	40,785	48,616	61,134	42,312	45,325	33,995
	43,570	**52,255**	**63,704**	**45,935**	**48,724**	**36,544**
Debt Service						
Reserved	7,627	5,537	5,964	3,078	4,202	4,247
	7,627	**5,537**	**5,964**	**3,078**	**4,202**	**4,247**
Capital Projects						
Reserved	0	0	8	41	2	0
Unreserved	27,790	30,986	46,985	82,793	97,270	95,769
	27,790	**30,986**	**46,993**	**82,834**	**97,272**	**95,769**
Total Fund Balance	$105,554	$110,664	$147,803	$165,395	$182,894	$164,498

(a) These amounts are based on budgeted data and are subject to change based on actual results.

Source: Pima County Finance 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					Budget
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05(a)
Revenues by Source:						
Taxes	$158,750	$169,129	$181,840	$194,552	$209,672	$223,091
Licenses and Permits	1,449	1,186	2,071	2,010	2,166	2,260
Intergovernmental	103,828	110,408	111,922	112,530	120,058	116,460
Charges for Services	15,927	15,663	19,974	23,750	24,133	23,648
Fines and Forfeits	3,466	3,483	3,898	4,111	4,023	3,884
Interest	4,197	4,361	2,086	1,015	530	1,040
Miscellaneous	3,227	2,007	1,995	2,884	2,132	1,670
Total Revenues	290,844	306,237	323,786	340,852	362,174	372,053
Expenditures:						
Current						
General Government	92,397	98,689	101,397	110,813	120,755	133,195
Public Safety	72,399	78,785	86,039	90,375	100,650	106,507
Sanitation	0	0	0	0	0	0
Health	554	532	2,567	2,762	2,898	2,895
Welfare	69,368	71,243	73,060	84,130	76,619	105,770
Culture & Recreation	10,159	11,128	13,453	12,858	14,448	14,864
Education & Econ. Opport.	4,217	4,987	5,299	4,812	5,578	6,102
Debt Service:						
Principal	2,618	2,834	1,913	1,550	1,610	1,440
Interest	1,844	1,826	1,754	1,613	1,030	1,325
Miscellaneous	7	4	4	4	3	5
Total Expenditures	253,563	270,028	285,486	308,917	323,591	372,103
Excess of Revenues Over (Under) Expenditures	37,281	36,209	38,300	31,935	39,123	(50)
Other Financing Sources (uses):						
Proceeds of Long-Term Debt	369	345	0	0	0	0
Sale of General Fixed Assets	0	0	0	0	2	0
Operating Transfers In (Out)	(19,112)	(45,550)	(29,624)	(27,799)	(39,977)	(4,708)
Total Other Financing Sources (Uses):	(18,743)	(45,205)	(29,624)	(27,799)	(39,975)	(4,708)
Excess of Revenues and Other Sources						
Extraordinary item:						
Loss from State Treasurer's Local Government Investment Pool	0	0	0	(1,730)	0	0
Over (Under) Expenditure and Other Uses	18,538	(8,996)	8,676	2,406	(852)	0
Beginning Fund Balance, as restated	8,509	26,567	22,466	31,142	33,548	32,696
Residual Equity Transfer:						0
In (Out)	(480)	4,315	0	0	0	0
Ending Fund Balance	$ 26,567	$ 21,886	$ 31,142	$ 33,548	$ 32,696	$ 27,938

(a) These amounts are based on budgeted data and are subject to change based on actual results.

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

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APPENDIX C

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 $51,200,000 aggregate principal amount of bonds designated the Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005 (the "*Bonds*"). The Bonds are issued pursuant to Title 11, Chapter 2, Article 12 of the Arizona Revised Statutes, and under the provisions of an authorizing resolution adopted by the Board of Supervisors of the County on May 10, 2005 (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 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 Pledged Revenues (as defined in the Bond Resolution), consisting of revenues derived by the County from taxes, fees, charges and other monies collected by the State of Arizona and returned to the County for street and highway purposes pursuant to law. Such pledge is authorized by law. The Bonds and the payment of principal thereof and interest thereon are not secured by an obligation or pledge of any moneys raised by taxation other than the Pledged 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. The County has pledged, in the Bond Resolution, to comply with any requirements imposed by law for eligibility to receive its share of such funds.

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, a portion of the interest on the Bonds earned by corporations may be subject to the federal corporate alternative minimum tax, and the interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

Respectfully submitted,

SQUIRE, SANDERS & DEMPSEY L.L.P.

APPENDIX D

EXCERPTS FROM PIMA COUNTY, ARIZONA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2004

The following are the County's Basic Financial Statements for the fiscal year ended June 30, 2004. The County has not requested the State of Arizona Auditor General to perform any review of the County's financial condition subsequent to June 30, 2004. These are the most recent audited financial statements available to the County. These financial statements are not current and may not represent the current financial position of the County.

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COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER
130 W. CONGRESS, TUCSON, AZ 85701-1317
(520) 740-8661 FAX (520) 740-8171

C. H. HUCKELBERRY
County Administrator

December 3, 2004

The Honorable Board of Supervisors
Pima County, Arizona

We are pleased to submit, in accordance with state statutes, the Comprehensive Annual Financial Report (CAFR) of Pima County, prepared by the Finance Department, for the fiscal year ended June 30, 2004. This report presents comprehensive financial and operating information about the County's activities for the fiscal year that is useful to its property owners, businesses and other resource providers. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County.

This report is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting as established by the Governmental Accounting Standards Board (GASB) using the guidelines as recommended by the Government Finance Officers Association of the United States and Canada (GFOA). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

We believe that the financial information, as presented, is accurate in all material aspects; that it is presented in a manner designed to openly disclose the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The CAFR consists of three sections:

- The ***INTRODUCTORY*** section, which familiarizes the reader with the organizational structure of the County, the nature and scope of the services it provides, and the specifics of its legal operating environment.

- The ***FINANCIAL*** section, which includes the independent auditor's report, MD&A, audited basic financial statements and notes to the statements, required supplementary information, and supporting statements and schedules necessary to fairly present the financial position and results of operations of the County in conformity with generally accepted accounting principles.

- The ***STATISTICAL*** section, which contains comprehensive statistical data on the County's financial, physical, economic and demographic characteristics.

Pima County and its Services

Pima County is situated in the southern part of Arizona with a portion of its southern boundary bordering Mexico. The County was organized in 1864 under the Arizona Territorial Legislature as one of the State's four original counties.

A five-member Board of Supervisors is responsible for implementing the County's governmental and administrative affairs. Each member of the Board is elected from a designated district to serve a four-year term. The Chair is selected by the Board from among its members. The Board is also responsible for establishing the policies of the County, which provide guidance to the various County constitutional officers and departments. The Board appoints a County Administrator who is responsible for the general administrative and overall operations of the various departments of the County.

Pima County includes in its financial statements all funds, agencies, boards, commissions and authorities for which the Pima County Board of Supervisors is financially accountable. As the primary government, Pima County is financially accountable if it appoints a voting majority of an organization's governing body and either: 1) it is able to impose its will on that organization; or 2) a potential exists for that organization to provide specific benefits to, or impose specific financial burdens on, the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government.

Pima County offers a wide variety of governmental services, including:

- *Justice and Law Enforcement*: Clerk of the Superior Court, Constables, County Attorney, Superior Court, Juvenile Court, Justice Court system, Sheriff's Department, Indigent Defense and Public Fiduciary

- *Medical Services*: Pima Health Care System, including Pima Health System, Kino Community Hospital (see page 4), Department of Institutional Health, Public Health Department (including Health & Animal Control) and Forensic Science Center

- *Community Resources*: Superintendent of Schools, Employment and Training, Community Services, Community Resources, County Free Library District, Southwestern Fair Commission and Stadium District

- *Public Works*: Flood Control District, Development Services (including Planning & Zoning), Transportation, Wastewater Management (including Solid Waste Management), Environmental Quality, Capital Projects, Fleet Services, Natural Resources, Parks & Recreation, and Graphics Services

- *County Administration*: Board of Supervisors, County Administrator, Assessor's Office, Clerk of the Board, Elections, Finance, Human Resources, Information Technology, Non-Departmental (including Contingency), Procurement, Recorder, Risk Management, Treasurer, Facilities Management, Communications and Parking Garages

Pima County is also responsible for reporting the financial activities of its component units. These units are either discretely presented or blended. Although they are separate legal entities, blended component units are substantially a part of the County's financial activities and are combined with data for the County. Blended and discrete component units include:

- *Metropolitan Domestic Water Improvement District, Marana Domestic Water Improvement District and Green Valley Domestic Water Improvement District.* Activities of the Districts are reported as discrete components of the County in the accompanying financial statements.

- *Southwestern Fair Commission.* Activities of the Commission are reported as a discrete component of the County in the accompanying financial statements.

- *Pima County Stadium District, Flood Control District, and Library District.* Activities are reported in special revenue funds as blended component units in the accompanying financial statements.

- *Municipal Property Corporation.* Activities of the corporation are reported as a special revenue fund as a blended component unit in the accompanying financial statements.

- *Special Districts.* Pima County includes the financial activities of various improvement districts in its financial statements. Improvement districts are established to pay for the construction of specific public works projects that benefit citizens of a limited geographical area. The County's currently active improvement districts include La Cholla Boulevard, Country Club Estates, Cimarron, Hayhook and Camino Ojo De Agua Improvement Districts.

The County also has various independently governed school, irrigation, fire, and street lighting districts, and a health district. In addition, there are other entities for which the County is not financially accountable. These entities include the Industrial Development Authority, Pima Association of Governments, Pima Council on Aging and the Private Industry Council. The financial statements of such districts and entities are not included in the accompanying financial statements except to reflect amounts held in a fiduciary capacity by the County Treasurer.

Economic Outlook

According to *Arizona's Economy*, a publication of the University of Arizona's Economic & Business Research Program, Pima County's population increased 2.3% to 929,000 persons for the year ended June 30, 2004. Over the same period, per capita income rose 1.7% to $25,395. The County's population is expected to steadily increase over the next few years at a rate of about 2.5%. By 2010, the County's population is expected to reach one million.

For the Tucson metropolitan area, non-farm payrolls are expected to decrease 1.7% to 352,800 jobs during 2004. For all of 2004, per-capita wage income is forecast to rise 4.0% to $32,566 and aggregate retail sales are forecast to rise 8.4% to $9.975 billion. The number of residential permits is forecast to increase 7.1% to 8,903, signaling a boost in the housing sector.

The property tax base will grow due to an increase in residential construction. Rising personal income, incoming wealth, and continued low financing rates will substantially increase the value per residential parcel. The interest and penalties collection from delinquent property taxes will also grow due to the anticipated increase of valuation in future years.

The State Shared Sales Tax growth rate has increased over 6% for the past few years since a decline of almost 3.5% three years ago. The increase in growth rate is due to federal fiscal stimulus from lower, retroactive, income tax rates, business tax incentives for capital investments, and low long-term interest rates. The increase in growth rate is expected to slow in the near future due to the expected discontinuation of federal stimuli.

The growth rate of Vehicle License Tax (VLT) revenues has been declining since fiscal year 2001/02. This is attributed to slowing new car sales and the decreasing basis of revenue from the cars already registered in the County. VLT revenue is expected to grow again beginning in fiscal year 2007/08, based on the previous historical surge of VLT.

Expenditure Limitation

Arizona voters approved a proposition amending the state constitution in 1980 that established expenditure limitations for local governments, including Pima County.

Major Program Initiatives and Developments

Some of the major developments that occurred in Pima County during the fiscal year ended June 30, 2004 include:

Lease of property and Closure of Kino Community Hospital

To meet the healthcare needs of the County in a fiscally responsible manner, the Board of Supervisors approved a 25 year lease with an option to renew for an additional 25 years with University Physicians, Inc. (UPI), a non-profit organization affiliated with the University of Arizona School of Medicine. Under the terms of the lease, UPI will assume full responsibility for the operation of Kino Community Hospital and, over the next few years, expand and increase services as set forth in the lease. Pima County retains ownership of the land and buildings.

Capital Improvement Projects

In May 2004 Pima County voters approved a general obligation bond authorization of $582.25 million and sewer revenue bonds of $150 million. The County's progress in improvements of infrastructure, land, and buildings is continuing with a significant portion of the 1997 program completed.

During the fiscal year, the County issued $65 million of general obligation bonds that was a combination of both the 1997 and 2004 authorization.

For the fiscal year ended June 30, 2004, major completed transportation projects included: Skyline Drive between Chula Vista and Campbell and Ajo Road between Country Club and Alvernon.

During the year, some of the more significant projects the County completed using general obligation bonds included the Kino Youth Library and Resource Center, Green Valley Performing Arts Center, Anamax Neighborhood Park Improvements, Marana Northwest Pool, Flowing Wells Park, Agua Caliente Regional Park, and Linda Vista Neighborhood Park.

Sonoran Desert Conservation Plan

Background and Purpose: The Pima County Board of Supervisors continues to support the Sonoran Desert Conservation Plan (SDCP). This comprehensive plan aims to: (1) prevent urban sprawl through the protection of natural and cultural resources; (2) provide a basis for natural resource protection; (3) lead to the recovery of the pygmy owl and other species protected under the Endangered Species Act (ESA); (4) stabilize the ecosystem and plant communities supporting indigenous plants and animals and mitigate a need for future endangered species listings; and (5) lead to the issuance of a regional conservation plan that

balances environmental and economic considerations. In 2001 and 2002, parts of the Plan were adopted into Pima County's Comprehensive Land Use Plan and updated in accordance with state law.

The SDCP is a countywide planning effort aimed at resolving compliance issues with the ESA and balancing the economic needs of the community. The 9,184-square-mile project area covers all of Pima County and encompasses federal, state and tribal reservation lands. The Plan's scope is roughly 10 times the area of San Diego County's multi-species effort. The Plan has received numerous state, regional and national awards, including the American Planning Association's Outstanding Planning Award for 2002, the Arizona Planning Association Award for Multi-Agency Coordination in 2001 and a number of awards for technical merit.

Recent Developments: During 2003, the SDCP's steering committee, comprised of over 70 community members, voted to support the Plan and asked the Board of Supervisors to pursue an open space bond initiative to fund the plan's efforts. In 2004 the community voted in support of a $174.3 million open space bond. Another $19.9 million was approved in support of cultural resource protection. Implementation of the ESA permit is scheduled for 2005.

Financial Information

Accounting System and Budgetary Control

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal control procedures. Internal controls for accounting purposes are designed to provide reasonable, but not absolute, assurance regarding: (1) safeguarding of assets against loss from unauthorized use or disposition, and (2) reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) costs of implementing controls should not exceed their likely derived benefits, and (2) evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the elected official or department level and is aided during the fiscal year by the use of encumbrances of estimated purchases. Open encumbrances lapse at year-end and are budgeted again as needed in the next fiscal year.

Capital Assets System

The County has purchased a comprehensive asset management system and has begun the implementation process. The new asset management system will be used to interface with its existing financial management system. An important desired feature of the asset management system is that it will facilitate the County's compliance with the reporting requirements of Governmental Accounting Standards Board Statement 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. GASB 34 requires disclosure and capitalization of infrastructure, such assets as roads, parks and bridges, which had previously not been required for governmental reporting.

Cash Management

Most cash, other than imprest accounts, is on deposit with the County Treasurer or the State Treasurer. Amounts temporarily available during the course of the fiscal year are invested on a short-term basis. To

address cash flow needs in the short term, the County instituted internal borrowings among funds that were recorded formally in its accounting records.

Risk Management

Pima County has established a Self Insurance Trust Fund to account for the risk management function of the County. The Fund is administered by an appointed Board of Trustees and provides self-insured coverage to the County for medical malpractice, workers' compensation, unemployment, general liability, property damage, environmental damage and employee dental benefits, as well as obtaining coverage for other risks. The Fund is financed by charges to other County funds.

Other Information

Independent Audit

Arizona Revised Statutes require an annual audit of the financial statements. The County is fully compliant with this legal requirement. An independent auditors' report is included in this CAFR.

Single Audit

As a recipient of federal and state financial assistance, the County is required to ensure adequate internal controls are in place to comply with applicable laws and regulations related to administration of these programs. This internal control structure is subject to periodic evaluation by management of Pima County.

As a part of the County's single audit, tests are made to determine 1) the adequacy of the internal control structure, including that portion related to federal financial assistance programs and 2) whether the County has complied with applicable laws and regulations.

The results of the County's single audit for the fiscal year ended June 30, 2003 included two reportable conditions. The first reportable condition cited inadequate policies and procedures for ensuring PILT monies received under 31 United States Code (U.S.C.) § 6904 and 16 U.S.C. § 715s were distributed to all affected local government units and school districts.

The second reportable condition cited inadequate policies and procedures over the Workforce Improvement Act federal programs. Specifically, the reportable condition pertained to a review of four of the State required monthly Contractor Requests for Funds and Disbursement Reports in which none of the reported amounts agreed to the financial records, nor could the County explain the differences. This reportable condition was also considered a material weakness. The County has since submitted a corrective plan of action.

The Single Audit for Pima County for the fiscal year ended June 30, 2004 was not complete at the time of publication of this Comprehensive Annual Financial Report.

As demonstrated by the statements and schedules included in the financial section of this report, Pima County continues to meet its responsibility for sound financial management.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Pima County, Arizona for its

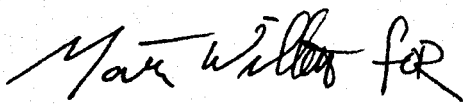
comprehensive annual financial report for all fiscal years ended June 30, 1984 through 2003, except for fiscal years ended June 30, 1990 and June 30, 1999, due to missing the filing deadline.

In order to receive a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report with contents that conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

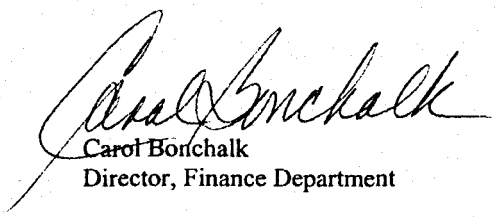
Acknowledgements

Preparation of this report could not be accomplished without the efficient and dedicated service of the staff of the County's Finance Department. We also wish to thank the Board of Supervisors for its continued support in planning and conducting the County's financial operations in a responsible fiduciary manner.

Respectfully submitted,



C. H. Huckelberry
County Administrator



Carol Bonchalk
Director, Finance Department

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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, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2004, 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 the aggregate discretely presented component units of Pima County. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units of Pima County, is 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, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 13 through 27, the Budgetary Comparison Schedule on pages 81 and 82, and the Schedule of Agent Retirement Plans' Funding Progress on page 83 are not a required part 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.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information included in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on such information.

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

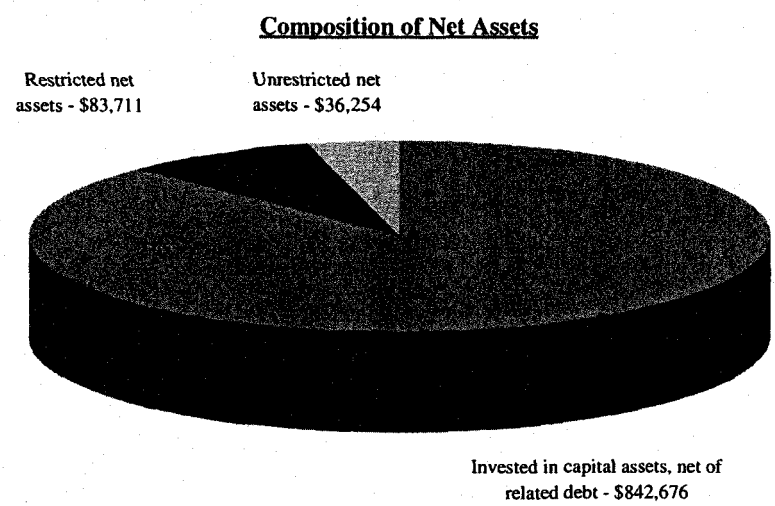
December 3, 2004

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, 2004 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, 2004, the County's combined assets exceeded combined liabilities (*net* assets) by $962,641, an increase of 13.6% from the prior year. Of this amount, $36,254 is available for general government expenditures (*unrestricted net assets)*, $83,711 is restricted for specific purposes (*restricted net assets)*, and $842,676 is invested in capital assets, net of related debt and accumulated depreciation.



- Of the total fund balances of the County's governmental funds, total fund balance increased $17,499 to $182,894, with $166,344 of this amount available for expenditure. Within the general fund, capital projects fund and the County's other governmental funds, $25,628, $97,270 and $43,446 are available for future expenditures, respectively.

- The general fund unreserved fund balance decreased $5,371 from the previous year to $25,628. This balance accounts for approximately 7.9% of the County's general fund expenditures and 3.9% of total governmental funds expenditures.

- Pima Health Care System increased its operating loss to $38,953, an increase of $17,926 from the prior year. A significant portion of the operating loss was attributed to Kino Community Hospital, which suffered an operating loss of $30,767.

- Effective June 16, 2004, the County entered into a 25 year lease with University Physicians, Inc. (UPI), a non-profit organization. UPI has assumed full fiscal and operational responsibility of Kino

Community Hospital. Over the next 10 years, the County will pay UPI annual service fees, totaling a maximum amount of $127,000.

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 four components: (1) Government-wide financial statements, (2) Fund financial statements, (3) Component unit financial statements, and (4) 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 in part 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, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include Pima Health Care System (PHCS), which includes Kino Community Hospital, Wastewater Management, Development Services and the County's downtown parking garages.

Discretely presented component units are included in the basic financial statements and consist of legally separate entities for which the County is financially accountable. The County's discretely presented component units are the Metropolitan Domestic Water Improvement District, the Marana Domestic Water Improvement District, the Green Valley Domestic Water Improvement District, and the Southwestern Fair Commission, which operates the County Fairgrounds and the annual Pima County Fair.

The government-wide financial statements can be found on pages 29-30 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 OMB budgeting guidelines. All of the funds of the County 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 expend-*

able 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 fourteen 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 Fund and the Capital Projects fund. 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 31-34 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 and communications. Because these services predominantly benefit governmental rather than business-type functions, most of 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. Wastewater Management and Pima Health Care System 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 35-38 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 39-40 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 43-79 of this report.

Required Supplementary Information (RSI) is presented concerning the County General Fund budgetary schedule and the schedule of retirement plans' funding progress. Required supplementary information can be found on pages 81-83 of this report.

The combining and individual fund statements and schedules referred to earlier provide information for non-major governmental and enterprise funds and internal service funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 86-116 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. In the case of the County, assets exceeded liabilities by $962,641 at June 30, 2004. The following table shows condensed information for the Statement of Net Assets:

Table 1
Statement of Net Assets
At June 30, 2004

	Governmental Activities Fiscal Year		Business-type Activities Fiscal Year		Total Fiscal Year	
	2003-2004	2002-2003*	2003-2004	2002-2003	2003-2004	2002-2003*
Current and other assets	$ 312,193	$ 276,801	$ 65,345	$ 58,814	$ 377,538	$ 335,615
Capital assets:						
Land, buildings, equipment & other	676,131	590,509	594,221	570,391	1,270,352	1,160,900
Total assets	988,324	867,310	659,566	629,205	1,647,890	1,496,515
Current and other liabilities	88,779	68,936	39,066	39,077	127,845	108,013
Long-term liabilities	391,594	375,919	165,810	149,143	557,404	525,062
Total liabilities	480,373	444,855	204,876	188,220	685,249	633,075
Net assets :						
Invested in capital assets, net of related debt	391,514	288,506	451,162	444,590	842,676	733,096
Restricted net assets	75,417	67,934	8,294	21,139	83,711	89,073
Unrestricted net assets (deficit)	41,020	66,015	(4,766)	(24,744)	36,254	41,271
Total net assets	$ 507,951	$ 422,455	$ 454,690	$ 440,985	$ 962,641	$ 863,440

*As restated - See Note 2 of the financial statements

The largest portion of the County's net assets reflects its investment in capital assets (i.e. land, buildings, infrastructure, equipment), less any related outstanding debt used to acquire those assets. As of June 30, 2004, investment in capital assets totaled $842,676, comprising approximately 87.5% 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 $109,580 increase in capital assets, net of related debt, for fiscal year 2003-2004 is mostly 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.

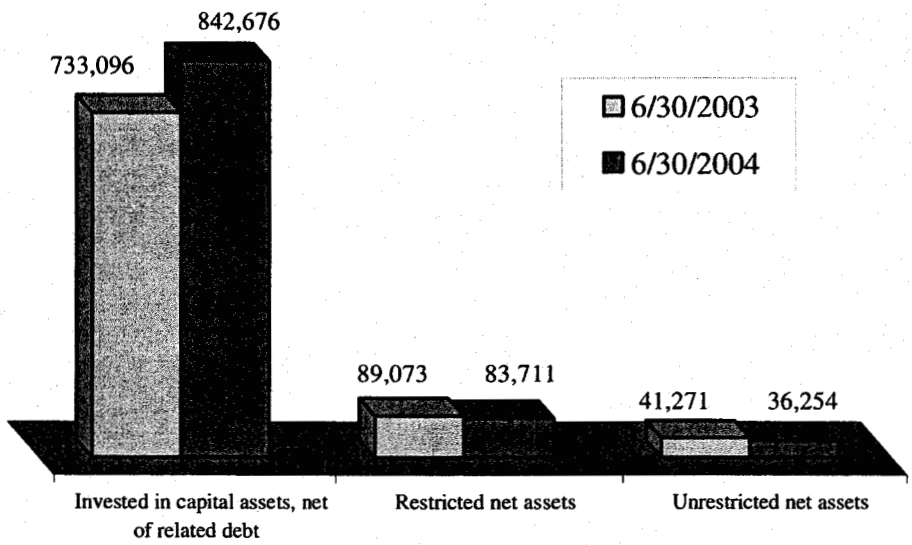
Restricted net assets represent resources that are subject to external restrictions on how they may be used. As of June 30, 2004, restricted net assets totaled $83,711 and comprised approximately 8.7% of total net

assets. This represents a $5,362 decrease in restricted net assets from the $89,073 balance of fiscal year 2002-2003.

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, 2004, unrestricted net assets totaled $36,254 and comprised approximately 3.8% of total net assets.

The following chart shows the composition and changes in net assets for the fiscal years ended June 30, 2004 and June 30, 2003:

Comparative Composition of Net Assets



Governmental activities

Governmental activities contributed $85,496, or 86.2%, of the County's $99,201 increase in total net assets during fiscal year 2003-2004. The following table shows changes in net assets for governmental activities:

Table 2
Governmental Activities
Comparative Statements of Activities
For the Years Ended June 30, 2004 and 2003

	Fiscal Year		Variance	
	2003-2004	2002-2003	Amount	Percent
Program revenues:				
Charges for services	$ 54,939	$ 45,527	$ 9,412	20.7%
Operating grants and contributions	135,119	121,587	13,532	11.1%
Capital grants and contributions	17,413	5,665	11,748	207.4%
Total program revenues	207,471	172,779	34,692	20.1%
General revenues:				
Property taxes	272,507	251,844	20,663	8.2%
State-shared taxes	106,615	100,408	6,207	6.2%
Investment earnings	3,102	5,064	(1,962)	-38.7%
Other general revenues	33,480	35,985	(2,505)	-7.0%
Total general revenues	415,704	393,301	22,403	5.7%
Total primary government revenues	623,175	566,080	57,095	10.1%
Expenses:				
General government	140,827	131,925	8,902	6.7%
Public safety	151,860	132,939	18,921	14.2%
Highways and streets	42,133	39,492	2,641	6.7%
Health	30,165	23,917	6,248	26.1%
Welfare	76,894	84,457	(7,563)	-9.0%
Culture and recreation	32,727	31,326	1,401	4.5%
Education and economic opportunity	33,093	35,033	(1,940)	-5.5%
Unallocated depreciation and amortization	1,772	1,474	298	20.2%
Interest on long-term debt	15,012	15,779	(767)	-4.9%
Total expenses	524,483	496,342	28,141	5.7%
Excess before transfers and extraordinary item	98,692	69,738	28,954	41.5%
Extraordinary Item:				
Loss from State Treasurer's Local Government Investment Pool	-	(7,447)	7,447	n/a
Transfers out	(13,196)	(17,980)	4,784	-26.6%
Change in net assets	$ 85,496	$ 44,311	$ 41,185	92.9%

Key elements of the change in net assets from governmental activities are as follows:

- Program revenues increased $34,692, reflecting an increase of $11,748 in capital grants and contributions, specifically Surface Transportation Program monies from the Federal Highway Administration.

- General revenues increased by $22,403, primarily due to increases in property tax revenues and state-shared tax revenues. Increases in real property assessed valuations and residential construction activity were the primary reasons property tax revenues increased by $20,663.

- Investment earnings continued to decrease in fiscal year 2003-2004. The County invests a majority of its funds in the State Treasurer's Local Government Investment Pool. The interest rate for this pool has declined for a fourth consecutive year, resulting in less investment earnings.

- The increase of $18,921 for Public Safety expenses resulted primarily from the Sheriff department due to increases in personnel costs, increases in state and federal Racketeering Influenced

Corrupted Organization expenditures and reclassification of inmate welfare and commissary costs from an Agency fund.

- General government expenses increased primarily because of the passage of State legislation creating the County Contribution Fund. This legislation required the County to pay $3,828 during the course of the fiscal year. Additionally, a $1,042 payment was made to University Physicians, Inc. as part of the Kino Community Hospital closure.

- Health expenses increased $6,248 due to an expansion of the Health and Environmental Quality department programs in the course of the fiscal year. Increases in personnel costs, supplies and services for these new programs comprised most of the increase.

- Welfare expenses decreased by $7,563 due to a decline in costs associated with Title 36 Psychiatric Services and reduced costs associated with ALTCS (Arizona Long-Term Care System).

Business-type activities

Business-type activities contributed $13,705, or 13.8%, of the County's increase of $99,201 in total net assets during the year ended June 30, 2004. The following table shows changes in revenues and expenses for business-type activities between the current and prior year:

Table 3
Business-type Activities
Comparative Statements of Activities
For the Years Ended June 30, 2004 and 2003

	Fiscal Year		Variance	
	2003-2004	2002-2003	Amount	Percent
Program revenues:				
Charges for services	$ 320,542	$ 277,375	$ 43,167	15.6%
Operating grants and contributions	4,777	4,909	(132)	-2.7%
Total program revenues	325,319	282,284	43,035	15.2%
General revenues:				
Capital contributions	22,214	12,479	9,735	78.0%
Investment earnings	747	1,727	(980)	-56.7%
Other general revenues	3,896	6,787	(2,891)	42.6%
Total general revenues	26,857	20,993	5,864	27.9%
Total primary government revenues	352,176	303,277	48,899	16.1%
Expenses:				
Wastewater Management	71,804	74,816	(3,012)	-4.0%
Pima Health Care System	268,869	221,970	46,899	21.1%
Development Services	9,617	8,373	1,244	14.9%
Parking Garages	1,377	1,346	31	2.3%
Total expenses	351,667	306,505	45,162	14.7%
Excess before transfers and extraordinary item	509	(3,228)	3,737	-115.8%
Extraordinary item: Loss from State Treasurer's Local Government Investment Pool	-	(2,673)	2,673	n/a
Transfers in	13,196	17,980	(4,784)	-26.6%
Increase in net assets	$ 13,705	$ 12,079	$ 1,626	13.5%

Key elements to the increase in net assets from business-type activities include:

- Charges for services increased by $43,167 during the year primarily due to a $28,948 increase in revenues for Pima Health Care System. This increase was driven by an increase in Capitation revenues, which comprises ambulatory and long-term care contracts with AHCCCS.

- Expenses for Pima Health Care System increased by $46,899, or 21.1%, from the prior year. This change was driven primarily by a $56,581 increase in medical claims and a $12,713 increase in consultants and professional services that was offset by a $23,160 decrease in employee compensation.

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. 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.

At June 30, 2004, the County's governmental funds reported combined fund balances of $182,894, an increase of $17,499 in comparison with the prior year. Approximately 91% of the combined fund balances, or $166,344, constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed to the following:

- $4,202 to pay debt service
- $7,538 to reflect inventories and prepaid amounts
- $2,073 for a loan receivable
- $783 committed to specific programs
- $75 reserved for capital repairs and refurbishments
- $1,879 designated for debt payment

The General Fund is the chief operating fund of the County. At June 30, 2004, unreserved fund balance of the general fund was $25,628 while total fund balance reached $32,696. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7.9% of total general fund expenditures, while total fund balance represents 10.1% of that same amount.

Revenues for governmental functions totaled approximately $622,912 in fiscal year 2003-2004, which represents an increase of $56,773 (10%) 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
Revenues Classified by Source
All Government Funds

	Fiscal Year					
	2003-2004		2002-2003		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenues by source:						
Taxes	$ 279,527	44.9%	$ 258,375	45.7%	$ 21,152	8.2%
Special assessments	505	0.1%	1,023	0.2%	(518)	-50.6%
Licenses and permits	6,566	1.0%	6,087	1.1%	479	7.9%
Intergovernmental	273,225	43.9%	245,378	43.3%	27,847	11.3%
Charges for services	43,505	7.0%	35,721	6.3%	7,784	21.8%
Fines and forfeits	5,010	0.8%	5,047	0.9%	(37)	-0.7%
Interest	2,656	0.4%	4,152	0.7%	(1,496)	-36.0%
Miscellaneous	11,918	1.9%	10,356	1.8%	1,562	15.1%
Total revenues	$ 622,912	100.0%	$ 566,139	100.0%	$ 56,773	10.0%

The following provides an explanation of revenues by source that changed significantly over the prior year:

- Property taxes. Revenues from property taxes increased $21,152. This was a result of growth in construction activity within the County over the past year, as well as continued increases in assessed property valuations and greater real estate market values.

- Intergovernmental revenue. The $27,847 increase in intergovernmental revenue is due primarily to a $12,213 increase observed for Capital Projects. The following monies were received for construction projects: $2.47 million in State funding for the Old Nogales Highway project; $2.2 million in federal funding for the Veteran's Memorial Overpass project; $4 million in federal funding for the General Hitchcock Highway project; and $5.01 million in federal funding for the Wetmore/Ruthrauff project.

- Charges for services. The $7,784 increase in charges for services revenue is due primarily to a $5,854 increase observed in Capital Projects. The Board of Supervisors approved an increase in Impact Fee Charges and the addition of ten new benefit areas to which the charges will also be applied.

- Interest revenue. As previously mentioned, the County invests a majority of its funds in the State Treasurer's Local Government Investment Pool. Interest rates are down again for fiscal year 2003-2004 due to a continued decline in the investment pool's interest rate, resulting in decreased interest revenue.

The following table presents expenditures by function compared to prior year amounts:

Table 5
Expenditures by Function
All Governmental Funds

Government Function	Fiscal Year 2003-2004 Amount	Percent	2002-2003 Amount	Percent	Increase (Decrease) Amount	Percent
General government	$ 140,319	21.6%	$ 132,416	21.6%	$7,903	6.0%
Public safety	146,275	22.5%	127,155	20.7%	19,120	15.0%
Highways and streets	29,170	4.5%	26,741	4.4%	2,429	9.1%
Health	30,322	4.7%	24,029	3.9%	6,293	26.2%
Welfare	76,725	11.8%	84,238	13.7%	(7,513)	-8.9%
Culture and recreation	27,141	4.2%	25,214	4.1%	1,927	7.6%
Education and economic opportunity	32,146	5.0%	35,057	5.7%	(2,911)	-8.3%
Capital outlay	103,167	15.9%	97,147	15.9%	6,020	6.2%
Debt service:						
- Principal	49,025	7.5%	45,544	7.4%	3,481	7.6%
- Interest	14,851	2.3%	15,695	2.6%	(844)	-5.4%
- Miscellaneous	161	0.0%	24	0.0%	137	570.8%
Total expenditures	$ 649,302	100.0%	$ 613,260	100.0%	$36,042	5.9%

Total expenditures in governmental funds increased during fiscal year 2003-2004 by $36,042 (See related discussion on page 19).

Capital outlay increased by $6,020 this year and was due to the following factors:

- Expenditures for land and right of way/easements increased $23,389 and $2,064, respectively. The largest land purchases were $11,741 for Tucson Mountain Park Sweetwater (Open Space – Bonded) and $10,534 for Flood Prone Land Acquisition Program (due to Aspen Fire damage). The largest rights of way/easements expenditures were $1,291 for River Road: Campbell to Alvernon Way and $1,072 for La Cholla Boulevard: Omar Drive to Magee Road.

- Expenditures for buildings increased $831. The breakdown for this increase is $584 for the new jail and $247 for the new forensics science center under the Sheriff's department.

The $3,481 increase for debt service principal payments was due to the issuance and payment of the short-term 2004 General Obligation (GO) Bonds in the amount of $6,880. In addition, initial payments were made in the amount of $1,500 for the 2003 Series of Transportation Bonds.

Budget to Actual Comparison for the General Fund

Overall, budgeted revenues and expenditures for the General Fund were generally consistent with actual fund activity. Actual revenues exceeded budgeted revenues by $10,152 and actual expenditures were less than budgeted by $8,503. No variances between the budget to actual amounts were significant enough to affect the County's ability to provide future services.

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 Care System, Wastewater Management, 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
Summary Statement of Revenues, Expenses and Changes in Fund Net Assets
Total Enterprise Funds
For the Fiscal Years ended June 30, 2004 and 2003

	Fiscal Year		Variance	
	2003-2004	2002-2003	Amount	Percent
Operating revenues:				
Net patient services	$ 222,918	$ 195,872	$ 27,046	13.8%
Charges for services	67,704	61,223	6,481	10.6%
Other	3,209	29,346	(26,137)	-89.1%
State reimbursement of disproportionate share	-	(23,518)	23,518	-100.0%
Total net operating revenues	293,831	262,923	30,908	11.8%
Operating expenses:				
Employee compensation	70,673	90,824	(20,151)	-22.2%
Medical claims	183,816	127,235	56,581	44.5%
Operating supplies & services	12,663	13,864	(1,201)	-8.7%
Utilities	4,934	3,575	1,359	38.0%
Sludge and refuse disposal	2,462	2,242	220	9.8%
Repair and maintenance	3,591	6,801	(3,210)	-47.2%
Landfill closure and post-closure care costs	377	1,078	(701)	-65.0%
General and administrative	16,748	19,098	(2,350)	-12.3%
Consultants and professional services	29,703	17,551	12,152	69.2%
Depreciation and amortization	18,857	18,497	360	1.9%
Total operating expenses	343,824	300,765	43,059	14.3%
Operating loss	(49,993)	(37,842)	(12,151)	32.1%
Nonoperating revenues (expenses):				
Grants	4,777	4,909	(132)	-2.7%
Shared State tax revenue	1,146	959	187	19.5%
Interest income	747	1,727	(980)	-56.7%
Sewer connection fees	29,404	20,280	9,124	45.0%
Interest expense	(4,530)	(5,434)	904	-16.6%
Loss on disposal of capital assets	(109)	(338)	229	-67.8%
Amortization of deferred charges	(91)	(89)	(2)	2.2%
Premium Tax	(3,160)	-	(3,160)	n/a
Loss on closure of business	(139)	-	(139)	n/a
Total nonoperating revenues (expenses)	28,045	22,014	6,031	27.4%
Loss before extraordinary item, contributions and transfers	(21,948)	(15,828)	(6,120)	38.7%
Extraordinary Item: Loss on State Treasurer's Local Government Investment Pool	-	(2,673)	2,673	-100.0%
Capital contributions	22,697	15,521	7,176	46.2%
Transfers in	31,149	23,065	8,084	35.0%
Transfers (out)	(18,436)	(8,127)	(10,309)	126.8%
Change in net assets	$ 13,462	$ 11,958	$ 1,504	12.6%

Key activity within the enterprise funds for fiscal year 2003-2004 include the following:

- While net operating revenues for the County's enterprise funds increased $30,908 (11.8%), operating expenses also increased $43,059 (14.3%), resulting in an operating loss of $49,993, an increase of $12,151, or 32.1%. The increase in operating losses was due to increased health care service costs for PHCS.

- Net Patient Services revenues increased by $27,046 from fiscal year 2002-2003. This is attributable to increased membership enrollment for Pima Health System services, which generated increases in capitation revenues and reinsurance claim revenues.

- Other revenues decreased $26,137 primarily due to the closure of Kino Community Hospital. In fiscal year 2002-03, state laws required Pima Health Care System and its subfund, Kino Community Hospital, to return disproportionate share revenue received. The closure of Kino Community Hospital in fiscal year 2003-04, discontinued the receipt of disproportionate share revenues previously reported as other revenues.

- Employee compensation decreased as the result of the closing of Kino Hospital and the subsequent reassignment of hospital employees.

- Medical claims continued to increase this year as a result of the passage of Proposition 204 in the prior fiscal year, which expanded the eligibility for medical care within the Arizona Health Care Cost Containment System (AHCCCS), resulting in higher enrollment for Pima Health Care System. An increase in doctor fees is also responsible for a portion of the rise in medical claims expenditures.

- Consultants and professional services increased due to a rise in costs associated with ancillary and administrative services for Kino Hospital.

- Sewer connection fees charged by Wastewater Management increased by $9,124 due to increased connection fees.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital for its governmental and business-type activities as of June 30, 2004 amounted to $1,270,352 (net of accumulated depreciation), an increase of 10.9%. The County's investment in capital assets consists of land, buildings, sewage conveyance systems, infrastructure, equipment and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Land increased by $32,880 due mainly to open space acquisitions.

- A number of roads and flood control projects were completed and capitalized in fiscal year 2003-2004, increasing infrastructure by $61,956.

- Construction in Progress decreased by $19,365 since the number of projects completed was greater than the number of new projects initiated during the year.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Table 7
Capital Assets
Governmental and Business-type Activities

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2003-2004	2002-2003*	2003-2004	2002-2003	2003-2004	2002-2003*
Land	$ 160,586	$ 127,895	$ 13,054	$ 12,865	$ 173,640	$ 140,760
Buildings and improvements	228,160	203,344	140,560	147,183	368,720	350,527
Sewage conveyance systems	-	-	279,617	264,665	279,617	264,665
Machinery and equipment	34,668	32,894	8,569	9,507	43,237	42,401
Infrastructure	155,147	93,191	-	-	155,147	93,191
Construction in progress	97,570	133,185	152,421	136,171	249,991	269,356
Total	$ 676,131	$ 590,509	$ 594,221	$ 570,391	$ 1,270,352	$ 1,160,900

*As restated - See Note 2 of the financial statements

The County's infrastructure assets are recorded at historical cost in the government-wide financial statements. Additional information regarding the County's capital assets can be found in Note 5 of the financial statements on pages 53 –56 of this report.

Long-term Debt

Significant, comparative long-term debt data is presented below:

Table 8
Long-Term Debt
Governmental Funds

	Fiscal Year	
	2003-2004	2002-2003
Bonds issued (at face value):		
General obligation refunding	$ -	$ -
General obligation	65,000	50,000
Transportation revenue	-	35,000
Flood control district refunding	-	-
Special assessment with government commitment	-	-
Sewer revenue refunding	-	-
Capital leases	2,680	177
Loan proceeds	-	-
Total	$ 67,680	$ 85,177

General obligation bonds issued in FY 2003-2004 amounted to $65,000; the proceeds of this issue were allocated as follows:

- $14,749 to Sonoran Desert Open Space and Habitat Protection,
- $28,542 to Parks and Recreational Facilities,
- $2,652 to River Parks and Flood Control Improvements,
- $3,733 to Public Safety and Justice Facilities,
- $14,561 to Public Health and Community Facilities,
- $763 to improve solid waste disposal facilities.

The $2,680 reported for capital leases represents the 2003 refinance of jail facilities being leased back by the County.

Pima County maintains an "A+" rating from Standard & Poor's and an "A1" rating from Moody's for general obligation bonds, street and highway revenue bonds, sewer revenue bonds, and flood control general obligation bonds, except for the General Obligation Bonds, Series 2004 which Standard & Poor's upgraded to AA-.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total asset valuation. The current debt limitation for Pima County is $783,191, which is significantly in excess of Pima County's outstanding general obligation debt.

Refunding of 1979 bonds

Pima County was advised that $925 of bonds were not called as planned in 2002 and again in 2003. The Pima County Treasurer was named as paying agent for these bonds. We have evaluated the possibility of noncompliance with regard to this matter and have concluded that the funds received from the irrevocable trust for use in calling the bonds met the requirements for a sinking fund as defined by the bond covenants. On November 1, 2004, a redemption notice was issued to call the $1,850 of bonds outstanding.

Additional information regarding the County's debt can be found in Note 7 of the financial statements on pages 58-72 of this report.

Economic Factors and Next Year's Budget

Pima County continues to record steady increases in various aspects of its economy. Increases in residential construction continue to contribute to increases in the real property taxes, along with increases in valuation. Increases in per-capita wage income and sales taxes have also provided indications of economic growth.

The budget for fiscal year 2004/05 has expenditures for the General Fund increasing by approximately $40 million for the following reasons:

- $25 million in expenditures for Kino Community Hospital. Prior to fiscal year 2004/05, operating transfers were used to subsidize this division of Pima Health Care System.
- $5 million attributable to a 5% increase in employee salaries
- $5 million for increased operating costs associated with the Adult Detention Facility

- $3 million of funds were set aside to cover the salaries of former Kino Community Hospital employees as they transition to other jobs throughout the County.
- approximately $2 million for other miscellaneous adjustments related to the Presidential election, increases in operations and maintenance costs, etc.

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 Department, 130 W. Congress, 7th Floor, Tucson, AZ, 85701.

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PIMA COUNTY
STATEMENT OF NET ASSETS

Exhibit A-1

As of June 30, 2004
(in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 64,804	$ 41,928	$ 106,732	$ 5,543
Property taxes receivable (net)	8,739		8,739	
Interest receivable	377	52	429	
Internal balances	6,330	(6,330)		
Due from other governments	47,769	4,566	52,335	
Accounts receivable (net)	6,244	11,653	17,897	1,835
Inventories	2,277	2,793	5,070	315
Prepaids	6,571	112	6,683	200
Other assets	372	945	1,317	3,319
Restricted assets:				
Cash and cash equivalents	166,637	9,626	176,263	6,517
Investments				1,275
Regulatory asset				7,421
Loans receivable	2,073		2,073	
Capital assets (net):				
Land	160,586	13,054	173,640	995
Water supply and recharge rights				1,200
Buildings and improvements	228,160	140,560	368,720	3,378
Sewage conveyance system		279,617	279,617	
Equipment	34,668	8,569	43,237	1,086
Infrastructure	155,147		155,147	43,608
Construction in progress	97,570	152,421	249,991	5,767
Total assets	988,324	659,566	1,647,890	82,459
LIABILITIES				
Accounts payable	34,395	27,925	62,320	2,362
Interest payable	196	71	267	519
Contract retentions	371		371	
Employee compensation	34,785	7,233	42,018	
Due to other governments	12,996	107	13,103	
Deposits and rebates	3,321		3,321	212
Deferred revenues	2,715	3,730	6,445	
Noncurrent liabilities:				
Due within one year	48,232	9,656	57,888	2,497
Due in more than one year	343,362	156,154	499,516	56,843
Total liabilities	480,373	204,876	685,249	62,433
NET ASSETS				
Invested in capital assets, net of related debt	391,514	451,162	842,676	1,897
Restricted for:				
Special revenue	52,363		52,363	
Debt service	5,686	499	6,185	3,339
Capital projects	17,368	88	17,456	581
Wastewater management		3,696	3,696	
Health care		4,011	4,011	
Unrestricted (deficit)	41,020	(4,766)	36,254	14,209
Total net assets	$ 507,951	$ 454,690	$ 962,641	$ 20,026

See Notes to the Financial Statements

PIMA COUNTY
STATEMENT OF ACTIVITIES

Exhibit A-2

For the Year Ended June 30, 2004
(in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Primary government:								
Governmental activities:								
General government	$ 140,827	$ 21,422	$ 12,412	$ 165	$ (106,828)		$ (106,828)	
Public safety	151,860	10,289	34,299	242	(107,030)		(107,030)	
Highways and streets	42,133	11,728	51,367	16,648	37,610		37,610	
Health	30,165	8,772	11,779		(9,614)		(9,614)	
Welfare	76,894	918	534		(75,442)		(75,442)	
Culture and recreation	32,727	1,709	267	306	(30,445)		(30,445)	
Education and economic opportunity	33,093	101	24,461	52	(8,479)		(8,479)	
Depreciation - unallocated	805				(805)		(805)	
Amortization - unallocated	967				(967)		(967)	
Interest on long-term debt	15,012				(15,012)		(15,012)	
Total governmental activities	524,483	54,939	135,119	17,413	(317,012)		(317,012)	
Business-type activities:								
Wastewater Management	71,804	82,432	379			$ 11,007	$ 11,007	
Pima Health Care System	268,869	224,820	4,398			(39,651)	(39,651)	
Development Services	9,617	11,830				2,213	2,213	
Parking Garages	1,377	1,460				83	83	
Total business-type activities	351,667	320,542	4,777			(26,348)	(26,348)	
Total primary government	$ 876,150	$ 375,481	$ 139,896	$ 17,413	(317,012)	(26,348)	(343,360)	
Component units:								
Metropolitan Domestic Water Imp. District	$ 10,107	$ 10,983						$ 876
Marana Domestic Water Improvement District	461	503	$ 812					854
Southwestern Fair Commission	4,747	4,666	88					7
Green Valley Domestic Water Imp. District	885	1,027						142
Total component units	$ 16,200	$ 17,179	$ 900					$ 1,879
General revenues:								
Property taxes, levied for general purposes					203,013		203,013	
Property taxes, levied for flood control district					15,945		15,945	
Property taxes, levied for library district					11,012		11,012	
Property taxes, levied for debt service					42,537		42,537	
Hotel/motel taxes, levied for sports facility and tourism					2,745		2,745	
Other taxes, levied for stadium district					1,709		1,709	
Unrestricted share of state sales tax					83,202	1,146	84,348	
Unrestricted share of state vehicle license tax					23,413		23,413	
Grants and contributions not restricted to specific programs					3,201		3,201	
Interest and penalties on delinquent taxes					6,321		6,321	
Investment earnings					3,102	747	3,849	194
Miscellaneous					14,063	2,750	16,813	352
Capital contributions					5,441	22,214	27,655	784
Transfers					(13,196)	13,196		
Total general revenues and transfers					402,508	40,053	442,561	1,330
Change in net assets					85,496	13,705	99,201	3,209
Net assets at beginning of year, as restated					422,455	440,985	863,440	16,817
Net assets at end of year					$ 507,951	$ 454,690	$ 962,641	$ 20,026

See Notes to the Financial Statements

PIMA COUNTY

Exhibit A-3

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004
(in thousands)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 22,368	$ 99,872	$ 63,592	$ 185,832
Investments		3		3
Property taxes receivable (net of allowances for uncollectables)	6,516		2,223	8,739
Interest receivable	63	86	134	283
Interfund receivable	97			97
Due from other funds	12,930	2,020	1,544	16,494
Due from other governments	21,844	4,263	21,583	47,690
Accounts receivable	4,477	388	1,185	6,050
Inventory			1,954	1,954
Prepaid expenditures	4,995	2	587	5,584
Loan receivable	2,073			2,073
Restricted cash equivalent		3,170		3,170
Total assets	$ 75,363	$ 109,804	$ 92,802	$ 277,969
Liabilities and fund balances				
Liabilities:				
Accounts payable	$ 14,680	$ 8,537	$ 9,026	$ 32,243
Interest payable	7	4	185	196
Contract retentions		339	32	371
Employee compensation	10,978	50	4,072	15,100
Due to other funds	2,868	397	6,763	10,028
Due to other governments	302		12,694	12,996
Deposits and rebates	137	3,170	14	3,321
Deferred revenues	13,695	35	7,090	20,820
Total liabilities	42,667	12,532	39,876	95,075
Fund balances:				
Reserved for:				
Inventory			1,954	1,954
Prepaid expenditures	4,995	2	587	5,584
Debt service			4,202	4,202
Capital repairs and refurbishments			75	75
Loan receivable	2,073			2,073
Specified programs			783	783
Unreserved:				
Designated for debt payment			1,879	1,879
Undesignated	25,628	97,270	43,446	166,344
Total fund balances	32,696	97,272	52,926	182,894
Total liabilities and fund balances	$ 75,363	$ 109,804	$ 92,802	$ 277,969

See Notes to the Financial Statements

Exhibit A-4

PIMA COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004
(in thousands)

Fund balances - total governmental funds		$ 182,894
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	$ 794,211	
Less accumulated depreciation	(134,856)	659,355
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	(333,555)	
Loans and leases payable	(32,343)	
Unamortized deferred issuance costs reported as other assets	372	(365,526)
Some compensated absences are not due and payable shortly after June 30, 2004, and therefore are not reported in the governmental funds		
Employee compensation		(18,950)
Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements		18,105
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		32,073
Net assets of governmental activities		$ 507,951

See Notes to the Financial Statements

PIMA COUNTY

Exhibit A-5

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004
(in thousands)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 209,672		$ 69,855	$ 279,527
Special assessments			505	505
Licenses and permits	2,166		4,400	6,566
Intergovernmental	120,058	$ 16,855	136,312	273,225
Charges for services	24,133	9,537	9,835	43,505
Fines and forfeits	4,023		987	5,010
Interest	530	997	1,129	2,656
Miscellaneous	2,132	1,642	8,144	11,918
Total revenues	362,714	29,031	231,167	622,912
Expenditures:				
Current:				
General government	120,755		19,564	140,319
Public safety	100,650		45,625	146,275
Highways and streets			29,170	29,170
Health	2,898		27,424	30,322
Welfare	76,619		106	76,725
Culture and recreation	14,448		12,693	27,141
Education and economic opportunity	5,578		26,568	32,146
Capital outlay		103,167		103,167
Debt service - principal	1,610		47,415	49,025
- interest	1,030		13,821	14,851
- miscellaneous	3		158	161
Total expenditures	323,591	103,167	222,544	649,302
Excess (deficiency) of revenues over (under) expenditures	39,123	(74,136)	8,623	(26,390)
Other financing sources (uses):				
Premium on bonds			148	148
Proceeds from sale of capital assets	2		404	406
Proceeds - refunding debt			6,880	6,880
Payments to escrow agent			(6,846)	(6,846)
Face amount of long-term debt		65,000		65,000
Transfers in	11,762	25,035	31,786	68,583
Transfers (out)	(51,739)	(1,461)	(36,716)	(89,916)
Total other financing sources (uses)	(39,975)	88,574	(4,344)	44,255
Net change in fund balances	(852)	14,438	4,279	17,865
Fund balance at beginning of year	33,548	82,834	49,013	165,395
Change in reserve for inventory			(379)	(379)
Change in reserve for prepaids			13	13
Fund balance at end of year	$ 32,696	$ 97,272	$ 52,926	$ 182,894

See Notes to the Financial Statements

Exhibit A-6

PIMA COUNTY
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, 2004
(in thousands)

Net change in fund balances - total governmental funds		$ 17,865
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	$ 93,695	
Less current year depreciation	(20,197)	$ 73,498
Transfers of capital assets between governmental activities and proprietary funds are not reported in the governmental funds but are recognized in the statement of activities		
Enterprise funds	$ 8,278	
Internal service funds	107	$ 8,385
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on 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		
Face amount of long-term debt	$ (65,000)	
Debt service - principal payments	49,025	
Proceeds on refunding bonds	(6,880)	
Payments to escrow agent	6,846	
Premium on bonds	(148)	
Amortization expense	(967)	$ (17,124)
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. Also, collections of property taxes in the governmental funds exceeded revenues reported in the statement of activities		
Donations of capital assets	$ 5,441	
Property tax revenues	(1,499)	
Other	2,066	$ 6,008
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	(1,204)	
Loss on disposal of capital assets	(1,740)	
Change in reservation of fund balances	(366)	$ (3,310)
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net revenue of the internal service funds is reported with governmental activities		174
Change in net assets of governmental activities		$ 85,496

See Notes to the Financial Statements

PIMA COUNTY

Exhibit A-7

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004
(in thousands)

	Business-type Activities Enterprise Funds				Governmental Activities-Internal Service Funds
	Pima Health Care System	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	
Assets					
Current assets:					
Cash and cash equivalents	$ 23,655	$ 5,777	$ 12,496	$ 41,928	$ 42,436
Interest receivable	29	12	11	52	94
Due from other funds		81	93	174	16
Due from other governments	4,110	439	17	4,566	79
Accounts receivable	5,130	6,511	12	11,653	194
Inventory	97	2,696		2,793	323
Prepaid expense		92	20	112	987
Total current assets	33,021	15,608	12,649	61,278	44,129
Noncurrent assets:					
Restricted:					
Cash and cash equivalents		9,626		9,626	
Total restricted assets		9,626		9,626	
Capital assets:					
Land and other improvements		12,397	657	13,054	592
Buildings and improvements	1,116	225,007	12,927	239,050	462
Sewage conveyance system		423,337		423,337	
Equipment	1,282	18,721	1,089	21,092	27,863
Less accumulated depreciation	(1,184)	(246,111)	(7,438)	(254,733)	(12,141)
Construction in progress		152,421		152,421	
Total capital assets (net of accumulated depreciation)	1,214	585,772	7,235	594,221	16,776
Deferred financing costs		945		945	
Total noncurrent assets	1,214	596,343	7,235	604,792	16,776
Total assets	34,235	611,951	19,884	666,070	60,905
Liabilities					
Current liabilities:					
Accounts payable	22,295	5,287	343	27,925	2,152
Employee compensation	2,922	3,398	913	7,233	735
Interest payable	2	69		71	
Interfund payable	97			97	
Due to other funds	6,145	125	350	6,620	36
Due to other governments			107	107	
Deferred revenues	2	3,728		3,730	
Current portion of sewer revenue bonds		4,705		4,705	
Current portion of wastewater loans payable		4,951		4,951	
Current portion reported but unpaid losses					2,441
Current portion incurred but not reported losses					3,268
Total current liabilities	31,463	22,263	1,713	55,439	8,632
Noncurrent liabilities:					
Contracts and notes		5,783		5,783	
Landfill closure payable		16,022		16,022	
Sewer revenue bonds		55,359		55,359	
Wastewater loans payable		78,990		78,990	
Reported but unpaid losses					8,402
Incurred but not reported losses					11,585
Total noncurrent liabilities		156,154		156,154	19,987
Total liabilities	31,463	178,417	1,713	211,593	28,619
Net assets					
Invested in capital assets, net of related debt	1,214	442,713	7,235	451,162	16,776
Restricted for:					
Debt service		499		499	
Capital projects		88		88	
Wastewater management		3,696		3,696	
Health care	4,011			4,011	
Unrestricted	(2,453)	(13,462)	10,936	(4,979)	15,510
Total net assets	$ 2,772	$ 433,534	$ 18,171	454,477	$ 32,286

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.	213
Net assets of business-type activities	$ 454,690

See Notes to the Financial Statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2004 (in thousands)	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Pima Health Care System	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	
Operating revenues:					
Net patient services	$ 222,918			$ 222,918	
Charges for services	1,902	$ 52,512	$ 13,290	67,704	$ 30,323
Other	1,670	1,376	163	3,209	1,486
Total net operating revenues	226,490	53,888	13,453	293,831	31,809
Operating expenses:					
Employee compensation	35,880	27,554	7,239	70,673	6,010
Medical claims	183,816			183,816	
Operating supplies and services	6,801	4,866	996	12,663	3,530
Utilities	1,582	3,069	283	4,934	
Sludge and refuse disposal		2,462		2,462	
Repair and maintenance	1,328	1,981	282	3,591	3,007
Landfill closure and postclosure care costs		377		377	
Incurred losses					7,468
Insurance premiums					5,374
General and administrative	8,656	6,779	1,313	16,748	2,883
Consultants and professional services	26,147	3,100	456	29,703	706
Depreciation and amortization	1,233	17,184	440	18,857	1,935
Total operating expenses	265,443	67,372	11,009	343,824	30,913
Operating income (loss)	(38,953)	(13,484)	2,444	(49,993)	896
Nonoperating revenues (expenses):					
Grants	4,398	379		4,777	
Shared state tax revenue		1,146		1,146	
Interest income	369	253	125	747	547
Sewer connection fees		29,404		29,404	
Interest expense	(74)	(4,456)		(4,530)	
Gain/(loss) on disposal of capital assets	(165)	57	(1)	(109)	(778)
Amortization of deferred charges		(91)		(91)	
Premium tax	(3,160)			(3,160)	
Loss on closure of business activity	(139)			(139)	
Total nonoperating revenues (expenses)	1,229	26,692	124	28,045	(231)
Income (loss) before contributions and transfers	(37,724)	13,208	2,568	(21,948)	665
Capital contributions	19	22,678		22,697	6
Transfers in	31,100	49		31,149	389
Transfers (out)	(17,104)	(1,029)	(303)	(18,436)	(643)
Change in net assets	(23,709)	34,906	2,265	13,462	417
Net assets at beginning of year	26,481	398,628	15,906	441,015	31,869
Net assets at end of year	$ 2,772	$ 433,534	$ 18,171	454,477	$ 32,286

Some amounts reported for business-type activities in the statement of activities are different because a portion of the net revenue of certain internal service funds is reported with business-type activities.	243
Change in net assets of business-type activities	$ 13,705

See Notes to the Financial Statements

PIMA COUNTY

Exhibit A-9

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2004
(in thousands)

	Pima Health Care System	Wastewater Management	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	$ 3,064		$ 503	$ 3,567	$ 30,323
Cash received from customers for goods and services provided	212,190	$ 52,885	13,274	278,349	
Cash received from miscellaneous operations	1,670	1,201	184	3,055	1,298
Cash payments to suppliers for goods and services	(192,506)	(13,535)	(1,580)	(207,621)	(13,464)
Cash payments to other funds for goods and services	(3,789)	(8,791)	(2,818)	(15,398)	(2,189)
Cash payments for incurred losses					(7,726)
Cash payments to employees for services	(51,980)	(27,303)	(6,492)	(85,775)	(5,938)
Net cash provided by (used for) operating activities	(31,351)	4,457	3,071	(23,823)	2,304
Cash flows from noncapital financing activities:					
Interest paid on short-term credit	(74)			(74)	
Interest received from Medicare	30			30	
Cash transfers in from other funds	28,000	49		28,049	389
Cash transfers out from other funds	(115)	(5)	(14)	(134)	(66)
Loan payments from other funds	2,837		104	2,941	30
Loan payments to other funds		(10,934)		(10,934)	(16)
Shared State tax revenues		1,146		1,146	
Premium Tax	(3,160)			(3,160)	
Grant revenues	4,768	379		5,147	
Net cash provided by (used for) noncapital financing activities	32,286	(9,365)	90	23,011	337
Cash flows from capital and related financing activities:					
Proceeds of loans		24,873		24,873	
Principal paid on bonds and loans		(7,980)		(7,980)	
Interest paid on bonds and loans		(4,124)		(4,124)	
Sewer connection fees		29,342		29,342	
Proceeds from sale of capital assets	15	20		35	238
Proceeds from intergovernmental contract		2,443		2,443	
Purchase of capital assets from other funds		(1,024)		(1,024)	
Purchase of capital assets	(1,389)	(32,375)	(162)	(33,926)	(3,560)
Net cash provided by (used for) capital and related financing activities	(1,374)	11,175	(162)	9,639	(3,322)
Cash flows from investing activities:					
Interest received on cash and investments	346	268	134	748	568
Net cash provided by investing activities	346	268	134	748	568
Net increase (decrease) in cash and cash equivalents	(93)	6,535	3,133	9,575	(113)
Cash and cash equivalents at beginning of year	23,748	8,868	9,363	41,979	42,549
Cash and cash equivalents at end of year	$ 23,655	$ 15,403	$ 12,496	$ 51,554	$ 42,436

(Continued)

See Notes to the Financial Statements

PIMA COUNTY

Exhibit A-9.1

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2004
(in thousands)
(Continued)

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	Pima Health Care System	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Operating income (loss)	$ (38,953)	$ (13,484)	$ 2,444	$ (49,993)	$ 896
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,233	17,184	440	18,857	1,935
Provision for doubtful accounts	4,051			4,051	
Landfill closure and postclosure care costs		377		377	
Decrease (increase) in accounts receivable	(1,864)	349	22	(1,493)	(182)
Increase in interfund receivables	(188)			(188)	
Decrease (increase) in due from other governments		(152)	(17)	(169)	(6)
Decrease (increase) in inventory and other assets	(372)	(48)	(4)	(424)	6
Increase (decrease) in accounts payable	12,580	(20)	76	12,636	(50)
Increase (decrease) in interfund payables	(321)			(321)	(113)
Increase (decrease) in due to other funds			58	58	
Increase (decrease) in due to other governments	(5,625)		(45)	(5,670)	
Decrease in reported but unpaid losses					(2,184)
Increase in incurred but not reported losses					1,926
Increase (decrease) in other current liabilities	(1,892)	251	97	(1,544)	76
Net cash provided by (used) for operating activities	$ (31,351)	$ 4,457	$ 3,071	$ (23,823)	$ 2,304

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2004:

Wastewater Management Enterprise Fund retired assets with a net book value of $4.

Wastewater Management Enterprise Fund received contributed developer-built conveyance systems with estimated fair values totaling $22,214. These contributions were recorded as an increase in capital assets and capital contributions (a non-cash transaction).

Wastewater Management Enterprise Fund performed a physical inventory of capital assets during the year and increased the net book value of capital assets by $41.

Wastewater Management Enterprise Fund issued $25,770 of Sewer Revenue Refunding Bonds, Series 2004, at a premium of $1,258 to refund sewer revenue bonds issued in 1994. Bond issuance costs totaling $424 were deducted from the refunding bond proceeds and $26,604 was deposited immediately to refund $25,520 of 1994a sewer revenue bonds.

Pima Health Care System had unpaid transfers totaling $1,600 at year end.

Pima Health Care System disposed of assets with a net book value of $180.

Pima Health Care System sold assets to University Physicians, Inc. at a loss of $139.

Pima Health Care System transferred assets to the County's general government with a net book value of $13,489.

Pima Health Care System received capital assets with a net book value of $19 from the County's general capital assets.

Other Enterprise Funds disposed of capital assets with a net book value of $1.

Other Enterprise Funds had unpaid transfers totaling $290 at year-end.

Other Enterprise Funds transferred $7 of completely depreciated capital assets to the County's general capital assets.

Internal Service Funds transferred capital assets with a net book value of $464 to the Wastewater Management Enterprise Fund.

Internal Service Funds transferred $113 of capital assets to the County's general capital assets.

Internal Service Funds disposed of assets with a net book value of $1,016.

Internal Service Funds received a capital asset with a value of $6 from the County's general capital assets.

See Notes to the Financial Statements

PIMA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2004
(in thousands)

Exhibit A-10

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ 135,883	$ 36,578
Interest receivable	252	
Due from other governments		3,101
Total assets	136,135	39,679
LIABILITIES		
Employee compensation		73
Due to other governments		16,200
Deposits and rebates		23,406
Total liabilities		$ 39,679
NET ASSETS		
Held in trust for pool participants	$ 136,135	

See Notes to the Financial Statements

PIMA COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2004
(in thousands)

Exhibit A-11

	Investment Trust Funds
ADDITIONS	
Contributions from participants	$ 1,889,746
Total contributions	1,889,746
Investment interest earnings	1,927
Total investment earnings	1,927
Total additions	1,891,673
DEDUCTIONS	
Distributions to participants	1,878,715
Total deductions	1,878,715
Change in net assets	12,958
Net assets held in trust July 1, 2003	123,177
Net assets held in trust June 30, 2004	$ 136,135

See Notes to the Financial Statements

PIMA COUNTY
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2004
(in thousands)

Exhibit A-12

	Metropolitan Domestic Water Improvement District	Marana Domestic Water Improvement District	Southwestern Fair Commission	Green Valley Domestic Water Improvement District	Total
ASSETS					
Cash and cash equivalents	$ 3,920	$ 243	$ 1,010	$ 370	$ 5,543
Accounts receivable (net)	1,610	54	32	139	1,835
Inventories	273	3	39		315
Prepaids	178		20	2	200
Other assets	1,455	13	7	1,844	3,319
Restricted assets:					
Cash and cash equivalents	5,506	24		987	6,517
Investments	1,275				1,275
Regulatory asset	7,421				7,421
Capital assets (net):					
Land	950	28		17	995
Water supply and recharge rights				1,200	1,200
Buildings and improvements	1,703	73	1,474	128	3,378
Machinery and equipment	496	77	237	276	1,086
Water system	36,669	1,987		4,952	43,608
Construction in progress	5,767				5,767
Total assets	67,223	2,502	2,819	9,915	82,459
LIABILITIES					
Accounts payable	1,802	12	206	342	2,362
Interest payable	519				519
Deposits and rebates	176	18	10	8	212
Noncurrent liabilities:					
Due within one year:					
Contracts and notes	129	26	104	6	265
Revenue bonds	2,065	7		160	2,232
Due in more than one year:					
Contracts and notes	1,673	1,084	430	17	3,204
Revenue bonds	44,111	383		9,145	53,639
Total liabilities	50,475	1,530	750	9,678	62,433
NET ASSETS					
Invested in capital assets, net of related debt	2,161	678	1,177	(2,119)	1,897
Restricted for:					
Debt service	2,328	24		987	3,339
Capital projects	536		45		581
Unrestricted	11,723	270	847	1,369	14,209
Total net assets	$ 16,748	$ 972	$ 2,069	$ 237	$ 20,026

See Notes to the Financial Statements

PIMA COUNTY
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended June 30, 2004
(in thousands)

Exhibit A-13

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	MDWID	MARANA	SFC	GVDWID	Total
Metropolitan Domestic Water Improvement District (MDWID)								
Operations	$ 10,107	$ 10,983		$ 876				$ 876
Total MDWID	10,107	10,983		876				876
Marana Domestic Water Improvement District (MARANA)								
Operations	461	503	$ 812		$ 854			854
Total MARANA	461	503	812		854			854
Southwestern Fair Commission (SFC)								
Operations	4,747	4,666	88			$ 7		7
Total SFC	4,747	4,666	88			7		7
Green Valley Domestic Water Improvement District (GVDWID)								
Operations	885	1,027					$ 142	142
Total GVDWID	885	1,027					142	142
Total component units	$ 16,200	$ 17,179	$ 900	876	854	7	142	1,879
General revenues:								
Investment earnings				191			3	194
Miscellaneous				219		133		352
Capital contributions				692			92	784
Total general revenues				1,102		133	95	1,330
Change in net assets				1,978	854	140	237	3,209
Net assets at beginning of year, as restated				14,770	118	1,929		16,817
Net assets at end of year				$ 16,748	$ 972	$ 2,069	$ 237	$ 20,026

See Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Pima County conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

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 is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined 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, except for the Green Valley Domestic Water Improvement District, which has a December 31 year-end.

The Municipal Property Corporation (MPC) is a nonprofit corporation created by the Pima County Board of Supervisors to assist in the development of the County, among other things, by acquiring, constructing and improving any facilities, including real property and improvements and personal property, entirely for use by the County. The MPC undertook its first bond issue in October, 1992. The MPC is governed by a five-member board elected by the Pima County Board of Supervisors to one-year terms. The MPC is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the MPC are not available.

The Pima County Stadium District, a legally separate entity, was formed to promote and establish major league baseball spring training in Pima County. The Board of Directors of the District comprises the same individuals who constitute the Pima County Board of Supervisors. 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 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 Finance Department 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 Board of Directors is the Pima County Board of Supervisors. The Library District and the City of Tucson have had intergovernmental agreements to provide library services since 1986. 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 Flood Control District was established June 5, 1978, and became operational on July 1, 1978. To comply with federal law, the State of Arizona enacted the Floodplain Management Act of 1973. This act authorized the counties in Arizona to adopt rules and regulations concerning the management of floodplain areas. The State of Arizona subsequently authorized flood control districts to levy taxes on real property to finance district-operating expenses. The District is responsible for floodplain management activities for the unincorporated areas of Pima County (except national forests, parks, monuments and Indian 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 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 Metropolitan Domestic Water Improvement District (MDWID) of Pima County, a legally separate entity, was formed by the Pima County Board of Supervisors on July 7, 1992. The initial Board of Directors of the District was comprised of five members appointed by the Pima County Board of Supervisors to varying terms. In November 1994, three members were elected to four-year terms. The Board of Directors of the District has all the powers and duties of the Board of Supervisors of Pima County sitting as the board of directors of a county improvement district that are not in conflict with the provisions of the law. The Pima County Board of Supervisors may review all financial transactions of the Board of Directors of the District. Additionally, the Pima County Board of Supervisors may revoke at any time the authority of the Board of Directors of the District in order to protect the residents of the District. If this should occur, the Pima County Board of Supervisors would govern the District. Based on these factors, and because the District does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, the District is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements of the District can be obtained from its administrative offices located at 6265 North La Canada Drive, Tucson, Arizona 85704.

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 the District 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 Finance Department located at 130 West Congress Street, Tucson, Arizona 85701.

The Marana Domestic Water Improvement District (MARANA) of Pima County is a municipal corporation organized in 1997 under the laws of Arizona. It is a public service corporation authorized to engage in the sale of water for commercial and domestic use. The Board of Directors of the District are appointed by the Pima County Board of Supervisors. The Board of Directors of the District has all the powers and duties of the Board of Supervisors of Pima County, as the board of directors of a County improvement district that are not in conflict with the provisions of the law. The Pima County Board of Supervisors may review and shall have veto authorization over all financial transactions of the Board of Directors of the District. Additionally, the Pima County Board of Supervisors may revoke at any time the authority of the Board of Directors of the District in order to protect the residents of the District. If this should occur, the Pima County Board of Supervisors would govern the District. Based on these factors, and because the District does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, the District is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements of the District can be obtained from its administrative offices located at 16560 W. El Tiro Road, P.O. Box 518, Marana, Arizona 85653-0518.

The Green Valley Domestic Water Improvement District (GVDWID) of Pima County, a legally separate entity, was formed on December 17, 2002, by the Pima County Board of Supervisors. It was formed for the purpose of purchasing a water system and operating the water system, with operations commencing on May 21, 2003. The initial nine members of the Board of Directors were appointed by the Pima County Board of Supervisors with five having four-year terms and four having two-year terms. The residents of the District will elect the succeeding Board of Directors, who will all have four-year terms. The Pima County Board of Supervisors may review all financial transactions of the Board of Directors of the District. Additionally, the Pima County Board of Supervisors may revoke at any time the authority of the Board of Directors of the District in order to protect the residents of the District. Based on these factors, and because the District does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, the District is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements of the District can be obtained from its administrative offices located at 3290 S. Camino Del Sol, Green Valley, Arizona 85614.

B. 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 (Pima County) 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 units. 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:

- 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 nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary funds are financed mainly by fees and charges to users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating 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 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 Care System – provides health care services through Kino Hospital, Pima Health System, and Posada del Sol 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. Kino Hospital ceased operations on June 15, 2004 and no financial activity will be reported in future years (see Note 15 to the Financial Statements).

Wastewater Management Fund – accounts for the management and operation of wastewater treatment, water pollution control programs, and solid waste management throughout the County.

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, graphics services, and communications 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.

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 or have a measurement focus.

C. Basis of Accounting

The government-wide, proprietary funds and fiduciary funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. 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, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 30 days after year-end. 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.

D. Cash and Investments

For purposes of its statement of cash flows, the County considers only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents. All other 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.

E. Inventories

Inventories of the governmental funds 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.

Inventories of Pima Health Care System, an enterprise fund, are valued at the lower of cost or market, cost being determined on the first-in, first-out method.

Inventories of Wastewater Management, 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 the lower of cost or market, cost being determined using the moving average method.

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.

Excluding component units, capitalization thresholds, depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Buildings and building improvements	All	Straight Line	7 to 40 Years
Equipment	$ 5	Straight Line	4 to 25 Years
Fleet service vehicles	$ 5	Units of Production Based on number of hours or miles	5 to 15 Years
Infrastructure	$100	Straight Line	20 to 50 Years
Land improvements	All	Straight Line	20 to 25 Years
Wastewater sewer conveyance	$ 20	Straight Line	20 to 50 Years
Wastewater treatment facilities, transfer stations and other property and equipment	$ 20	Straight Line	50 Years

H. Investment Income

Investment income is 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.

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 an unlimited number of sick leave 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 an estimate is made for non-vested sick leave. 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 to be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts are accrued.

NOTE 2: NET ASSET BEGINNING BALANCES RESTATED

The beginning governmental activities net asset balance was restated to correct errors in reporting capital assets acquired in prior years.

		Governmental Activities
Net assets, June 30, 2003, as previously reported	$	406,079
Correction of error		16,376
Net assets, July 1, 2003, as restated	$	422,455

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; and bonds of the State of Arizona or any of its counties, cities, towns, school districts as specified by statute. State statutes also require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by Federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, and obligations of the various states and their municipalities, school districts and special districts. At least monthly, the Treasurer's Office determines that the collateral is adequate to cover the deposits by calculating the lower amount of par or fair value of individual securities pledged as collateral.

Most cash, including amounts held in trust and agency capacity for other entities, is deposited with the County Treasurer who invests the pooled balances on a short-term basis. Interest received is allocated monthly, on the basis of average daily cash balances, to separate districts and to various County funds. The County Treasurer also maintains discrete deposit and investment accounts for various funds and other entities. Deposits and investments are displayed on the financial statements as cash and cash equivalents, investments, and restricted cash and cash equivalents.

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.

Deposits—At June 30, 2004, the investment pool had cash on hand of $4. The carrying amount of the pool's total cash in bank was $8,925 and the bank balance was $21,051. Of the bank balance, $100 was covered by federal depository insurance and $20,951 was covered by collateral held by the pledging financial institution's agent in the County's name.

Investments—At June 30, 2004, the County Treasurer's Investment Pool's investments consisted of $280,705 invested in the State Treasurer's Investment Pool. The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and

advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments, are not subject to custodial credit risk, and have no stated interest rate or maturity date.

A condensed statement of the investment pool's net assets and changes in net assets follows:

Statement of Net Assets	
Net assets held in trust for:	
Internal participants	$ 169,557
External participants	120,210
Total liabilities	0
Total net assets held in trust	$ 289,767
Statement of Changes in Net Assets	
Total additions	$ 4,955,812
Total deductions	(4,918,817)
Net increase	36,995
Net assets held in trust:	
July 1, 2003	252,772
June 30, 2004	$ 289,767

Other Cash and Investments—At June 30, 2004, the total nonpooled cash on hand was $74. The carrying amount of the total nonpooled cash in bank was $22,191, and the bank balance was $22,964. Of the bank balance, $17,012 was covered by federal depository insurance; $4,675 was covered by collateral held by the pledging financial institution's agent in the County's name; and $1,277 was uninsured and uncollateralized.

Deposits held in escrow total $5,215. They are not reflected in a risk category.

The County's nonpooled investments are categorized below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered in the County's name or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name. The County's investment in the State Treasurer's Investment Pool represents shares of the pool's portfolio. Those shares are not identified with specific investments and are not subject to custodial credit risk.

Investment Type	Category 1	Category 2	Category 3	Reported Amount	Fair Value
U.S. Government Issues	$ 0	$ 0	$ 1,460	$ 1,460	$ 1,460
State Treasurer's Investment Pool				136,882	136,882
Total				$ 138,342	$ 138,342

A reconciliation of financial statement amounts to amounts disclosed within this footnote is as follows:

Basic Financial Statements:	
Government-Wide Statement of Net Assets:	
Cash and cash equivalents	$ 106,732
Restricted assets:	
Cash and cash equivalents	173,090
Investments	3,173
Statement of Fiduciary Net Assets:	
Investment Trust Funds	135,883
Agency Funds	36,578
Total	$ 455,456

Note 3	
Cash in bank and on hand	$ 31,194
Deposits held in escrow	5,215
County Treasurer's Investment Pool	280,705
Other investments	138,342
Total	$ 455,456

DISCRETELY PRESENTED COMPONENT UNITS

Metropolitan Domestic Water Improvement District (MDWID) — At June 30, 2004, MDWID's cash deposits had a carrying balance of $1,190 and a corresponding bank balance of $1,189. Of the bank balance $429 was covered by federal depository insurance and the remaining amount, with the exception of operating cash accounts, was fully insured or collateralized with securities held by MDWID or its agents in MDWID's name.

The MDWID cash and cash equivalents also include $2,417 in operating funds held by the Pima County Treasurer, which represent a portion of the Pima County Treasurer investment pool portfolio for the year ended June 30, 2004; $4,674 deposited with the State of Arizona Treasurer; and $1,145 in money market funds. These deposits are not subject to custodial credit risk. At June 30, 2004, MDWID's investments had a fair value of $1,275. These investments were with federally insured agencies and were considered custodial credit risk category 1, indicating they were insured or registered in MDWID's name or the securities were held by MDWID or its agent in MDWID's name.

Marana Domestic Water Improvement District (MARANA) — At June 30, 2004, the District's cash and cash equivalents were $243 and included cash on hand and amounts held by the Pima County Treasurer.

Southwestern Fair Commission (SFC) — At June 30, 2004, the Commission's $1,010 of cash and cash equivalents consisted of deposits with financial institutions, of which $710 was uninsured and uncollateralized.

Green Valley Domestic Water Improvement District (GVDWID) — At December 31, 2003, GVDWID's cash and cash equivalents were $1,357 and included the bond reserve funds of $987. The cash deposit had a carrying balance of $370 and a corresponding bank balance of $379. Of the bank balance, $126 was covered by federal depository insurance and $253 was in excess of FDIC insurance and therefore uninsured and uncollateralized.

NOTE 4: DUE FROM OTHER GOVERNMENTS

Governmental Activities:

	General	Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal government:					
Grants and contributions	$ 1,560	$ 3,869	$ 11,113	$ 1	$ 16,543
State of Arizona:					
Taxes and shared revenues	18,477		4,438		22,915
Grants and contributions		113	5,110	3	5,226
Reimbursement for services			33		33
City of Tucson:					
Reimbursement for services	1,791	281	729		2,801
Due from other governments:					
Reimbursement for services	16		160	75	251
Total due from other governments	$ 21,844	$ 4,263	$ 21,583	$ 79	$ 47,769

Business-type Activities:

	Pima Health Care System	Wastewater Management	Other Business-type Activities	Total Business-type Activities
Federal Government:				
Grants and contributions	$ 195	$ 153		$ 348
State of Arizona:				
Grants and contributions	3,915	286		4,201
City of Tucson				
Reimbursement for services			$ 14	14
Due from other governments				
Reimbursement for services			3	3
Total due from other governments	$ 4,110	$ 439	$ 17	$ 4,566

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance July 1, 2003 (as restated)	Increases	Decreases	Balance June 30, 2004
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 127,895	$ 33,468	$ (777)	$ 160,586
Construction in progress	133,185	56,894	(92,509)	97,570
Total capital assets not being depreciated	261,080	90,362	(93,286)	258,156
Capital assets being depreciated:				
Buildings and improvements	271,728	53,304	(1,068)	323,964
Infrastructure	95,257	71,434	(727)	165,964
Equipment	74,308	12,372	(11,636)	75,044
Total capital assets being depreciated	441,293	137,110	(13,431)	564,972
Less accumulated depreciation for:				
Buildings and improvements	(68,384)	(27,679)	259	(95,804)
Infrastructure	(2,066)	(8,751)		(10,817)
Equipment	(41,414)	(9,203)	10,241	(40,376)
Total accumulated depreciation	(111,864)	(45,633)	10,500	(146,997)
Total capital assets being depreciated, net	329,429	91,477	(2,931)	417,975
Governmental activities capital assets, net	$ 590,509	$ 181,839	$ (96,217)	$ 676,131

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 12,865	$ 504	$ (315)	$ 13,054
Construction in progress	136,171	27,272	(11,022)	152,421
Total capital assets not being depreciated	149,036	27,776	(11,337)	165,475
Capital assets being depreciated:				
Buildings and improvements	258,739	9,063	(28,752)	239,050
Sewer conveyance system	399,747	23,618	(28)	423,337
Equipment	27,847	3,356	(10,111)	21,092
Total capital assets being depreciated	686,333	36,037	(38,891)	683,479
Less accumulated depreciation for:				
Buildings and improvements	(111,556)	(8,188)	21,254	(98,490)
Sewer conveyance system	(135,082)	(8,883)	245	(143,720)
Equipment	(18,340)	(2,077)	7,894	(12,523)
Total accumulated depreciation	(264,978)	(19,148)	29,393	(254,733)
Total capital assets being depreciated, net	421,355	16,889	(9,498)	428,746
Business-type activities capital assets, net	$ 570,391	$ 44,665	$ (20,835)	$ 594,221

The July 1, 2003 governmental activities capital asset balance was restated to correct capitalization errors made in previous years, as explained in Note 2 to the financial statements. The increases to governmental activities capital assets include capital assets transferred from the Pima Health Care System Enterprise Fund, with a value of $31,798 less accumulated depreciation of $23,501, as explained in Note 15 to the financial statements.

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 3,525
Public safety	6,665
Highway and streets	5,650
Health	380
Welfare	9
Culture and recreation	3,021
Education and economic opportunity	142
Unallocated	805
Internal service funds	1,935
Total governmental activities depreciation	$ 22,132
Business-type activities:	
Pima Health Care System	$ 1,233
Parking garages	333
Wastewater management	17,184
Development services	107
Total business-type activities depreciation	$ 18,857

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Discretely presented component units:				
Metropolitan Domestic Water Improvement District (MDWID):				
Capital assets not being depreciated:				
Land	$ 950			$ 950
Construction in progress	2,785	$ 5,402	$ (2,420)	5,767
Total capital assets not being depreciated	3,735	5,402	(2,420)	6,717
Capital assets being depreciated:				
Buildings and improvements	1,982	4		1,986
Water systems	40,660	3,066		43,726
Equipment	2,009	146		2,155
Total capital assets being depreciated	44,651	3,216		47,867
Less accumulated depreciation for:				
Buildings and improvements	(233)	(50)		(283)
Water systems	(5,958)	(1,099)		(7,057)
Equipment	(1,448)	(211)		(1,659)
Total accumulated depreciation	(7,639)	(1,360)		(8,999)
Total capital assets being depreciated, net	37,012	1,856		38,868
MDWID capital assets, net	40,747	7,258	(2,420)	45,585

	Balance July 1, 2003 (as restated)	Increases	Decreases	Balance June 30, 2004
Southwestern Fair Commission (SFC):				
Capital assets being depreciated:				
Buildings and improvements	3,511	43		3,554
Equipment	1,387	99	(151)	1,335
Total capital assets being depreciated	4,898	142	(151)	4,889
Less accumulated depreciation for:				
Buildings and improvements	(1,882)	(198)		(2,080)
Equipment	(1,175)	(63)	140	(1,098)
Total accumulated depreciation	(3,057)	(261)	140	(3,178)
Total capital assets being depreciated, net	1,841	(119)	(11)	1,711
SFC capital assets, net	1,841	(119)	(11)	1,711

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Marana Domestic Water Improvement District (MARANA):				
Capital assets not being depreciated:				
Land	8	20		28
Construction in progress	369		(369)	
Total capital assets not being depreciated	377	20	(369)	28
Capital assets being depreciated:				
Buildings and improvements	2	74		76
Water systems	1,150	1,099		2,249
Equipment	21	66		87
Total capital assets being depreciated	1,173	1,239		2,412
Less accumulated depreciation for:				
Buildings and improvements		(3)		(3)
Water systems	(178)	(84)		(262)
Equipment	(6)	(4)		(10)
Total accumulated depreciation	(184)	(91)		(275)
Total capital assets being depreciated, net	989	1,148		2,137
MARANA capital assets, net	1,366	1,168	(369)	2,165

	Balance Jan. 1, 2003	Increases	Decreases	Balance Dec. 31, 2003
Green Valley Domestic Water Improvement District (GVDWID):				
Capital assets not being depreciated:				
Land		17		17
Water supply and recharge rights		1,200		1,200
Total capital assets not being depreciated		1,217		1,217
Capital assets being depreciated:				
Buildings and improvements		132		132
Water systems		5,101		5,101
Equipment		290		290
Total capital assets being depreciated		5,523		5,523
Less accumulated depreciation for:				
Buildings and improvements		(4)		(4)
Water systems		(149)		(149)
Equipment		(14)		(14)
Total accumulated depreciation		(167)		(167)
Total capital assets, being depreciated, net		5,356		5,356
GVDWID capital assets, net		6,573		6,573
Discretely presented component units capital assets, net	$ 43,954	$ 14,880	$ (2,800)	$ 56,034

NOTE 6: CLAIMS, JUDGMENTS and RISK MANAGEMENT

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.

Wastewater Management

The County has entered into settlement negotiations with Arizona Department of Environmental Quality (ADEQ) to resolve litigation associated with the cleanup of the Camino del Cerro landfill. Cleanup expenses have been incurred and include a soil vapor extraction system, a series of drainage improvements, re-grade landfill cap and groundwater remediation. The liability is not presented within the financial statements because the outcome of the settlement negotiations is uncertain. However, cleanup costs could total $3,600 and county management plans to finance the cost of any such settlement through future bond issues.

As a result of a major sewer line failure, the County Wastewater Management Department has received a Notice of Violation from the ADEQ that could result in various penalties, fines or remediation requirements. The County is in negotiation with the ADEQ and it is too early to speculate on a possible settlement agreement or the resulting financial impact of any such agreement.

Other

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 and dental losses. Environmental losses are based on reported claims and the County risk manager's knowledge and experience. 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 and dental losses are reported at their present value using an expected future investment yield assumption of four percent. 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.

All funds of the County participate in the Fund. With the exception of environmental and dental losses, payments to the Fund are based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish some reserve for catastrophic losses. That reserve was estimated to be $500 at June 30, 2004, and is included in the Fund net assets. Payments to the Fund for environmental losses are based on historical experience, since an actuarial basis is not available. Payments for dental losses are based on claims made.

The claims liability of $25,696 reported in the Fund at June 30, 2004, 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.

	2004	2003
Claims liability balance—beginning	$25,954	$ 28,112
Current year claims and changes in estimates	7,468	7,036
Claims payments	(7,726)	(9,194)
Claims liability balance—ending	$25,696	$ 25,954

NOTE 7: LONG-TERM LIABILITIES

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2004.

	Balance July 1, 2003 (as restated)	Additions	Reductions	Balance June 30, 2004	Due within 1 year
Governmental activities:					
General obligation bonds	$ 200,280	$ 65,000	$ 33,175	$ 232,105	$ 29,835
Plus unamortized deferred amount	401	75	28	448	33
Total general obligation bonds	200,681	65,075	33,203	232,553	29,868
Flood control bonds	4,585		780	3,805	795
Transportation revenue bonds	105,465		10,215	95,250	8,905
Plus unamortized deferred amount	236		25	211	25
Total transportation revenue bonds	105,701		10,240	95,461	8,930
Lease revenue bonds	495		495		
Special assessment bonds with governmental commitment	2,121		385	1,736	460
Certificates of participation payable	1,560		1,560		
Loans and Leases:					
Transportation loans payable	4,060		1,040	3,020	1,040
Capital leases payable:					
Jail capital lease	30,455	2,680	1,610	31,525	1,440
Less unamortized deferred amount		(2,680)	(191)	(2,489)	(191)
Other capital leases	594		307	287	181
Total capital leases	31,049		1,726	29,323	1,430
Total loans and leases	35,109		2,766	32,343	2,470
Reported but unpaid losses (Note 6)	13,027	5,542	7,726	10,843	2,441
Incurred but not reported losses (Note 6)	12,927	1,926		14,853	3,268
Total governmental activities long-term liabilities	$ 376,206	$ 72,543	$ 57,155	$ 391,594	$ 48,232

The beginning balances of the governmental activities' General Obligation and Transportation Bonds were restated to exclude $387 of deferred issuance costs. The deferred issuance costs are now reported as an Other Asset. This had no effect on beginning net assets.

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Due within 1 year
Business-type activities:					
Sewer revenue bonds	$ 68,240	$ 25,770	$ 29,230	$ 64,780	$ 4,705
Less unamortized deferred amount	(5,142)	(2,401)	(2,827)	(4,716)	
Total revenue bonds payable	63,098	23,369	26,403	60,064	4,705
Wastewater loans payable	63,879	24,623	4,270	84,232	4,951
Less unamortized deferred amount	(328)		(37)	(291)	
Total loans payable	63,551	24,623	4,233	83,941	4,951
Landfill closure and post-closure care costs	15,645	377		16,022	
Contracts and notes	6,849	1,447	2,513	5,783	
Total business-type activities long-term liabilities	$ 149,143	$ 49,816	$ 33,149	$ 165,810	$ 9,656
Discretely presented component units:					
MDWID revenue bonds	$ 48,720		$ 1,980	$ 46,740	$ 2,065
Less unamortized deferred amount	(557)	$ (95)	(88)	(564)	
Total revenue bonds	48,163	(95)	1,892	46,176	2,065
MDWID notes payable	1,821	101	120	1,802	129
Marana Domestic WID bonds	335	62	7	390	7
Marana Domestic WID notes payable	1,133		23	1,110	26
Total	1,468	62	30	1,500	33
Southwestern Fair Commission notes payable	637		103	534	104
Green Valley Domestic Water Improvement District presented for period ending December 31, 2003:					
GVDWID revenue bonds		9,305		9,305	160
GVDWID notes payable		24	1	23	6
Total discretely presented component unit long-term liabilities	$ 52,089	$ 9,397	$ 2,146	$ 59,340	$ 2,497

GENERAL OBLIGATION BONDS OUTSTANDING

Governmental Activities
(Payments made from property
tax revenues of the Debt Service Fund)

General obligation bonds payable at June 30, 2004, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, $2,919 from the November 2, 1982 bond election, $40,591 from the May 20, 1997, and $541,200 from the May 18, 2004 bond election remain unissued. The table below presents amounts outstanding by issue.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2004
Series of 1998	$ 42,420	4.40 – 5.00%	2005-13	$ 25,465
Series of 1999	50,000	5.00 – 5.125%	2005-10	31,115
Series of 2000	50,000	4.00 – 5.00%	2005-14	38,000
2001 Refunding	17,835	4.00 – 5.00%	2005-09	13,175
Series of 2002	20,000	3.50 – 4.50%	2005-16	13,000
Series of 2003	50,000	3.25 – 4.25%	2005-17	46,350
Series of 2004	65,000	3.00 – 5.00%	2005-19	65,000
G.O. bonds outstanding				232,105
Plus unamortized deferred amount:				448
Total G.O. bonds outstanding				$ 232,553

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 29,835	$ 10,524
2006	29,785	9,001
2007	25,825	7,612
2008	21,955	6,417
2009	17,075	5,416
2010-2014	70,110	16,350
2015-2019	37,520	3,738
Total	$ 232,105	$ 59,058

REFUNDED GENERAL OBLIGATION BONDS

In 2004, the County defeased $5,785 of General Obligation Bonds, Series 1999, by issuing $6,880 of short-term General Obligation Bonds that had 6-month maturities and an interest rate of 3.375%. The proceeds of the new bonds were placed in an irrevocable trust to provide for future debt service payments of the refunded debt. Accordingly, the trust account assets and liability for the defeased bonds are not included in the County's financial statements. Also, the refunding bond debt is not included in the County's financial statements because as of June 30, 2004, the County had transferred cash to its paying agent to pay off the bonds. This refunding transaction resulted in an economic gain of $690, and a reduction in debt service payments of $1,247. Refunded amounts at June 30, 2004 were as follows:

Issue	Outstanding June 30, 2004
Series of 1999	$ 5,785

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, 2004, the following outstanding bonds were considered defeased:

Issue	Outstanding June 30, 2004
1979 General Obligation Refunding Bonds	$ 7,425

FLOOD CONTROL REFUNDING BONDS OUTSTANDING

Governmental Activities
(Payments made from property tax revenues
of the Debt Service Fund of the district)

The Pima County Flood Control District was created on April 3, 1978, by State law.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2004
2001 Refunding	$ 4,585	4.00 - 4.20%	2005-09	$ 3,805

The following schedule details flood control bond debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 795	$ 154
2006	780	123
2007	760	91
2008	745	61
2009	725	31
Total	$ 3,805	$ 460

TRANSPORTATION BONDS
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, $220,000 from the November 4, 1997, bond election remains unissued.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2004
Series of 1998	$ 40,000	4.50%	2005-08	$ 16,000
Series of 2002	55,000	4.00 - 4.50%	2005-12	45,750
Series of 2003	35,000	3.375-4.38%	2005-18	33,500
Transportation bonds outstanding				95,250
Plus unamortized deferred amount:				211
Total transportation bonds outstanding				$ 95,461

The following schedule details transportation bond debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 8,905	$ 3,965
2006	10,710	3,589
2007	11,435	3,140
2008	11,745	2,636
2009	8,075	2,160
2010-2014	31,895	5,869
2015-2019	12,485	1,367
Total	$ 95,250	$ 22,726

TRANSPORTATION LOANS PAYABLE
Governmental Activities

During the fiscal year ended June 30, 2002, Pima County Transportation Department entered into loan agreements to provide funds for the construction and improvement of certain highways and streets. 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, 2004
2002 HELP Loan – Ajo	$ 3,700	3.23%	2005-07	$ 2,220
2002 HELP Loan – Shannon	1,400	3.23%	2005-07	800
Total transportation loans payable				$ 3,020

The following schedule details transportation loans debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 1,040	$ 89
2006	1,040	55
2007	940	23
Total	$ 3,020	$ 167

LEASE REVENUE BONDS
Governmental Activities
(Payments made from revenues received in the Governmental Funds)

The Pima County, Arizona, Municipal Property Corporation, a Special Revenue Fund, issued lease revenue bonds in 1992 to provide monies for financing the cost of acquiring, constructing, reconstructing or improving, building, and equipping other real and personal properties suitable for use by Pima County.

In December 2003, Pima County called the remaining $495 of outstanding bonds for redemption prior to their maturity date, at 101% of par value. The County realized an economic gain of $44 by calling the bonds early.

SPECIAL ASSESSMENT BONDS OUTSTANDING
Governmental Activities
(Payments made from assessments received in the Debt Service Fund and the Transportation Fund)

Special assessment bonds are secured by pledges of revenues from special assessments levied against the benefiting property owners. The proceeds of the bond issues were used to finance construction in these districts. While there is no legal obligation for the County to further secure the special assessment bonds of the districts listed below, the County has made a moral commitment to take steps necessary to prevent default.

Improvement District	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2004
Country Club Estates	$ 2,745	7.200%	2005	$ 275
C.C. Estates 2nd Issue	30	7.200%	2005	3
La Cholla Boulevard	1,821	6.500%	2005-12	1,458
Total special assessment bonds outstanding				$ 1,736

The following schedule details special assessment bond debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 460	$ 99
2006	182	77
2007	182	65
2008	182	53
2009	182	41
2010-2012	548	54
Total	$ 1,736	$ 389

REFUNDING CERTIFICATES OF PARTICIPATION OUTSTANDING
Governmental Activities
(Payments made from General Fund revenues
and from Special Revenue Fund revenues)

The Refunding Certificates of Participation (COPs) Series 7 were issued on April 1, 1995. The purpose of the original debt was to finance the purchase of the Legal Services and Public Works Buildings.

The final payment on the debt in the amount of $1,560 principal, and $41 interest was processed on June 30, 2004.

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, 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, increased the range of interest rates and increased the County's obligation under the lease agreement.

On October 1, 2003, the County amended the jail capital lease to extend the lease term to 2018, with a range of interest rates from 2.00% - 5.00%. This amendment also increased the County's obligation under the lease agreement by $2,680. This amount was deferred and is being amortized over the amended lease term.

The County has also entered into capital leases for election and other equipment. The outstanding balance as of June 30, 2004, for these leases totaled $287.

The net book value of assets acquired through capital leases consists of $21,485 of buildings and $265 of equipment.

The following schedule details capital lease debt service requirements to maturity at June 30, 2004.

Governmental Activities:

	Buildings		Equipment	
Year Ending June 30,	Principal	Interest	Principal	Interest
2005	$ 1,440	$ 1,324	$ 181	$ 8
2006	1,750	1,292	85	3
2007	1,785	1,230	21	1
2008	1,870	1,139		
2009	1,965	1,063		
2010-2014	11,645	3,793		
2015-2018	11,070	935		
Total	$31,525	$10,776	$ 287	$ 12

SEWER REVENUE BONDS
Business-type Activities
(Payments made from user charges received
in the Wastewater Management Enterprise Fund)

Pima County sewer revenue bonds, as presented below, were issued to provide monies to construct improvements to the County's wastewater management system. Of the total amount originally authorized, $5,895 from the May 20, 1997, and $150,000 from the May 18, 2004 bond election remain unissued.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2004
Series of 1993	$ 6,000	6.50%	2005	$ 315
Series of 1998	29,185	4.00 - 5.50%	2005-15	21,575
2001 Refunding	19,440	4.00 - 5.40%	2005-15	17,120
2004 Refunding	25,770	2.00 - 5.50%	2005-15	25,770
Sewer revenue bonds outstanding				64,780
Less unamortized deferred amount:				(4,716)
Total sewer revenue bonds outstanding				$ 60,064

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 4,705	$ 2,953
2006	4,550	2,760
2007	5,570	2,573
2008	5,800	2,340
2009	6,025	2,098
2010-2014	30,060	6,473
2015-2019	8,070	383
Total	$64,780	$19,580

REFUNDED SEWER REVENUE BONDS OUTSTANDING

In May 2004, the County defeased certain sewer revenue 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 the liability for the defeased bonds are not included in the County's financial statements. This refunding resulted in an economic gain of $657 and a reduction in debt service payments of $164.

The cash and investments held in the irrevocable trusts at June 30, 2004, amounted to $26,603. Refunded amounts outstanding as of June 30, 2004 were as follows:

Issue	Outstanding June 30, 2004
Series of 1994 A	$25,520

LOANS PAYABLE
Business-type Activities
(Payments made from user charges received
in the Wastewater Management Enterprise Fund)

Wastewater Management (WWM) 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. For the 2004 loan payable, principal payments to maturity are subject to change based upon the total amounts drawn down. As of June 30, 2004, WWM has drawn down $17,452 of the available $18,015 from the 2004 loan amount.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2004
1996 Loan Payable	$11,313	3.19%	2005-12	$10,616
1997 Loan Payable	7,500	2.95%	2005-11	4,222
2000 Loan Payable	61,180	2.20%	2005-16	51,942
2004 Loan Payable	17,452	1.81%	2005-24	17,452
Loans payable				84,232
Less unamortized deferred amount				(291)
Total loans payable				$83,941

The following schedule details loans payable debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 4,951	$ 3,037
2006	5,503	2,856
2007	5,641	2,654
2008	5,871	2,450
2009	6,230	2,237
2010-2014	34,259	7,398
2015-2019	16,237	2,061
2020-2024	5,540	526
Total	$84,232	$23,219

CONTRACTS AND NOTES
Business-type Activities
(Payments made from restricted assets in the Wastewater
Management 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.

WATER REVENUE AND REFUNDING BONDS OUTSTANDING
Component Unit - Metropolitan Domestic Water Improvement District (MDWID)
(Payments made from user charges and special assessments)

Description	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2004
Series of 1999	$27,985	3.7- 4.875%	2005-2019	$23,025
Series of 2002	24,855	2.9-5.25%	2005-2022	23,715
Water revenue and refunding bonds				46,740
Less unamortized amounts				(564)
Total water revenue and refunding bonds				$46,176

The following schedule details MDWID water revenue and refunding debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 2,065	$ 2,135
2006	2,150	2,047
2007	2,240	1,958
2008	2,335	1,864
2009	2,435	1,763
2010-2014	14,040	7,148
2015-2019	18,645	3,343
2020-2024	2,830	318
Total	$46,740	$20,576

ADVANCED REFUNDINGS OF WATER REVENUE BONDS

In prior years, the District defeased certain revenue 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 the liability for these defeased bonds are not included in the County's financial statements. At June 30, 2004, the following outstanding bonds were considered defeased:

Issue	Outstanding June 30, 2004
1992 Water Revenue Bonds	$ 14,105
1998 Water Revenue Bonds	5,390

NOTES PAYABLE
Component Unit - Metropolitan Domestic Water Improvement District (MDWID)
(Payments made from user charges)

MDWID's notes payable are due in monthly installments and are secured by equipment.

Description	Interest Rates	Maturities	Outstanding June 30, 2004
Credit company	6.00%	July 2004 - June 2019	$1,690
Credit company	6.60%	July 2004 – May 2005	4
Credit company	6.25%	July 2004 – July 2005	5
Credit company	6.25%	July 2004 – July 2005	7
Credit company	6.40%	July 2004 – July 2005	10
Credit company	5.70%	July 2004 – July 2006	19
Credit company	5.20%	July 2004 – April 2007	67
Total			$1,802

The following schedule details MDWID's notes payable debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$129	$104
2006	111	98
2007	101	91
2008	86	86
2009	92	80
2010-2014	550	391
2015-2019	733	119
Total	$1,802	$969

BONDS PAYABLE
Component Unit - Marana Domestic Water Improvement District (MARANA)

On February 19, 2003, Rural Utility Services entered into a bond agreement with the Marana Domestic Water Improvement District, Inc., in the amount of $397. The bond is payable commencing January 1, 2004, in annual installments of $25, including interest at 4.625% through January 1, 2032. At June 30, 2004 the outstanding balance of the bonds payable was $390.

The following schedule details bond debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 7	$ 18
2006	7	18
2007	8	17
2008	8	17
2009	8	17
2010-2014	49	77
2015-2019	61	65
2020-2024	77	49
2025-2029	96	30
2030-2032	69	6
Total	$390	$314

LOAN PAYABLE
Component Unit - Marana Domestic Water Improvement District (MARANA)

On February 22, 2002, the Water Infrastructure Finance Authority of Arizona (WIFA), entered into a loan agreement under the Drinking Water Revolving Fund Loan program with the Marana Domestic Water Improvement District, Inc., in the amount of $1,156. The loan is payable in monthly installments, commencing September 1, 2002, in the amount of $6, including interest at 2.918% through February 2032. At June 30, 2004 the outstanding balance was $1,110.

The following schedule details notes payable debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 27	$ 32
2006	27	31
2007	28	30
2008	29	31
2009	26	28
2010-2014	139	159
2015-2019	153	117
2020-2024	223	87
2025-2029	266	47
2030-2032	192	5
Total	$1,110	$567

NOTES PAYABLE
Component Unit - Southwestern Fair Commission (SFC)
(Payments made from user charges)

Southwestern Fair has a note payable to Pima County, due in annual installments of $50, unsecured, non-interest bearing.

Description	Interest Rates	Maturities	Outstanding June 30, 2004
Pima County	None	Annual installments until June 2007	$150

Southwestern Fair Commission's other notes payable are due in monthly installments and are secured by equipment.

Description	Interest Rates	Maturities	Outstanding June 30, 2004
Bank	Prime with 4% floor	Monthly installments until July 2008	$293
Bank	Wall Street Journal interest rate	Monthly installments until July 2008	91
Total			$384

The following schedule details Southwestern Fair Commission's notes payable debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$104	$18
2006	104	15
2007	104	12
2008	54	10
2009	168	0
Total	$534	$55

LEASE REVENUE BONDS AND NOTES PAYABLE OUTSTANDING
Component Unit – Green Valley Domestic Water Improvement District (GVDWID)
(Payments made from lease payments and water revenues)

The Green Valley Domestic Water Improvement District (GVDWID) of Pima County, Arizona was formed on December 17, 2002 by the Pima County Board of Supervisors for the purpose of purchasing and operating a water system, with a fiscal year ending December 31 each year.

On February 21, 2003, the GVDWID Board of Directors formed the Green Valley Municipal Property Corporation, for the sole purpose of assisting the district in financing the acquisition of substantially all of the operating assets of Green Valley Water Company.

On May 21, 2003, Green Valley Municipal Property Corporation, an Arizona nonprofit corporation, acquired substantially all of the operating assets of Green Valley Water Company for lease to Green Valley Domestic Water Improvement District (GVDWID), an Arizona tax levying improvement district. The purchase was financed through lease revenue bonds issued May 1, 2003, in the amount of $ 9,305.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding December 31, 2003
Series of 2003	$ 9,305	2.50-5.25%	2004-33	$ 9,305
Lease revenue bonds outstanding				$ 9,305

The following schedule details bonds debt service requirements to maturity at December 31, 2003.

Year Ending December 31,	Principal	Interest
2004	$ 160	$ 526
2005	165	446
2006	170	442
2007	170	438
2008	180	433
2009 – 2013	990	2,066
2014 – 2018	1,230	1,824
2019 – 2023	1,580	1,474
2024 – 2028	2,030	1,021
2029 – 2033	2,630	428
Total	$9,305	$9,098

GVDWID's notes payable are due in monthly installments and are secured by equipment.

Description	Interest Rates	Maturities	Outstanding December 31, 2003
Credit company	7.49%	Monthly installments until September 2007	$23
Total			$23

The following schedule details notes payable debt service requirements to maturity at December 31, 2003.

Year Ending December 31,	Principal	Interest
2004	$6	$1
2005	6	1
2006	6	1
2007	5	0
Total	$23	$3

LEGAL DEBT MARGIN

COUNTY GENERAL OBLIGATION BONDS

General obligation debt may not exceed six 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, 2004, is as follows:

Net assessed valuation:		$5,221,271
Debt Limit (15% of net assessed valuation):		783,191
Amount of debt applicable to debt limit:		
General obligation bonds outstanding	$232,105	
Less net assets in debt service fund available for payment of general obligation bond principal	(2,648)	(229,457)
Legal debt margin available		$ 553,734

FLOOD CONTROL GENERAL OBLIGATION BONDS

Flood Control general obligation debt may not exceed five percent of the value of the Flood Control District's taxable property as of the latest assessment. Legal debt margin at June 30, 2004, is as follows:

Net assessed valuation:		$4,511,100
Debt Limit (5% of net assessed valuation):		225,555
Amount of debt applicable to debt limit:		
Flood Control general obligation bonds outstanding	$3,805	
Less net assets in debt service fund available for payment of flood control bond principal	(26)	(3,779)
Legal debt margin available		$ 221,776

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, 2004, 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.

	Beginning Balance	Draws	Repayments	Ending Balance
Line of credit	$0	$55,800	$55,800	$0

NOTE 9: LANDFILL LIABILITIES

SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE 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 postclosure 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 postclosure care costs as a long-term liability in each period based on landfill capacity used as of each balance sheet date. The $16,022 reported as landfill closure and postclosure care liability in the Wastewater Management Enterprise Fund 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 postclosure care of $5,515 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and postclosure care in the fiscal year ended June 30, 2004; actual costs may change due to inflation, changes in technology, or changes in regulations.

Landfill Site	Capacity Used June 30, 2004	Estimated Year of Closure
Ajo	99%	2005
Sahuarita *	41%	2019
Tangerine	88%	2006

*The Sahuarita Landfill was increased from 2,069,819 cu. yd. at June 30, 2003 to 5,130,192 cu. yd. at June 30, 2004. Concurrently, the estimated year of closure was adjusted to 2019.

The County plans to fund the estimated closure and postclosure care costs with proceeds of general obligation bonds and with solid waste tipping fees.

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, postclosure, and corrective action when needed. The County is in compliance with these requirements.

NOTE 10: RETIREMENT PLANS

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 **ASRS** administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the County. 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** is an agent multiple-employer defined benefit pension plan that covers 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 199 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The **CORP** is an agent multiple-employer defined benefit pension plan that covers certain employees of the State of Arizona, 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 19 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.

ASRS
3300 N. Central Ave.
P.O. Box 33910
Phoenix, AZ 85067-3910
(602) 240-2000 or
(800) 621-3778

PSPRS and CORP
1020 E. Missouri Ave.
Phoenix, AZ 85014
(602) 255-5575

Funding Policy
The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates.

Cost-sharing plans For the year ended June 30, 2004, active **ASRS** members and the County were each required by statute to contribute at the actuarially determined rate of 5.70 percent (5.2 percent retirement and 0.50 percent long-term disability) of the members' annual covered payroll. The County's contributions to **ASRS** for the years ended June 30, 2004, 2003, and 2002 were $13,231, $6,307 and $6,351 respectively, which were equal to the required contributions for the year.

Agent plans For the year ended June 30, 2004, 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 7.71 percent. As allowed by statute, the County contributed 3.65 percent of the members' required contribution, with the members contributing 4.00 percent. Active **CORP** members were required by statute to contribute 8.50 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 4.38 percent.

Annual Pension Cost: The County's pension cost for the two agent plans for the year ended June 30, 2004, and related information follow:

	PSPRS	CORP
Contribution rates:		
County	11.36%	4.38%
Plan members	4.00%	8.50%
Annual pension cost	$ 2,694	$ 632
Contributions made	$ 2,694	$ 632
Actuarial valuation date	June 30, 2002	June 30, 2002
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	9.00%	9.00%
Projected salary increases	6.50% - 9.50%	5.50% - 9.50%
includes inflation at	5.50%	5.50%
Amortization method	Level percent open	Level percent open
Remaining amortization period	20 years	20 years
Asset valuation method	smoothed market	smoothed market

Trend Information: Information for each of the three most recent actuarial valuations for each of the agent plans follows:

Contributions Required and Contributions Made

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2004	$ 2,694	100%	$ -
	2003	1,463	100%	-
	2002	1,319	100%	-
CORP	2004	$ 632	100%	$ -
	2003	296	100%	-
	2002	274	100%	-

NOTE 11: SEGMENT INFORMATION

Liquid Waste, a division of Pima County's Department of Wastewater Management, is reported within the Wastewater Management Enterprise Fund. Liquid Waste operates the sewer system, which provides wastewater collection, treatment, and disposal throughout Pima County. All revenues generated by the ownership, use, and operation of Pima County's sewer system are pledged in support of sewer system debt. In addition, debt covenants require sewer system revenues, expenses, gains, losses, assets and liabilities to be accounted for separately. As a result, condensed financial information for Liquid Waste is presented in the following table.

Condensed Statement of Net Assets

	Wastewater Management Liquid Waste
Assets:	
Current assets	$ 11,199
Due from other funds	81
Restricted assets	9,626
Capital assets, net	574,205
Other non-current assets	945
Total Assets	596,056
Liabilities:	
Current liabilities	21,538
Due to other funds	108
Non-current liabilities	140,132
Total Liabilities	161,778
Net Assets:	
Invested in capital assets (net of related debt)	431,145
Restricted	4,283
Unrestricted	(1,150)
Total Net Assets	$ 434,278

Condensed Statement of Revenues, Expenses and Change in Net Assets

		Wastewater Management Liquid Waste
Operating revenues/(expenses):		
Charges for services	$	48,989
Depreciation expense		(16,737)
Other operating expenses		(44,704)
Operating loss		(12,452)
Non-operating revenues/(expenses):		
Sewer connection revenue		29,404
Other non-operating revenue		592
Interest expense		(4,456)
Gain on disposal of fixed assets		150
Other non-operating expense		(91)
Capital contributions		22,214
Transfers in from other county funds		49
Transfers out to other county funds		(1,027)
Change in net assets		34,383
Beginning net assets		399,895
Ending net assets	$	434,278

Condensed Statement of Cash Flows

Net cash provided (used) by:		
Operating activities	$	4,503
Non-capital financing activities		(12,489)
Capital and related financing activities		11,492
Investing activities		228
Net increase		3,734
Beginning cash and cash equivalents		7,905
Ending cash and cash equivalents	$	11,639

NOTE 12: INTERFUND TRANSACTIONS

A. Interfund Assets/Liabilities

Interfund Receivables/Payables are used to record transactions between individual funds for goods provided or services rendered.

Receivable fund	Payable fund	Amount
General	Pima Health Care System	$ 97
Total General Fund interfund receivable		$ 97

Due from / Due to Other Funds are used to record loans or unpaid operating transfers between funds.

The following funds recorded amounts as due from:	The following funds recorded amounts as due to: General	Capital Projects	Other Governmental	Pima Health Care System	Wastewater Management	Other Enterprise	Internal Service	Total
General		25	6,707	6,145	42	5	6	12,930
Capital Projects	1,893		45		82			2,020
Other Governmental	865	372	9		1	296	1	1,544
Pima Health Care System								0
Wastewater Management	2		1			49	29	81
Other Enterprise	93							93
Internal Service	15		1					16
Total	2,868	397	6,763	6,145	125	350	36	16,684

B. Transfers

Transfers are used to record transactions between individual funds to subsidize their operations and fund debt service payments and capital construction projects.

The following funds recorded amounts as transfers in:	The following funds recorded amounts as transfers out: General	Capital Projects	Other Governmental	Pima Health Care System	Wastewater Management	Other Enterprise	Internal Service	Total
General			2,918	8,807			37	11,762
Capital Projects	7,514		16,497		1,024			25,035
Other Governmental	12,882	1,461	17,180			241	22	31,786
Pima Health Care System	31,100							31,100
Wastewater Management						49		49
Other Enterprise								0
Internal Service	243		121		5	13	7	389
Total	51,739	1,461	36,716	8,807	1,029	303	66	100,121
Transfers out of capital assets:				8,297			577	8,874
Total:	51,739	1,461	36,716	17,104	1,029	303	643	108,995

In the fund financial statements, total transfers in of $100,121 are less than total transfers out of $108,995 because of the following. First, Pima Health Care System and the Internal Service funds reported capital assets transfers out of

$8,297 and $113, respectively. No amounts were reported in the governmental funds because the amounts did not involve financial resources. Second, the Internal Service funds reported capital asset transfers out of $464. This amount was reported as a capital contribution in the Wastewater Management fund.

The government-wide financial statements include transfers between governmental and business-type activities that are reported above, as well as $19 general capital asset transfer into the Pima Health Care System. This amount is reported as a capital contribution in the Pima Health Care System.

NOTE 13: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At June 30, 2004, Pima County had the following major contractual commitments related to Transportation Projects, Flood Control Projects, General Government Projects and Wastewater Management Projects.

Transportation Projects
At June 30, 2004, the Pima County Transportation Department had contractual commitments of $112,919. Funding for these expenditures will be primarily provided from Transportation Revenue Bonds and Highway User Tax Revenue, the primary sources of revenue for the Transportation Department.

Flood Control Projects
At June 30, 2004, the Pima County Flood Control District had contractual commitments of $13,688. Funding for these expenditures will be primarily provided from general obligation bonds and the Flood Control District's tax levy of property within Pima County, the primary sources of revenue for the Flood Control District.

General Government Projects
At June 30, 2004, Pima County had contractual commitments related to various Facilities Management Projects of $12,758 and Parks and Recreation Projects of $60,010. Funding for these expenditures will be primarily provided from general obligation bonds.

Wastewater Management Projects
At June 30, 2004, the Wastewater Management Enterprise Fund had commitments under construction contracts that totaled $ 27,746.

The County enters into operating leases for various equipment and office space. These leases are entered into with the provision that they may be canceled at the end of each fiscal year if future funding is not provided. Accordingly, these leases totaled $3,449 for the year ended June 30, 2004.

NOTE 14: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (DEFICIT FUND BALANCES)

The Stadium District Special Revenue Fund (a nonmajor governmental fund) had a deficit fund balance at June 30, 2004, of $3,225. Management plans to eliminate the deficit by transferring cash from the General Fund and operating the Baseball Complex profitably in the future.

NOTE 15: SIGNIFICANT EVENT

Pima County operated Kino Community Hospital, which was reported within the Pima Health Care System Enterprise Fund through June 15, 2004. On June 15, 2004, the Pima County Board of Supervisors entered into a contract with University Physicians Incorporated (UPI). This contract, effective June 16, 2004, contained an operating lease of Kino Community Hospital's buildings, improvements and land to UPI for 25 years for ten dollars per year. UPI may terminate the lease after 5 years, subject to certain conditions. Administrative control of the leased assets was transferred to the capital assets of the general governmental activities. In addition, the County will pay UPI an annual service fee during the first ten years of the contract to support the continued operations of the Hospital. The service fee will be subject to maximum amounts defined within the agreement. The maximum service fee for fiscal year ending June 30, 2005 is $25.8 million. The maximum service fee for all ten years combined is $127 million.

The net assets transferred to Pima County's general government were as follows:

Current assets	$	12,041
Capital assets (net of accumulated depreciation of $23,501)		8,297
Current liabilities		(6,734)
Net assets transferred	$	13,604

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APPENDIX E

CONTINUING DISCLOSURE UNDERTAKING

$51,200,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2005

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 $51,200,000 aggregate principal amount of Street and Highway Revenue Bonds, Series 2005 (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, the resolution adopted by the Board of Supervisors of the County on May 10, 2005, 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.

"*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

FT Interactive Data
Attn: NRMSIR
100 William Street
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 15c-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"*SID*" means any public or private repository designated by the State as the state repository and recognized as such by the Commission for purposes of the Rule. As of the date of this Undertaking, no SID exists within the State. The name and address of the SID, if any, should be verified each time information is delivered pursuant to this Undertaking.

"*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 721882. The Final Official Statement relating to the Bonds is dated May __, 2005.

4. Annual Information Disclosure. Subject to Section 9 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 all NRMSIRs and to the SID, if any. 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 9 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, or to the MSRB and to the SID, if any.

6. Duty to Update NRMSIRs/SID. The County shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs and SID each time it is required to file information with such entities.

7. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner to each NRMSIR, or to the MSRB and to the SID, if any, 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

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 and the SID.

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 each NRMSIR, or to the MSRB, and to the SID, if any.

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: _____
Finance Director

Date: _____, 2005

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 under the heading "STREET AND HIGHWAY REVENUES – Street and Highway Revenues Received by the County" in the table entitled "PIMA COUNTY STREET AND HIGHWAY REVENUE RECEIPTS."

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 and to the SID, if any, or filed with the Commission. 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 SID or the Commission. 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 each NRMSIR and to the SID, if any, no later than the first business day in February of each year, commencing February 1, 2006. 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 GAAP, as applied to governmental units as modified by State law, Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, 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

Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona
County of Pima

I, Lori Godoshian, the duly appointed, and qualified, Clerk of the Board of Supervisors of Pima County, Arizona, hereby certify that the following is a true, correct, and compared extract of the minutes of a meeting of the Board of Supervisors held on the 17th *day of* May, 2005, *and that a quorum was present thereat.*

CONSENT CALENDAR

13. **CORRECTION FOR THE RECORD**

Correction of the assignment of Resolution Numbers from the Board of Supervisors Meeting of May 10, 2005 as follows:

RESOLUTION NO. 2005 - ~~93~~ 98
RESOLUTION NO. 2005 - ~~94~~ 99

The Chair inquired whether anyone wished to be heard on any item listed for action on the Consent Calendar. No one appeared.

On consideration, it was moved by Supervisor Elías, seconded by Chair Bronson, and unanimously carried by a five to zero vote, that the Consent Calendar be approved as amended.

In Witness Whereof, *I have hereunto set my hand and affixed the seal of the Board of Supervisors of Pima County, Arizona, this* 18th *day of* May, 2005.

Lori Godoshian
Clerk

11. DIVISION OF ELECTIONS

Pursuant to A.R.S. §16-821B, approval of Precinct Committeemen Appointments:

APPOINTMENTS	PRECINCT	PARTY
Siqueiros, Sandra B.	016	DEM
D'Paco, Patricia A.	038	DEM
Gallego, Maxine E.	040	DEM
Druan, Howard	185	DEM
Montoya, Nancy L.	187	DEM
Ruiz, Maricruz	225	DEM
Watson, James E.	249	DEM
Segovia, Isabel A.	289	DEM
Ortega Jr., Miguel	319	DEM

12. RATIFY AND/OR APPROVE

Minutes: April 5, 2005

13. CORRECTION FOR THE RECORD

Correction of the assignment of Resolution Numbers from the Board of Supervisors Meeting of May 10, 2005 as follows:

RESOLUTION NO. 2005 - ~~91~~ 96
RESOLUTION NO. 2005 - ~~92~~ 97
RESOLUTION NO. 2005 - ~~93~~ 98
RESOLUTION NO. 2005 - ~~94~~ 99

RESOLUTION NO. 2005- 99

RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF $51,200,000 PRINCIPAL AMOUNT OF PIMA COUNTY, ARIZONA, STREET AND HIGHWAY REVENUE BONDS, SERIES 2005; PROVIDING FOR THE PAYMENT OF THE BONDS; PROVIDING TERMS, COVENANTS AND CONDITIONS CONCERNING THE BONDS; ACCEPTING A BID FOR THE PURCHASE OF THE BONDS; APPOINTING AN INITIAL 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. At a special bond election held in and for Pima County, Arizona (the "County"), on November 4, 1997 (the "Bond Election"), a majority of the qualified electors of the County voting at the election authorized the issuance and sale by the County of $350,000,000 aggregate principal amount of bonds for improving, constructing, reconstructing, acquiring rights of way for, and maintenance of County streets and highways. Under authority of the Bond Election and pursuant to Resolution No. 1998-101, adopted by the Board of Supervisors of the County on May 19, 1998 (the "1998 Bond Resolution"), Resolution No. 2002-6, adopted by the Board of Supervisors of the County on January 8, 2002 (the "2002 Bond Resolution") and Resolution No. 2003-17, adopted by the Board of Supervisors of the County on January 21, 2003 (the "2003 Bond Resolution"), the County has heretofore issued $40,000,000 principal amount of its Street and Highway Revenue Bonds, Series 1998 (the "1998 Bonds"), $55,000,000 principal amount of its Street and Highway Revenue Bonds, Series 2002 (the "2002 Bonds") and $35,000,000 principal amount of its Street and Highway Revenue Bonds, Series 2003 (the "2003 Bonds"). This Resolution authorizes the issuance and sale of an additional $51,200,000 principal amount of bonds (the "2005 Bonds") under authority of the Bond Election, and after issuance of these bonds $168,800,000 of the amount authorized in the Bond Election will remain to be issued. The 1998 Bond Resolution, the 2002 Bond Resolution and the 2003 Bond Resolution, as supplemented by this Resolution and as hereafter supplemented and amended, is herein referred to as the "Bond Resolution." Bids for the purchase of the 2005 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.

Section 2. Authorization. For the purpose of providing funds to make certain of the street and highway improvements the bond financing of which was authorized by the qualified electors of the County at the Bond Election, there is hereby authorized to be issued and sold $51,200,000 principal amount of Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005, pursuant to Title 11, Chapter 2, Article 12, Arizona Revised Statutes.

Section 3. Terms. The 2005 Bonds will bear interest, calculated on the basis of a 360-day year of twelve 30-day months, from May 1, 2005, to the maturity or prior redemption of each of the 2005 Bonds at the rates per annum established by the Accepted Bid, the first interest payment date to be January 1, 2006, interest payable semiannually thereafter on January 1 and

July 1 during the term of the 2005 Bonds, the 2005 Bonds to be in the denomination of $5,000 each or integral multiples thereof, in fully registered form. Interest will be paid on each interest payment date by check mailed by the Paying Agent to each registered owner of the 2005 Bonds at the address shown on the registration book of the Registrar on the Record Date (as described in Section 10 hereof), 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 2005 Bonds. Principal of the 2005 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 2005 Bonds will mature on July 1 in the years and in the amounts as follows:

Year (July 1)	Principal Amount	Year (July 1)	Principal Amount
2009	$3,390,000	2015	$4,285,000
2010	3,510,000	2016	4,475,000
2011	3,645,000	2017	4,680,000
2012	3,790,000	2018	4,890,000
2013	3,945,000	2019	5,120,000
2014	4,110,000	2020	5,360,000

Section 4. Prior Redemption.

A. Optional Redemption. The 2005 Bonds maturing on or before July 1, 2015 are not subject to call for redemption prior to their respective maturity dates. The 2005 Bonds maturing on or after July 1, 2016 are subject to call for redemption on any date on or after July 1, 2015 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 2005 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 the registered owners of the 2005 Bonds at the address shown on the bond register maintained by the 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 2005 Bond shall affect the regularity of the proceedings for redemption of any other 2005 Bond.

C. Effect of Call for Redemption. On the date designated for redemption by notice given as herein provided, the 2005 Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such 2005 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 2005 Bonds or portions of 2005 Bonds so called for redemption shall cease to accrue, such 2005 Bonds shall cease to be entitled to any benefit or security hereunder and the owners of such 2005 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and accrued interest and such 2005 Bonds shall be deemed paid and no longer outstanding.

D. Redemption of Less Than All of a 2005 Bond. The County may redeem a portion of any 2005 Bond in $5,000 increments. In that event, the registered owner shall submit the 2005 Bond for partial redemption and the Paying Agent shall make such partial payment and the Registrar shall cause to be issued a new 2005 Bond in a principal amount which reflects the redemption so made to be authenticated and delivered to the registered owner thereof.

Section 5. Form of 2005 Bonds.

A. The 2005 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 Bids for the Purchase of 2005 Bonds and are approved by those officers executing the 2005 Bonds and the execution thereof by such officers shall constitute conclusive evidence of such approval.

B. The 2005 Bonds may have notations, legends or endorsements required by law, securities exchange rule or usage. Each 2005 Bond shall show the date of its authentication and registration.

Section 6. Book Entry Only System.

A. The 2005 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 2005 Bonds. One fully registered 2005 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 2005 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 2005 Bonds will not receive certificates representing their interests in the 2005 Bonds and will not be deemed to be registered owners of the 2005 Bonds.

C. So long as the book entry only system is in operation, principal of and interest on the 2005 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 and interest to its direct and indirect participants for subsequent credit or disbursement to the beneficial owners of the 2005 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 2005 Bonds and the County does not select another qualified securities depository, the County shall cause the Registrar to deliver to DTC for redistribution to beneficial owners of the 2005 Bonds one or more 2005 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 7. Execution of 2005 Bonds.

A. The 2005 Bonds shall be executed for and on behalf of the County by the Chair of the Board of Supervisors and attested by the Clerk of the Board of Supervisors by their facsimile signatures.

B. If an officer whose signature is on a 2005 Bond no longer holds that office at the time the 2005 Bond is authenticated and registered, the 2005 Bond shall nevertheless be valid.

C. A 2005 Bond shall not be valid or binding until authenticated by the manual signature of an authorized officer of the Registrar. The signature shall be conclusive evidence that the 2005 Bond has been authenticated and issued under this Resolution.

Section 8. Mutilated, Lost or Destroyed 2005 Bonds. In case any 2005 Bond becomes mutilated, destroyed or lost, the County shall cause to be executed and delivered a new 2005 Bond of like date and tenor in exchange and substitution for and upon the cancellation of such mutilated 2005 Bond or in lieu of and in substitution for such 2005 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 a 2005 Bond destroyed or lost, upon the registered owner filing with the Clerk of the Board of Supervisors and the Registrar evidence satisfactory to the County and the Registrar that such 2005 Bond was destroyed or lost, and furnishing the County with a sufficient indemnity bond pursuant to Section 47-8405, Arizona Revised Statutes.

Section 9. Acceptance of Bid.

A. The bid of the winning bidder attached hereto as Exhibit A for the purchase of the 2005 Bonds is hereby accepted and the 2005 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 Street and Highway Revenue Bonds. The 2005 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 2005 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.

Section 10. Registrar and Paying Agent.

A. The County will employ an agency where 2005 Bonds may be presented for registration of transfer (the "Registrar") and an office or agency where 2005 Bonds may be presented for payment (the "Paying Agent"). The County may appoint one or more co-Registrars or one or more additional Paying Agents. The Registrar and Paying Agent may make reasonable rules and set reasonable requirements for their respective functions with respect to the owners of the 2005 Bonds.

B. Initially, U.S. Bank National Association will act as Registrar and Paying Agent with respect to the 2005 Bonds. The County may change the Registrar or Paying Agent

without notice to or consent of owners of the 2005 Bonds and the County may act in any such capacity.

C. Each Paying Agent will be required to agree in writing that the Paying Agent will hold in trust for the benefit of the owners of the 2005 Bonds all money held by the Paying Agent for the payment of principal of and interest and any premium on the 2005 Bonds.

D. The Registrar may appoint an authenticating agent acceptable to the County to authenticate 2005 Bonds. An authenticating agent may authenticate 2005 Bonds whenever the Registrar may do so. Each reference in this Resolution to authentication by the Registrar includes authentication by an authenticating agent acting on behalf and in the name of the Registrar and subject to the Registrar's direction.

E. The Registrar shall keep a register of the 2005 Bonds, the registered owners of the 2005 Bonds and of transfers of the 2005 Bonds. When 2005 Bonds are presented to the Registrar or a co-Registrar with a request to register a transfer, the Registrar will register the transfer on the registration books if its requirements for transfer are met and will authenticate and deliver one or more 2005 Bonds registered in the name of the transferee of the same principal amount, maturity and rate of interest as the surrendered 2005 Bonds. Any 2005 Bond or 2005 Bonds may be exchanged at the designated office of the Registrar for a 2005 Bond or 2005 Bonds of the same maturity date and aggregate principal amount as the surrendered 2005 Bond or 2005 Bonds. The "Record Date" for the 2005 Bonds will be the close of business of the Registrar on the 15th day of the month preceding an interest payment date. The 2005 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 made to the registered owners shown on the books of the Registrar as of the close of business on the Record Date.

F. The Registrar shall authenticate 2005 Bonds for original issue in up to $51,200,000 aggregate principal amount upon the written request of the County Administrator or his designee. The aggregate principal amount of 2005 Bonds outstanding at any time may not exceed that amount except for replacement 2005 Bonds as to which the requirements of the Registrar and the County are met.

Section 11. Resolution a Contract. This Resolution shall constitute a contract between the County and the registered owners of the 2005 Bonds and shall not be repealed or amended in any manner which would impair, impede or lessen the rights of the registered owners of the 2005 Bonds then outstanding.

Section 12. Payment of the 2005 Bonds:

A. The 2005 Bonds and interest thereon shall be payable solely from the revenues received by the County from highway user taxes, including motor vehicle fuel taxes, and all other taxes, fees, charges or other monies returned to the County pursuant to Title 28, Chapter 18, Article 2 and Section 42-6106 (the "Pledged Revenues") on a parity with the 1998 Bonds, the 2002 Bonds and the 2003 Bonds and such additional bonds or other obligations ("Additional Parity Bonds" and, collectively with the 1998 Bonds, the 2002 Bonds, the 2003

Bonds and the 2005 Bonds, the "Parity Bonds") hereafter issued on a parity therewith. The 2005 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 2005 Bonds or interest or redemption premiums thereon be enforceable out of any funds other than the revenues pledged to such payment nor shall any owner of any 2005 Bond have the right to compel any exercise of the taxing power of the County to make such payment. The County shall comply with any requirements imposed by law to maintain its eligibility for and right to receive such funds. During each year in which any of the 2005 Bonds or any Parity Bonds remain outstanding and not fully paid or provided for, there shall be set aside in a separate fund designated the "Pima County Street and Highway Revenue Bond Fund" (the "Bond Fund") established in the 1998 Bond Resolution and continued herein, from the Pledged Revenues received during such year, an amount sufficient to pay the interest and principal upon the Parity Bonds next due. The Bond Fund shall be held as a special trust fund, the beneficial interest in which shall be in the holders from time to time of the Parity Bonds then outstanding.

B. On or before the third Monday of each month, commencing with the month following the month in which the 2005 Bonds are issued and delivered, there shall be transferred from the Pledged Revenues received to the Bond Fund moneys in an amount necessary to accumulate in equal monthly amounts the interest due (net of accrued interest on the 2005 Bonds) on the next January 1 or July 1, as applicable, and thereafter in each month an amount equal to one-sixth (1/6) of the next ensuing semi-annual interest payment on the Parity Bonds until the amount in the Bond Fund and available to pay interest is sufficient to pay the next ensuing interest payment on the Parity Bonds.

C. On or before the third Monday of each month there shall be transferred from the Pledged Revenues received to the Bond Fund moneys in an amount necessary to accumulate in equal monthly amounts equal to one-twelfth (1/12) of the principal amount becoming due on the next principal payment date on the Parity Bonds until the amount in the Bond Fund and available to pay principal is sufficient to pay the next ensuing principal payment on the Parity Bonds.

D. Amounts in the Bond Fund shall be used solely for the payment of principal of and interest on the Parity Bonds when due. It shall be the duty of the County to cause to be transferred to the Paying Agent prior to the date or dates on which such principal or interest fall due, such amount as, to the extent of the money in the Bond Fund, will be sufficient to pay all principal and interest falling due on such date or dates, and it shall be the duty of the Paying Agent to assure, to the extent of the money so transferred to the Paying Agent, prompt payment of the principal of and interest on the Parity Bonds.

E. After all payments and transfers shall have been made to the Bond Fund as provided in this Section and any deficiencies in any such transfer or transfers which may exist from any previous year have been remedied, all remaining Pledged Revenues shall constitute available revenues and may be used by the County for any lawful purpose. If at any time the moneys in the Bond Fund are not sufficient to make the transfers required, any such deficiency shall be made up from the first Pledged Revenues thereafter received and available for such transfers under the terms of the Bond Resolution, and the transfer of any such sum or sums to

said fund or accounts as may be necessary to make up any such deficiency shall be in addition to the then-current transfers required to be made pursuant to the Bond Resolution.

Section 13. Additional Bonds.

A. The County covenants and agrees with the holders of the 2005 Bonds and any Parity Bonds that, so long as any Parity Bonds remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, it will not further encumber the Pledged Revenues on a basis equal to the pledge for payment of Parity Bonds payable from the Pledged Revenues unless (i) the amount of Pledged Revenues received by the County in the twelve (12) month period immediately preceding the issuance of the proposed Additional Parity Bonds, as shown by a certificate of the chief administrative officer of the County (currently the County Administrator) or his or her designee, equals not less than two times the maximum annual debt service on all such Parity Bonds then outstanding and the Additional Parity Bonds proposed to be issued; (ii) all payments and deposits with respect to the Parity Bonds then outstanding are current; and (iii) no obligation payable from the Pledged Revenues is in default as to either principal or interest.

B. Subject to the foregoing, and to the other terms and conditions set forth herein, the County shall have the right to issue Additional Parity Bonds. This Resolution does not place any restriction on the County incurring additional payment obligations payable from the Pledged Revenues so long as those payment obligations are subject and subordinated to the County's payment obligations with respect to the 2005 Bonds and other Parity Bonds.

Section 14. Amendments.

A. The County may, without the consent of or notice to any of the owners of Parity Bonds, amend, supplement or modify the provisions of this Resolution or the Bond Resolution for one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission herein or to correct or supplement any provision herein which may be inconsistent with any other provision herein; (ii) to grant or confer upon the owners of Parity Bonds any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon. them; (iii) to secure additional revenues or provide additional security or reserves for payment of the Parity Bonds; (iv) to comply with the requirements of any state or 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; (v) to permit, if lawful, the issuance of Parity Bonds in book entry form not evidenced by physical certificates, or Parity Bonds in bearer form if, in the opinion of nationally recognized bond counsel received by the County, such action will not cause the interest on any Parity Bonds to become includable in gross income for purposes of federal income taxes; (vi) to preserve the exclusion of the interest on Parity Bonds from gross income for purposes of federal or State income taxes and to preserve the power of the County to continue to issue bonds or other obligations (specifically not limited to the 2005 Bonds authorized hereby) the interest on which is likewise exempt from federal and State income taxes; (vii) to make any other change or amendment hereto which does not materially adversely affect the interests of any owner of any Parity Bond; (viii) to provide for the refunding or advance refunding of any Parity Bonds, including the right to establish and administer an escrow fund and to take related action in connection therewith; (ix) to provide for the issuance of Parity Bonds as permitted by the

provisions of this Resolution or the Bond Resolution; and (x) to make provisions and amendments applicable only to Parity Bonds sold or remarketed on the basis of the effectiveness of those provisions or amendments with respect to those Parity Bonds, or applicable only to Parity Bonds the owners of which are given reasonable notice of the proposed provisions or amendments and have the opportunity to tender their Parity Bonds for purchase prior to the effective date of the provisions or amendments.

B. Other than amendments, supplements or modifications referred to in subsection A above and subject to the terms and provisions and limitations contained in this subsection B and not otherwise, the owners of not less than a majority in principal amount of the Parity Bonds then outstanding, shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the effectiveness of such amendments, supplements and modifications to this Resolution or the Bond Resolution as shall be deemed necessary and desirable by the County for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, that nothing in this subsection B shall permit or be construed as permitting an amendment, supplement or modification which would: (i) extend the stated maturity of or time for paying interest on any Parity Bond or reduce the principal amount of or the redemption premium or rate of interest payable on any Parity Bond without the consent of the owner of such Parity Bond; (ii) prefer or give a priority to any Parity Bond over any other Parity Bond without the consent of the owner of each Parity Bond then outstanding not receiving such preference or priority; (iii) reduce the principal amount of Parity Bonds then outstanding the consent of the owners of which is required to authorize such amendment, supplement or modification without the consent of the owners of all Parity Bonds then outstanding; (iv) reduce the redemption price of any Parity Bond upon optional redemption or reduce any period of time prior to commencement of any optional redemption period without the consent of the owner of such Parity Bond; or (iv) reduce the tender price payable or extend the time of payment of the purchase price of any Parity Bond upon optional or mandatory tender for purchase.

C. When the County determines that the requisite consents have been obtained for an amendment, supplement or modification requiring consent of the owners of Parity Bonds, the County shall date and file a certificate to that effect in its records and shall notify the registrars and paying agents for all Parity Bonds. Such determination shall be conclusive and no action or proceeding to invalidate the amendment, supplement or modification shall be instituted or maintained unless commenced within 60 days after the filing of such certificate. Upon the filing of such certificate, the amendment, supplement or modification shall become effective without liability or responsibility to any owner of any Parity Bond, whether or not such owner shall have consented thereto. Consent of owners of Parity Bonds may be evidenced by such Parity Bonds being sold or remarketed on the basis of the effectiveness of the proposed amendment, amendment, supplement or modification or modification or in any other manner in accordance with subsection B hereof. If the amendment, supplement or modification will not take effect so long as any particular Parity Bonds remain outstanding, the consent of the owners of such Parity Bonds shall not be required and such Parity Bonds shall not be deemed to be outstanding for the purpose of determining the required consents. It shall not be necessary for the consent of the owners of Parity Bonds to approve the particular form of any proposed amendment, supplement or modification, but it shall be sufficient if consent is given to the substance thereof. Any such consent shall be binding upon the owner of the Parity Bond giving

such consent and upon any subsequent owner of such Parity Bond and of any Parity Bond issued in exchange therefor, whether or not such subsequent owner thereof has notice thereon, unless such consent is revoked in writing by the owner of such Parity Bond giving such consent or by a subsequent owner thereof by filing such revocation in writing with the County, prior to the effectiveness of such amendment, supplement or modification. If the owners of the required amount or number of the Parity Bonds outstanding shall have consented to and approved the execution of such amendment, supplement or modification as herein provided, no owner of any Parity Bond shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the effectiveness thereof, or to enjoin or restrain the County from taking any action pursuant to the provisions thereof. In making any amendment, supplement or modification permitted by this Section, the County shall be entitled to rely upon an opinion of nationally recognized bond counsel stating that the effectiveness of such amendment, supplement or modification is authorized or permitted hereby. Upon the execution and delivery of any amendment, supplement or modification in accordance with this Section, the provisions hereof shall be modified in accordance therewith and such Amendment, supplement or modification shall form a part hereof for all purposes and every owner of a Parity Bond theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 15. Providing for Payment of Bonds. If payment of all principal of, premium, if any, and interest on all of the Parity Bonds in accordance with their terms and as provided herein is made, or is provided for in accordance with this Section, then the pledge of the Pledged Revenues granted for the Parity Bonds shall cease. The County may at any time surrender to the Registrar for cancellation any Parity Bonds previously authenticated and delivered which the County may have acquired in any manner whatsoever and such Parity Bonds upon such surrender and cancellation shall be deemed to be paid and retired. Any Parity Bond or portion thereof in authorized denominations may be deemed paid and defeased in accordance with this Section. Any Parity Bond or portion thereof shall be deemed paid and defeased: (i) if there is deposited with a bank or comparable financial institution, in trust, moneys or obligations of the United States Government ("Defeasance Obligations") or both which, with the maturing principal of and interest on such Defeasance Obligations, if any, will be sufficient, as evidenced by a certificate or report of an accountant, to pay the principal of and interest and any premium on such Parity Bond or portion thereof as the same matures, comes due or becomes payable upon prior redemption, and (ii) if such defeased Parity Bond or portion thereof is to be redeemed, notice of such redemption has been given in accordance with provisions thereof or the County has submitted to the registrar instructions expressed to be irrevocable as to the date upon which such Parity Bond or portion thereof is to be redeemed and as to the giving of notice of such redemption. Parity 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 Parity Bonds shall nevertheless continue but the owners thereof shall thereafter be entitled to payment only from the moneys or Defeasance Obligations deposited to provide for the payment of such Parity Bonds.

Section 16. Use of Proceeds. Upon delivery of the 2005 Bonds and payment therefor, the amount paid as accrued interest shall be deposited to the Bond Fund, and the balance shall be set aside in a separate special fund and used solely for the purpose approved by the electors of the County at the Bond Election.

Section 17. Tax Covenants.

A. The County recognizes that the purchasers and owners of the 2005 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 2005 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 2005 Bonds in such manner and to such extent as may be necessary so that (i) the 2005 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 2005 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 2005 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 2005 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 2005 Bonds (the "Tax Compliance Certificate") relating to the 2005 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 2005 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 2005 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 2005 Bonds; and (iii) give one or more appropriate certificates, for inclusion in the transcript of proceedings for the 2005 Bonds, setting for the reasonable expectations of the County regarding the amount and use of all the proceeds of the 2005 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 2005 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 2005 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 2005 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 2005 Bonds to be issued in, or converted into, bearer or coupon form if such action would cause interest on the 2005 Bonds to be included in gross income for federal income tax purposes.

Section 18. Continuing Disclosure Undertaking. The County also recognizes that the initial purchaser of the 2005 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 2005 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 2005 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 19. 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 2005 Bonds in substantially the form of the Preliminary Official Statement (the "Preliminary Official Statement") prepared in connection with the original issuance of the 2005 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 2005 Bonds is hereby authorized, ratified, confirmed and approved.

The Chair 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 2005 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 20. Severability. If any section, paragraph, subdivision, sentence, clause or phrase of this Resolution is for any reason held to be illegal or unenforceable, such decision will riot affect the validity of the remaining portions of this Resolution. The Board of Supervisors hereby declares that the County would have adopted this Resolution and each and every other section, paragraph, subdivision, sentence, clause or phrase hereof and authorized the issuance of the 2005 Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Resolution may be held illegal, invalid or unenforceable.

Section 21. 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 2005 Bonds as contemplated by this Resolution whether heretofore or hereafter taken shall be and are hereby ratified, confirmed and approved. Any change made in the Notice Inviting Bids for the Purchase of Street and Highway 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 22. Emergency. It is necessary to utilize an emergency clause with this Resolution to make the award of the contract for the purchase of the 2005 Bonds effective immediately, thereby committing the purchaser to the interest rates the 2005 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 2005 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 from and after its passage, adoption and approval by the Board of Supervisors of the County, and it is hereby exempt from the referendum provisions of the Constitution and laws of the State of Arizona.

PASSED, ADOPTED AND APPROVED by the Board of Supervisors of Pima County, Arizona, on May 10, 2005.

PIMA COUNTY, ARIZONA

By: Sharon Bronson
Chair, Board of Supervisors

ATTEST:

APR 0 5 2005

By: Lori Godoshian
Clerk, Board of Supervisors

APPROVED AS TO FORM:

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

By: Timothy E. Pickrell
Timothy E. Pickrell

303086.4

EXHIBIT A TO RESOLUTION NO. 2005-__

Recommend the Board of Supervisors adopt Resolution No. 2005-__ Awarding $51,200,000 of Street and Highway Revenue, Series 2005 Bonds to the low bidder, ABN AMRO Financial Services, Inc. at a Net Interest Cost of 4.028664%.

Upcoming Calendar | Overview | Result | Excel

ABN AMRO Financial Services, Inc. - New York, NY's Bid

Pima County
$51,200,000 Street and Highway Revenue Bonds Series 2005

For the aggregate principal amount of $51,200,000.00, we will pay you $51,205,167.51, 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 %	Bond Insurance
07/01/2009	3,390M	4.1250	MBIA
07/01/2010	3,510M	5.0000	MBIA
07/01/2011	3,645M	5.0000	MBIA
07/01/2012	3,790M	4.0000	MBIA
07/01/2013	3,945M	4.0000	MBIA
07/01/2014	4,110M	4.0000	MBIA
07/01/2015	4,285M	4.0000	MBIA
07/01/2016	4,475M	5.0000	MBIA
07/01/2017	4,680M	4.0000	MBIA
07/01/2018	4,890M	4.0000	MBIA
07/01/2019	5,120M	3.5000	MBIA
07/01/2020	5,360M	3.5000	MBIA

Total Interest Cost:	$20,973,489.58
Premium:	$5,167.51
Net Interest Cost:	$20,968,322.07
NIC:	4.028664
Total Insurance Premium:	$209,600.00

Time Last Bid Received On:05/10/2005 9:53:43 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: ABN AMRO Financial Services, Inc., New York, NY
Contact: charles massaro
Title: director
Telephone:212-409-7007
Fax: 212-409-7705

Issuer Name: Pima County Company Name: _____

Accepted By: _____ Accepted By: _____

Result

ABN AMRO Financial Services, Inc.'s Reoffering Scale

PARITY

Pima County
$51,200,000 Street and Highway Revenue Bonds Series 2005

Maturity Date	Amount $	Coupon %	Yield %	Dollar Price	Call Date
07/01/2009	3,390M	4.1250	3.0400	104.147	
07/01/2010	3,510M	5.0000	3.1500	108.646	
07/01/2011	3,645M	5.0000	3.3000	109.316	
07/01/2012	3,790M	4.0000	3.4800	103.242	
07/01/2013	3,945M	4.0000	3.6000	102.785	
07/01/2014	4,110M	4.0000	3.7000	102.296	
07/01/2015	4,285M	4.0000	3.7800	101.829	
07/01/2016	4,475M	5.0000	3.8500	109.542	07/01/2015 c
07/01/2017	4,680M	4.0000	4.1100	98.956	
07/01/2018	4,890M	4.0000	4.2000	97.997	
07/01/2019	5,120M	3.5000	4.4000	90.617	
07/01/2020	5,360M	3.5000	4.4600	89.531	

Accrued Interest: $146,953.99

Gross Production: $51,627,755.00

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10:01:46 a.m. PST Upcoming Calendar | Overview | Compare | Summary

Bid Results

Pima County
$51,200,000 Street and Highway Revenue Bonds Series 2005

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
	ABN AMRO Financial Services, Inc.	4.028664
	Merrill Lynch & Co.	4.044614
	First Albany Capital Inc.	4.045503
	Lehman Brothers	4.081736
	Morgan Stanley & Co Inc.	4.092090
	Goldman, Sachs & Co.	4.120209
	A.G. Edwards & Sons, Inc.	4.136544
	Piper Jaffray	4.153020
	Banc of America Securities LLC	4.166287
	Bear, Stearns & Co., Inc.	4.217488

*Awarding the Bonds to a specific bidder will provide you with the Reoffering Prices and Yields.

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Result Excel

Bids Comparison

PARITY

Pima County
$51,200,000 Street and Highway Revenue Bonds Series 2005

ABN AMRO Financial Services, Inc. - New York, NY

Maturity	Amount	Coupon
07/01/2009	3,390M	4.1250
07/01/2010	3,510M	5.0000
07/01/2011	3,645M	5.0000
07/01/2012	3,790M	4.0000
07/01/2013	3,945M	4.0000
07/01/2014	4,110M	4.0000
07/01/2015	4,285M	4.0000
07/01/2016	4,475M	5.0000
07/01/2017	4,680M	4.0000
07/01/2018	4,890M	4.0000
07/01/2019	5,120M	3.5000
07/01/2020	5,360M	3.5000

NIC 4.028664

Purchase Price$51,205,167.51

Merrill Lynch & Co. - New York, NY

Maturity	Amount	Coupon
07/01/2009	3,390M	5.0000
07/01/2010	3,510M	5.0000
07/01/2011	3,645M	5.0000
07/01/2012	3,790M	5.0000
07/01/2013	3,945M	5.0000
07/01/2014	4,110M	5.0000
07/01/2015	4,285M	5.0000
07/01/2016	4,475M	4.0000
07/01/2017	4,680M	4.0000
07/01/2018	4,890M	4.0000
07/01/2019	5,120M	3.5000
07/01/2020	5,360M	3.5000

NIC 4.044614

Purchase Price$52,152,216.44

First Albany Capital Inc. - New York, NY

Maturity	Amount	Coupon
07/01/2009	3,390M	5.0000
07/01/2010	3,510M	3.5000
07/01/2011	3,645M	4.0000
07/01/2012	3,790M	4.0000
07/01/2013	3,945M	4.0000
07/01/2014	4,110M	4.0000
07/01/2015	4,285M	4.0000
07/01/2016	4,475M	4.0000
07/01/2017	4,680M	4.0000
07/01/2018	4,890M	4.0000
07/01/2019	5,120M	4.1250
07/01/2020	5,360M	4.1250

NIC 4.045503

Purchase Price$51,206,023.70

Lehman Brothers - New York, NY

Maturity	Amount	Coupon
07/01/2009	3,390M	5.0000
07/01/2010	3,510M	5.0000
07/01/2011	3,645M	5.0000
07/01/2012	3,790M	5.0000
07/01/2013	3,945M	5.0000
07/01/2014	4,110M	5.0000
07/01/2015	4,285M	5.0000
07/01/2016	4,475M	5.0000
07/01/2017	4,680M	5.0000
07/01/2018	4,890M	4.0000
07/01/2019	5,120M	4.0000
07/01/2020	5,360M	3.5000

NIC 4.081736

Purchase Price$53,390,780.10

Morgan Stanley & Co Inc. - New York, NY

Maturity	Amount	Coupon
07/01/2009	3,390M	5.0000
07/01/2010	3,510M	3.5000
07/01/2011	3,645M	3.5000
07/01/2012	3,790M	3.5000
07/01/2013	3,945M	3.5000
07/01/2014	4,110M	3.5000
07/01/2015	4,285M	5.0000
07/01/2016	4,475M	5.0000
07/01/2017	4,680M	5.0000
07/01/2018	4,890M	5.0000
07/01/2019	5,120M	5.0000
07/01/2020	5,360M	4.0000

NIC 4.092090

Purchase Price$53,047,539.65

Goldman, Sachs & Co. - New York, NY

Maturity	Amount	Coupon
07/01/2009	3,390M	4.0000
07/01/2010	3,510M	4.0000
07/01/2011	3,645M	4.0000
07/01/2012	3,790M	5.0000
07/01/2013	3,945M	5.0000
07/01/2014	4,110M	5.0000
07/01/2015	4,285M	5.0000
07/01/2016	4,475M	5.0000
07/01/2017	4,680M	5.0000
07/01/2018	4,890M	5.0000
07/01/2019	5,120M	3.5000
07/01/2020	5,360M	3.5000

NIC 4.120209

Purchase Price$52,924,347.31

A.G. Edwards & Sons, Inc. - St. Louis, MO

Piper Jaffray - Minneapolis, MN

Banc of America Securities LLC - San Francisco, CA

Maturity	Amount	Coupon
07/01/2009	3,390M	3.5000
07/01/2010	3,510M	3.5000
07/01/2011	3,645M	3.5000
07/01/2012	3,790M	5.0000
07/01/2013	3,945M	5.0000
07/01/2014	4,110M	5.0000
07/01/2015	4,285M	5.0000
07/01/2016	4,475M	5.0000
07/01/2017	4,680M	5.0000
07/01/2018	4,890M	5.0000
07/01/2019	5,120M	4.0000
07/01/2020	5,360M	4.1250

NIC 4.136544
Purchase Price$53,436,386.91

Maturity	Amount	Coupon
07/01/2009	3,390M	5.0000
07/01/2010	3,510M	3.7500
07/01/2011	3,645M	4.0000
07/01/2012	3,790M	4.0000
07/01/2013	3,945M	5.0000
07/01/2014	4,110M	5.2500
07/01/2015	4,285M	5.2500
07/01/2016	4,475M	5.0000
07/01/2017	4,680M	5.0000
07/01/2018	4,890M	5.0000
07/01/2019	5,120M	5.0000
07/01/2020	5,360M	4.0000

NIC 4.153020
Purchase Price$54,275,431.14

Maturity	Amount	Coupon
07/01/2009	3,390M	5.0000
07/01/2010	3,510M	5.0000
07/01/2011	3,645M	5.0000
07/01/2012	3,790M	5.0000
07/01/2013	3,945M	5.0000
07/01/2014	4,110M	5.0000
07/01/2015	4,285M	5.0000
07/01/2016	4,475M	5.0000
07/01/2017	4,680M	4.0000
07/01/2018	4,890M	5.0000
07/01/2019	5,120M	5.0000
07/01/2020	5,360M	4.5000

NIC 4.166287
Purchase Price$54,563,431.45

Bear, Stearns & Co., Inc. - New York, NY

Maturity	Amount	Coupon
07/01/2009	3,390M	5.0000
07/01/2010	3,510M	5.0000
07/01/2011	3,645M	5.0000
07/01/2012	3,790M	5.0000
07/01/2013	3,945M	5.0000
07/01/2014	4,110M	5.0000
07/01/2015	4,285M	5.0000
07/01/2016	4,475M	5.0000
07/01/2017	4,680M	5.0000
07/01/2018	4,890M	5.0000
07/01/2019	5,120M	5.0000
07/01/2020	5,360M	5.0000

NIC 4.217488
Purchase Price$55,272,803.19

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EXHIBIT B TO RESOLUTION NO. 2005-__

[Form of Bond]

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC'), TO THE REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED 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
STREET AND HIGHWAY REVENUE BOND
SERIES 2005

Number: _____

Denomination: $_____

Interest Rate	Maturity Date	Original Issue Date	CUSIP
		May 1, 2005	

Registered Owner:

Principal Amount:

PIMA COUNTY, ARIZONA (the "County), for value received, hereby promises to pay, solely from the sources hereinafter described, 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, from such sources, 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 herein.

Interest is payable on January 1 and July 1 of each year, commencing January 1, 2006, 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 will be paid by check payable to the order of and mailed by the Paying Agent (as herein defined) to the registered owner at the address shown on the registration books maintained by the Registrar (as herein defined) at the close of business on the record date as explained herein 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 bonds. 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 designated office of U.S. Bank National Association.

This bond is one of an issue of bonds in the total principal amount of $51,200,000 of like tenor except as to maturity date, rate of interest and number, issued by the County to provide funds to make those certain street and highway improvements approved by a majority Vote of qualified electors voting at elections duly called and held in and for the County on November 4, 1997 pursuant to resolutions of the Board of Supervisors of the County duly adopted prior to the issuance hereof and pursuant to the Constitution and laws of the State of Arizona.

This bond is issued under the laws of Arizona, including specifically Title 11, Chapter 2, Article 12 of the Arizona Revised Statutes (the "Act"), and Resolutions adopted by the Board of Supervisors of the County on May 19, 1998, January 8, 2002, January 21, 2003 and May 10, 2005 (collectively, the "Bond Resolution"). Reference is hereby made to the Act and the Bond Resolution referred to above for the provisions thereof, including the provisions with respect to the rights, obligations, duties and immunities of the County and the owners of bonds issued thereunder, to all of which the registered owner of this bond, by acceptance of this bond, assents.

The bonds and interest thereon shall be payable solely from the revenues received by the County from highway user taxes, including motor vehicle fuel taxes, and all other taxes, fees, charges or other monies returned to the County pursuant to Title 28, Chapter 18, Article 2 and Section 42-6106 of the Arizona Revised Statutes (the "Pledged Revenues") on a parity of lien with certain outstanding bonds of the County and such additional bonds or obligations as may hereafter be issued on a parity therewith. The 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 bonds or interest or redemption premiums thereon be enforceable out of any funds other than the Pledged Revenues nor shall any owner of any bond have the right to compel any exercise of the taxing power of the County to make such payment. The County may issue additional bonds or obligations payable from the Pledged Revenues, on a parity with the bonds, upon satisfaction of the conditions set forth in the Act and the Bond Resolution.

Bonds maturing on or before July 1, 2015 are not subject to call for redemption prior to their respective maturity dates. The Bonds maturing on or after July 1, 2016 are subject to call for redemption on any date on or after July 1, 2015 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 will be given by mail to the registered owners of the bonds at the address shown on the bond register maintained by the Registrar not less than 30 days nor more than 60 days prior to the specified redemption date.

The initial Registrar and Paying Agent is U.S. Bank National Association (the "Registrar" and the "Paying Agent," as applicable). The Registrar or Paying Agent may be changed by the County without notice and the County may serve in such capacities.

This bond is transferable by the registered owner in person or by attorney duly authorized in writing at the designated office of the 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 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 authorizing resolution. The County has chosen the 15th day of the month preceding an interest payment date as the record date for this issue 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 15 days before a selection of bonds to be redeemed. Tithe 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 Registrar for a like aggregate principal amount of Bonds of the same maturity in authorized denominations upon the terms set forth in the resolution authorizing issuance of the Bonds.

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.

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 issue 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 Chair of its Board of Supervisors and attested by the Clerk of its 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 signatory of the Registrar.

PIMA COUNTY, ARIZONA

_____(facsimile)_____
Chair, Board of Supervisors

ATTEST:

_____(facsimile)_____
Clerk, Board of Supervisors

AUTHENTICATION CERTIFICATE

This bond is one of the Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005, described in the Bond Resolution mentioned herein.

Date of Authentication: _____

U.S. BANK NATIONAL ASSOCIATION,
as Registrar

By: _____
Authorized Representative

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.

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.

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 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, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of tax aspects, see "TAX EXEMPTION" herein.

$51,200,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2005

Dated: May 1, 2005 **Due: July 1, as shown below**

The Street and Highway Revenue Bonds, Series 2005 (the "Bonds") are being issued by Pima County, Arizona (the "County") in accordance with applicable State of Arizona law. The Bonds are issued in the form of fully registered bonds in denominations of $5,000 and integral multiples thereof and will bear interest from the date of the Bonds to the date of maturity or prior redemption of each of the Bonds. Interest on the Bonds is payable semiannually on each January 1 and July 1 (each an "Interest Payment Date"), commencing January 1, 2006. Interest 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 books (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, or by wire transfer 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 owning an aggregate principal amount of at least $1,000,000. Principal of and any premium on the Bonds will be payable at the designated corporate trust office of U.S. Bank National Association, or any successor thereto, as registrar and paying agent.

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

The Bonds are being issued (i) to make various street and highway improvements within the County and (ii) to pay costs relating to the issuance of the Bonds. Principal of and interest on the Bonds is payable solely from the portion of taxes, fees, charges and other moneys collected by the State of Arizona and returned to the County for street and highway purposes pursuant to Title 28, chapter 18, Article 2, Arizona Revised Statutes. See "SECURITY AND SOURCES OF PAYMENT" herein.

The Bonds do not constitute a debt, general obligation or pledge of the full faith and credit of the County nor is the County obligated to levy or collect any form of ad valorem taxes with respect to the Bonds.

The County initially intends to utilize the book-entry-only system of The Depository Trust Company ("DTC"), although the County and DTC each reserve the right to discontinue that system at any time. Utilization of the book-entry-only system will affect the method and timing of payment and the method of transfer of beneficial interests in the Bonds. So long as the book-entry-only system is in effect, the County will issue a single fully-registered bond for each maturity registered in the name of Cede & Co., as nominee of DTC, and will make all payments of principal and interest to Cede & Co. DTC will be responsible for distributing the principal and interest payments to its direct and indirect participants which will, in turn, be responsible for distribution to the purchasers of beneficial interests in the Bonds pursuant to this offering (the "Beneficial Owners"). So long as the book-entry-only system is in effect and Cede & Co., as nominee of DTC, is the registered owner of the Bonds, all references herein to owners of the Bonds and provisions for consents by owners of the Bonds will refer to and be solicited from Cede & Co. and not the Beneficial Owners.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued simultaneously with the delivery of the Bonds by MBIA Insurance Corporation.

MBIA

Maturity Schedule

Due July 1	Principal Amount	Interest Rate	Yield	Due July 1	Principal Amount	Interest Rate	Yield
2009	$3,390,000	4.125%	3.040%	2015	$4,285,000	4.000%	3.780%
2010	3,510,000	5.000	3.150	2016	4,475,000	5.000	3.850 *
2011	3,645,000	5.000	3.300	2017	4,680,000	4.000	4.110
2012	3,790,000	4.000	3.480	2018	4,890,000	4.000	4.200
2013	3,945,000	4.000	3.600	2019	5,120,000	3.500	4.400
2014	4,110,000	4.000	3.700	2020	5,360,000	3.500	4.460

(Accrued Interest to be Added)

* Priced to the July 1, 2015 par call.

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 are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if issued by the County, and subject to the approving opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel. 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 26, 2005.

May 10, 2005

PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS

Sharon Bronson, *Chair*

Ray Carroll

Ann Day

Richard Elías

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 Director

FINANCIAL ADVISOR

RBC Dain Rauscher Inc.
Phoenix, Arizona

BOND COUNSEL

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

BOND REGISTRAR AND PAYING AGENT

U.S. Bank National Association
Phoenix, 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 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 jurisdiction 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.

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Appendix A — Pima County, Arizona
General Economic and Demographic Information

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Appendix C — Form of Opinion of Bond Counsel

Appendix D — Excerpts from Pima County, Arizona
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For Fiscal Year Ended June 30, 2004

Appendix E — Form of Continuing Disclosure Undertaking

Appendix F — Specimen Financial Guaranty Insurance Policy

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$51,200,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2005

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 Street and Highway Revenue Bonds, Series 2005 (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 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.

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 being issued pursuant to the authority contained in Title 11, Chapter 2, Article 12, Arizona Revised Statutes, and more specifically under the provisions of a resolution ordering the sale of Bonds adopted by the Board of Supervisors of Pima County, Arizona (the "Board") on April 5, 2005, and an authorizing Resolution adopted by the Board on May 10, 2005 (the "Bond Resolution"). The Bonds are to be issued for the purpose of (i) making certain street and highway improvements within the County; and (ii) paying costs relating to the issuance of the Bonds.

The Bonds offered herein represent a portion of the $350,000,000 authorization approved at a special bond election held in the County on November 4, 1997. After the issuance of the Bonds, the County will have $168,800,000 principal amount of authorized but unissued street and highway revenue bonds.

General Description

The Bonds will be dated May 1, 2005 and will be issued in the form of fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Bonds will bear interest from May 1, 2005, payable semiannually on January 1 and July 1 (each an "Interest Payment Date"), commencing January 1, 2006.

Interest will be paid on each Interest Payment Date by check mailed to each registered owner of the Bonds at the address shown on the registration books (the "Bond Register") maintained by the bond registrar 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"), or by wire transfer 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 owning an aggregate principal amount of Bonds of at least $1,000,000, and the principal of the Bonds will be payable at maturity upon surrender of the Bonds to the designated corporate trust office of U.S. Bank National Association, as the bond registrar and paying agent (the "Bond Registrar" or the "Paying Agent", as applicable).

Redemption

The Bonds maturing on or before July 1, 2015 are not subject to call for redemption prior to their respective maturity dates. The Bonds maturing on or after July 1, 2016 are subject to call for redemption on any date on or after July 1, 2015 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 SECTION "BOOK-ENTRY-ONLY SYSTEM" HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE COUNTY 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 will be issued for each maturity of the Bonds 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 and, together with the Direct Participants, the "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**.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which 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, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the 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 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-only 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 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 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.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds. 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made 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 Bond Registrar and Paying Agent on the 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 Participants and not of DTC, the County or the Bond Registrar and Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar and Paying 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 Participants.

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

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

THE COUNTY WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS OR TO INDIRECT 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 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; (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF BONDS; OR (5) 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 EXEMPTION") will mean Cede & Co., as aforesaid, not 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 will 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 will be sent by the County or the Bond Registrar and 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 Bond Registrar with an appropriate instrument of transfer executed by the transferor.

MUNICIPAL BOND INSURANCE

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix F for a specimen of MBIA's financial guaranty insurance policy (the "MBIA Policy")

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the County to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that 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 guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

The MBIA Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. The MBIA Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The MBIA Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any Owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust

National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA 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 the MBIA Policy and MBIA set forth under the heading Municipal Bond Insurance and in Appendix F: "Specimen Financial Guaranty Insurance Policy". Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following document filed by the Company with the Securities and Exchange Commission (the "SEC") is incorporated herein by reference:

The Company's Annual Report on Form 10-K for the year ended December 31, 2004.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of the Company's most recent Quarterly Report on form 10-Q, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004, June 30, 2004 and September 30, 2004) are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2003, MBIA had admitted assets of $9.9 billion (audited), total liabilities of $6.2 billion (audited), and total capital and surplus of $3.7 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2004 MBIA had admitted assets of $10.3 billion (unaudited), total liabilities of $6.9 billion (unaudited), and total capital and

surplus of $3.3 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be 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 the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

SECURITY AND SOURCE OF PAYMENT

General

Both principal of and interest on the Bonds (and any bonds hereafter issued on a parity therewith) are payable from an irrevocable lien on and first pledge of all revenues received by the County from taxes, fees, charges and other moneys collected by the State of Arizona (the "State") and returned to the County for street and highway purposes pursuant to Title 28, Chapter 18, Article 2, Arizona Revised Statutes (the "Street and Highway Revenues"). See "STREET AND HIGHWAY REVENUES" herein.

The Bonds are limited obligations of the County secured only by the Street and Highway Revenues and do not constitute a debt of the County within the meaning of any constitutional, charter or statutory provisions. The owners of the Bonds shall have no right to compel the exercise of the taxing power of the County to pay principal of or interest on the Bonds.

Additional Bonds

Statutory Requirements. Arizona Revised Statutes Section 11-378 presently requires that in order for the County to issue bonds payable from Street and Highway Revenues, the County must have received Street and Highway Revenues in the year preceding the issuance of the additional bonds in an amount equal to at least one and one-half times the highest annual principal and interest requirements thereafter to come due on all such bonds to be outstanding following the issuance of the additional bonds, provided that if the Street and Highway Revenues received in the preceding year do not equal at least two times the highest annual principal and interest requirements, the proposed bonds must bear a rating at the time of issuance of "A" or better by at least one nationally recognized credit rating service, taking into account any credit enhancement facility in effect with respect to such bonds.

Bond Resolution Requirements. The Bond Resolution provides that additional bonds payable from Street and Highway Revenues may be issued if (i) the Street and Highway Revenues received by the County in the twelve-month period immediately preceding the issuance of such additional bonds equals not less than two times the maximum annual debt service on all such bonds outstanding and on such additional bonds to be issued, (ii) the payments required to be made into the bond fund for such bonds are current and (iii) no obligation payable from the bond fund for such bonds is in default as to either principal or interest.

The County will have $168,800,000 in authorized but unissued street and highway revenue bond authorization available after the issuance of the Bonds, that may only be issued subject to meeting the requirements outlined above.

Amendment of Bond Resolution

The County may modify the Bond Resolution without the consent of or notice to owners of the Bonds for one or more of the following purposes: (i) to cure any ambiguity, formal defect or omission or inconsistency; (ii) to grant to the owners of Bonds additional rights, remedies, powers or authority; (iii) to secure additional revenues or provide additional security or reserves; (iv) to comply with state or federal securities laws; (v) to preserve the exclusion of the interest on Bonds from gross income; (vi) to make other changes which do not materially adversely affect the interests of owners of Bonds; (vii) to provide for the refunding or advance refunding of any Bonds; and (viii) to provide for the issuance of Parity Bonds as permitted by the provisions of the Bond Resolution.

Other amendments to the Bond Resolution may be made with the consent of the owners of not less than a majority in principal amount of the Bonds then outstanding, but no such amendment may (i) extend the stated maturity of or time for paying interest on any Bond or reduce the principal amount of or the redemption premium or rate of interest payable on any Bond, without the consent of the owner of such Bond; (ii) prefer or give a priority to any Bond over any other Bond, without the consent of the owner of each Bond then outstanding not receiving such preference or priority; (iii) reduce the principal amount of Bonds which is required to authorize such amendment, without the consent of the owners of all Bonds then outstanding; or (iv) reduce the redemption price of any Bond upon optional redemption or reduce any period of time prior to commencement of any optional redemption period, without the consent of the owner of such Bond.

Defeasance

Under the Bond Resolution, payment of all or any part of the Bonds may be provided for by the irrevocable deposit with a trustee of moneys or U.S. Government Obligations or both, which, with the maturing principal of and interest on such U.S. Government Obligations, if any, will be sufficient, as evidenced by a certificate of an accountant, to pay when due the principal or redemption price of and interest on such Bonds. Any Bonds so provided for will no longer be considered to be outstanding under the Bond Resolution, and the owners of such Bonds shall thereafter be entitled to payment only from the amounts and obligations deposited with the trustee.

STREET AND HIGHWAY REVENUES

The Bonds are issued pursuant to the Constitution and laws of the State, including, specifically, Title 11, Chapter 2, Article 12, of the Arizona Revised Statutes, and all amendments thereto (the "Act"), and the Bond Resolution.

Under the provisions of the Act, a county may, with voter approval, borrow money and issue bonds for the purposes of improving, constructing, reconstructing, acquiring rights-of-way for or maintaining streets and highways of the county. Principal of and interest on bonds issued for such purposes are secured by a pledge of and lien on such county's Street and Highway Revenues.

The following is a summary of the County's Street and Highway Revenue sources. Such summary does not purport to be a complete description of the revenue sources and, accordingly, is qualified by reference to the Arizona Revised Statutes regarding these sources of revenue.

Highway User Tax Revenues

The Highway User Tax Revenues (as described below) are derived from and distributed pursuant to a highway and transportation financing program established by the State Legislature for the benefit of the State, counties within the State, including the County, and incorporated cities and towns within the State. The Highway User Tax Revenues are held until distributed in the State Highway User Revenue Fund (the "Highway Revenue Fund"). Highway User Tax Revenues include a number of sources of revenue. The principal sources and the manner in which they are distributed are described below.

Highway User Tax Revenues currently include the following taxes, fees and charges paid to the motor vehicle division of the Arizona Department of Transportation ("ADOT"): (i) motor vehicle fuel taxes and fuel use taxes, (ii) motor vehicle registration fees, (iii) motor carrier fees, (iv) a portion of motor vehicle license (in lieu) taxes, and (v) motor vehicle operators' license fees and miscellaneous fees and revenues. These revenue sources are further described below.

Motor Vehicle Fuel Tax Revenues. Motor vehicle fuel taxes consist of motor vehicle fuel (gasoline) taxes and motor vehicle use fuel (primarily diesel) taxes. Every distributor of gasoline is required to pay a fuel license tax for each gallon of gasoline imported into or refined in the State. These are excise taxes imposed primarily upon diesel fuel used in the propulsion of motor vehicles on the public highways of the State. The motor vehicle fuel (gasoline) tax is currently assessed at the rate of $0.18 per gallon, and the use fuel (primarily diesel) tax is assessed at $0.18 for vehicles under 26,001 pounds and other qualifying vehicles and $0.26 per gallon for all other vehicles. The motor vehicle fuel gasoline tax is collected by ADOT from licensed suppliers for each gallon of gasoline possessed, used or consumed in the State and the use fuel tax is collected by ADOT from the supplier or paid by the user for the use of the highways in this State and remitted to ADOT.

Motor Vehicle Registration Fee Revenues. Motor vehicles are required to be registered in the State on a staggered monthly registration schedule. The fee for passenger vehicles and non-commercial pickup trucks is $8 and for motorcycles the fee is $9, of which $1 is paid to the motorcycle safety fund. The fee for commercial motor vehicles, including trucks, buses and taxis, is $12, plus a graduated registration fee based upon the declared gross weight of the motor vehicle. Commercial motor vehicles that operate in several states may instead pay fees which are prorated based on the ratio of operating mileage in the State to the total fleet operating mileage in all states. Each motor vehicle registration fee is deposited in the Arizona Highway User Revenue Fund or the State Highway Fund.

Motor Vehicle License (In Lieu) Tax Revenues. The motor vehicle license (in lieu) taxes are based upon the value of the vehicle (according to a statutory formula) and are collected with the vehicle registration fees. These license taxes are distributed as follows: (i) 44.99% to the Arizona Highway User Revenue Fund, (ii) 24.59% to the general fund of the county where the motor vehicle is registered, (iii) 24.59% to the cities and towns of the county where the motor vehicle is registered, and (iv) 5.83% to the Local Transportation Assistance Fund for transit and transportation purposes. The above distribution percentages are blended since the tax rates vary between new and renewal vehicles. The small amount of Vehicle License Tax (VLT) that is collected from alternative fuel powered vehicles is distributed to the recipients listed above as well as the State General Fund to aid in school financial assistance.

Motor Carrier Fee Revenues. The motor carrier fee is imposed on commercial motor vehicles, whether common, contract or private carriers, with a gross weight in excess of 12,000 pounds. The motor carrier fee increases as the declared gross vehicle weight of the vehicle increases. All motor carrier fee revenues are deposited to the Arizona Highway User Revenue Fund.

Motor Vehicle Operators' License Fees and Miscellaneous Fees and Revenues. The balance of the Arizona Highway User Revenue Fund revenues includes motor vehicle operators' license fees and miscellaneous fees and revenues. The miscellaneous fees and revenues include certificates of title fees, oversize permit fees, inquiry fees, investment income on moneys held in the Arizona Highway User Revenue Fund, certain fines, penalties and other miscellaneous fees.

Distribution of Highway User Tax Revenues

After certain de minimus statutory allocations are made, all remaining Highway User Tax Revenues are allocated under the following statutory formula: ADOT receives 50.5%, counties 19%, cities of over 300,000 population 3% and all incorporated cities and towns 27.5%. The monies distributed to counties are allocated among the counties in the State and distributed on a monthly basis, as follows: (i) 72% of the funds are distributed among the counties in proportion to the sale and consumption of fuel within each county during the month preceding the distribution at issue; and (ii) the remainder is distributed among the counties based on the proportionate population within the unincorporated areas of each county.

Receipt of monies under this distribution formula is subject to certain adjustments, reporting requirements and limitations including a requirement that the County comply with the procedural guidelines established by ADOT and the standards established by the Technical Advisory Committee of ADOT when submitting ADOT required data and information concerning the status of transportation systems. The County has covenanted in the Bond Resolution to comply with these provisions of the law and meet certain local revenue spending requirements.

Since 1981 the Arizona Legislature has on several occasions enacted legislation to fund the State's transportation needs. (In both 1981 and 1985, comprehensive transportation finance programs were enacted that significantly increased transportation funding in the State and put into place many of the current funding mechanisms.) The Arizona Legislature has previously altered and may in the future alter (1) the type and/or rate of the taxes, fees and charges which are deposited into the State Highway User Revenue Fund or (2) the allocation formulas for such moneys. The authority of the State Legislature to make such changes in the allocation of moneys deposited into the State Highway User Revenue Fund is subject to the requirement of the Arizona Constitution that the majority of the items comprising the Highway User Revenue Funds may only be used for highway-related purposes including, but not limited to, paying debt service on bonds issued for such purposes by the State and political subdivisions such as the County. In addition, the Arizona Supreme Court has indicated that the State Legislature may not reduce revenues to any recipient who has issued street and highway user revenue bonds in such a manner which impairs the recipient's ability to meet debt service requirements on such bonds.

The following tables indicate for the periods shown the amount of Highway User Tax Revenues collected by the State and the number of motor vehicle registrations and gallons of motor vehicle fuel taxed within the State and the County.

STATE OF ARIZONA
HIGHWAY USER TAX REVENUES
(000'S)

Fiscal Year	Gasoline & Use Fuel Revenues	Registration & In Lieu Taxes	Motor Carrier Tax	License Fees & Other	Total Highway User Tax Revenues
2003-04	642,533	458,900	34,617	43,510	1,179,561
2002-03	613,635	423,274	32,856	41,490	1,111,256
2001-02	596,325	408,851	29,347	41,873	1,076,396
2000-01	574,259	383,882	32,678	40,147	1,030,966
1999-00	565,736	376,892	36,563	40,409	1,019,599

Source: Arizona Department of Transportation, Administrative Services Division

MOTOR VEHICLE REGISTRATIONS

	State of Arizona		Pima County	
Calendar Year	Total Number of Vehicle Registrations	Percentage Change	Total Number of Vehicle Registrations	Percentage Change
2005 (a)	5,236,491	3.1%	749,284	2.1%
2004	5,079,849	4.9%	733,810	4.2%
2003	4,844,172	3.3%	704,394	2.4%
2002	4,690,865	1.1%	687,668	0.5%
2001	4,639,405	5.3%	684,396	3.1%
2000	4,407,098	3.5%	664,135	3.1%

(a) Calendar year 2005 data through March 8, 2005.

Source: Arizona Department of Transportation, Motor Vehicle Division

GALLONS OF MOTOR VEHICLE FUEL TAXED (a)

Fiscal Year	State of Arizona Total Gallons Taxed	State of Arizona Percentage Change	Pima County Total Gallons Taxed	Pima County Percentage Change
2003-04	3,430,332,569	2.48%	509,735,935	(0.74%)
2002-03	3,347,257,504	1.65%	513,530,700	2.24%
2001-02	3,292,998,725	4.87%	502,266,054	0.21%
2000-01	3,140,049,863	0.97%	501,235,940	(0.18%)
1999-00	3,109,862,515	4.03%	502,147,619	7.97%

(a) Includes both gasoline and use fuel gallonage.

Source: Arizona Department of Transportation, Motor Vehicle Division.

Street and Highway Revenues Received by the County

The following table sets forth the annual Street and Highway Revenues received by the County during the most recent five-year period.

PIMA COUNTY
STREET AND HIGHWAY REVENUES

Fiscal Year	Street & Highway Revenue Receipts
2003-04	51,334,009
2002-03	48,071,873
2001-02	47,071,345
2000-01	48,317,053
1999-00	47,699,000

Source: Pima County, Financial and Information Services Department.

STREET AND HIGHWAY REVENUE BOND DEBT SERVICE REQUIREMENTS AND DEBT SERVICE COVERAGE

Fiscal Year	Street & Highway Revenues Pledged (1)	Outstanding Debt Service (2)	Series 2005 Bonds Principal	Series 2005 Bonds Interest (3)	Total Debt Service Requirements	Debt Service Coverage (1)(4)
2003-04	$51,334,000	N/A			N/A	N/A
2004-05		$12,870,013			$12,870,013	3.99
2005-06		14,298,813		$2,468,827	16,767,640	3.06
2006-07		14,575,413		2,116,138	16,691,551	3.08
2007-08		14,381,388		2,116,138	16,497,526	3.11
2008-09		10,235,275	$3,390,000	2,116,138	15,741,413	3.26
2009-10		10,269,244	3,510,000	1,976,300	15,755,544	3.26
2010-11		10,305,963	3,645,000	1,800,800	15,751,763	3.26
2011-12		10,349,050	3,790,000	1,618,550	15,757,600	3.26
2012-13		3,415,713	3,945,000	1,466,950	8,827,663	5.82
2013-14		3,423,913	4,110,000	1,309,150	8,843,063	5.81
2014-15		3,437,513	4,285,000	1,144,750	8,867,263	5.79
2015-16		3,456,113	4,475,000	973,350	8,904,463	5.76
2016-17		3,471,700	4,680,000	749,600	8,901,300	5.77
2017-18		3,486,125	4,890,000	562,400	8,938,525	5.74
2018-19			5,120,000	366,800	5,486,800	9.36
2019-20			5,360,000	187,600	5,547,600	9.25

(1) As reported by the Arizona Department of Transportation and the County for fiscal year 2003-04.

(2) Does not include two loans currently outstanding in the aggregate principal amount of $1.98 million that the County received in 2002 from the Highway Expansion and Extension Loan Program (HELP) of ADOT. The loans from the HELP program allowed the County to accelerate by several years the completion of two projects that were scheduled to be funded from Federal aid highway revenues in future years. Final payments on each loan are due in January 2007 and each loan is payable solely from the County's Highway User Tax Revenues, on a basis junior and subordinate to amounts due on the Bonds and all parity bonds.

(3) Interest on the bonds is actual.

(4) Pursuant to the Bond Resolution in order for the County to issue Parity Bonds, the Street and Highway Revenues received for the year immediately preceding the issuance of such Bonds must be equal to at least two times the highest annual debt service requirement on all outstanding Parity Bonds, including the Bonds proposed to be issued. The debt service coverage shown reflects the calculations of this requirement. See "SECURITY AND SOURCE OF PAYMENT – Additional Bonds" herein.

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 C to this Official Statement. Fees of Bond Counsel will be paid from Bond proceeds.

TAX EXEMPTION

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 will express no opinion as to any other tax consequences regarding the Bonds.

The opinion on federal 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 to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the interest on the Bonds is and will remain excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of those certifications and representations or compliance.

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 in order for the interest to be and to remain so excluded from the date of issuance. Noncompliance with these requirements by the County may cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to the date of their issuance. 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.

A portion of the interest on the Bonds earned by corporations may be subject to the federal corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

Pursuant to 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 or other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding such consequences.

Purchasers of the Bonds at other than their original issuance at the respective prices indicated on the inside front cover of this Official Statement should consult their own tax advisers regarding other tax considerations such as the consequences of any market discount.

Original Issue Discount/Original Issue Premium

Certain of the Bonds ("Discount Bonds") as indicated on the inside front 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 to 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 inside front 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 (for purposes of this subheading, "Premium Bonds") as indicated on the inside front cover of this Official Statement were offered and sold to the public at a price in excess of their stated principal amounts payable at the scheduled principal payment dates. That excess constitutes premium. For federal income tax purposes, premium is amortized over the period to scheduled principal payment date of a Premium Bond, based on the yield to scheduled principal payment date of that Premium Bond (or, in the case of a Premium Bond callable prior to its scheduled principal payment date, 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 premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, payment (including payment at the scheduled principal payment date) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of 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 inside front cover of this Official Statement who holds that Premium Bond to its scheduled principal payment date (or, in the case of a callable Premium Bond, to its earlier prepayment 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 Premium Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of premium properly accruable in any period with respect to the Premium Bonds and as to other federal tax consequences and the treatment of 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.

On April 1, 2005, the County received a notice of claim from the widow of a local doctor who was a homicide victim in October 2004. The notice of claim is a statutorily required precedent to filing a lawsuit against the County. The notice of claim, which seeks $20 million of damages, contends that a former County prosecutor was aware of threats made against the widow's late husband by the individual arrested, but not yet tried, in connection with the homicide and failed to warn the victim. The County has 60 days from receipt to consider whether to respond to the claim, after which the claimant may file a lawsuit. The County is unable to determine presently whether this matter will result in litigation or, if pursued, to assess any resulting potential liability of the County.

RATINGS

Moody's Investors Service ("Moody's) and Standard & Poor's Rating Group ("S&P") have assigned ratings of "Aaa" and "AAA" respectively to the Bonds with the understanding that upon delivery of such Bonds, MBIA will issue the MBIA Policy. Additionally, the Bonds have been assigned uninsured ratings of "A1" by Moody's and "A+" by S&P. Such ratings reflect only the respective views of Moody's and S&P, 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 its 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 the first business day in February in each year, commencing February 1, 2006 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material (the "Notice of Material Events"). The Annual Report will be filed by the County with each Nationally Recognized Municipal Securities Information Repository and with any state information depository established by the State. (At present no such state information depository has been designated.) The Notices of Material Events will be filed by the County with each Nationally Recognized Municipal Securities Information Repository and with any state information depository established by the State. The specific nature of the information to be contained in the Annual Report and the Notices of Material Events is set forth in "Appendix E - Form of Continuing Disclosure Undertaking."

These covenants have been made in order to assist the underwriter 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 Nationally Recognized Municipal Securities Information Repository and to any state information depository established by the State. 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 failed to file certain schedules as part of its continuing disclosure requirements related to its 1998 Sewer Revenue Bonds by February 1, 2002. The disclosures were filed, however, with all Nationally Recognized Municipal Securities Information Repositories by July 1, 2002. The County has otherwise complied with all existing continuing disclosure undertakings relating to the County in all material respects.

FINANCIAL STATEMENTS

Included as Appendix D of this Official Statement are the County's basic financial statements for the fiscal year ended June 30, 2004. The County has not requested or obtained the consent of the Office of the Arizona Auditor General to include such basic financial statements in the Official Statement and the Office of the Arizona Auditor General has performed no procedures subsequent to rendering its opinion on such basic financial statements.

ADDITIONAL INFORMATION

Additional information and copies of the Official Statement may be obtained from RBC Dain Rauscher Inc., 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 /s/ Sharon Bronson
Chair, Board of Supervisors

By: /s/ C. H. Huckelberry
County Administrator

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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 2004 population of 931,210. Nearly 56% 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
2004 Estimate (a)	931,210	521,605	5,832,150
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, 2004.

Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Economic Security, 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 "Department") 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 and during 1969 to 1972; he was a Civil Engineer and Land Surveyor for Jones and Associates. 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 Director in January 2005 and served as Deputy Director of the Finance Department from May 2004. Prior to his move to the Finance Department, Mr. Burke served as Deputy Director of Pima County's Department of Natural Resources, Parks and Recreation beginning September 2003.

From 2000 to 2003, he was a Deputy County Attorney representing various Pima County departments primarily including the County Assessor, the County Treasurer, Public Works departments, and the Natural Resources, Parks and Recreation Department. From 1989 to 1998 Mr. Burke served as the Manager of Pima County's Real Property Division of the Pima County Department of Transportation and Flood Control District 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.

Mr. John M. Bernal was appointed Deputy County Administrator for Public Works in March 2001. From June 1994 through March 2001, Mr. Bernal served as United States Commissioner to the International Boundary and Water Commission, an international agency responsible for the application of boundary and water treaties between the United States and Mexico and for the amicable resolution of any differences arising in relation to those agreements. From 1980 to 1984 and then again from 1990 to 1994 Mr. Bernal worked for the Pima County Department of Transportation and Flood Control District in a variety of positions with his last position being that of Director. Mr. Bernal left the County during 1984 to 1990 and worked for various developers in the Tucson area. He holds both a Bachelor of Science Degree in Civil Engineering and a Master in Business Administration from the University of Arizona, Tucson and is a registered engineer and registered Land Surveyor for Arizona as well as a member of numerous professional organizations.

Mr. Kurt Weinrich was appointed in October of 2001 to be the Director of the Pima County Department of Transportation and Flood Control. Prior to assuming his current position Mr. Weinrich was employed as Senior Consultant in the Las Vegas, Nevada office of the international consulting firm, CH2M HILL, Inc. Prior to that, he served as the Director of the Regional Transportation Commission of Clark County, Nevada, for eleven years. His career includes various positions as traffic engineer, city engineer, or director of public works for municipalities in three states. He holds a Bachelor of Science Degree in Civil Engineering from Cleveland State University, Cleveland, Ohio and is a registered engineer as well as a member of numerous professional organizations.

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 U.S. Highways 80, 89 and 93. 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; these three industries represented nearly 85% of total employment in 2004. Figures from the Arizona Department of Economic Security indicate that 351,500 persons were employed, on average (not including the agricultural industry), in the County in 2004. 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 2001-2004

Industry	2001	2002	2003	2004
Goods Producing				
Natural Resources and Mining	1,800	1,500	1,200	1,200
Construction	22,700	22,500	22,900	23,700
Manufacturing	33,000	30,500	28,700	28,300
Service Producing				
Trade, Transportation and Utilities	55,300	54,400	54,400	54,600
Information	7,700	7,900	7,600	7,700
Financial Activities	14,400	14,400	15,100	15,900
Professional and Business Services	41,300	41,500	41,300	41,800
Education and Health Services	41,800	43,600	45,600	47,700
Leisure and Hospitality	38,200	37,300	36,500	37,700
Other Services	14,300	14,500	14,500	14,800
Government	76,800	77,900	78,200	78,100
Total Wage & Salary Employment	347,300	346,000	346,000	351,500

Source: Arizona Department of Economic Security.

The average unemployment rate for the County in 2004 was 3.7%. The average annual unemployment rate for 2003 and 2002 was 4.3% and 4.5%, respectively. The table below shows comparative unemployment rates for the County, the State and the United States.

TABLE 3

Pima County
Comparative Employment Statistics

	Pima County		Unemployment Rate		
Calendar Year	Average Employment	Average Unemployment	Pima County	Arizona	U.S.
2004	419,043	16,191	3.7%	4.8%	5.5%
2003	407,620	18,398	4.3%	5.6%	6.0%
2002	405,558	20,721	4.9%	6.2%	5.8%
2001	400,495	14,552	3.5%	4.7%	4.8%
2000	395,897	11,811	2.9%	4.0%	4.0%

Source: Arizona Department of Economic Security

TABLE 4

Pima County
Major Employers

Company	Type of Business	Approximate Number of Full-Time Equivalents
University of Arizona	Education	10,348
Raytheon Missile Systems	Missile Manufacturing	10,300
State of Arizona	Government	9,750
Davis-Monthan Air Force Base	Military	8,727
Tucson Unified School District	Education	7,684
Pima County	Government	6,767
City of Tucson	Government	6,757
Wal-Mart Stores, Inc.	Retail	4,595
Phelps Dodge Mining Company	Mining	4,500
Carondelet Health Network	Health Care	3,746
Tohono O'odham Nation	Tribal Government	3,665
TMC Health Care	Health Care	3,135
University Medical Center	Health Care	2,918
Pascua Yaqui Tribe	Tribal Government	2,500
U.S. Border Patrol	Government	2,300
Pima Community College	Education	2,226
Sunnyside Unified School District	Education	2,223

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2005).

Services

From 2001 to 2004, the service-providing industry in the County (excluding Government employees) expanded by 7,200 jobs or 3.4%. The average annual employment in the service-providing industry in 2004 was 220,200. 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 78,100 in 2004. This sector expanded by 1,300 jobs from 2001 to 2004. The University of Arizona, 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 aircraft. Texas Instruments and International Business Machines manufacture 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 2004 was 28,300, representing 8.0% of the County's total wage and salary employment base. Manufacturing employment during 2003 and 2002 averaged 28,700 and 30,500, respectively.

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

TABLE 5

Metropolitan Pima County
Major Manufacturers

Company	Type of Business	Approximate 2004 Employment
Raytheon Missile Systems	Missile Manufacturing	10,300
IBM Storage System Division	Computer Systems	1,700
Texas Instruments Tucson	Semiconductor Products	950
Bombardier Aerospace	Aircraft Maintenance	890
Honeywell	Aircraft Electronic Systems	800
Ventana Medical Systems	Computer Systems	446
Air System Components	Air Registers	405
Beacon Group Phoenix	Contract Labor Work	347
Kalil Bottling Co.	Soft Drinks	321
Precision Shooting Equipment	Firearms	300

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2005).

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 Mexican economy may negatively impact the growth of the previously described manufacturing concerns.

The County has encouraged the location of industry within the community by the development of 33 industrial parks and funding, in conjunction with Tucson, the Greater Tucson Economic Council, a private, non-profit organization.

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 700 convention bookings with 215,625 convention delegates visited the Tucson area in fiscal year 2003-04. In the Tucson area, there are 232 hotels and resorts with over 15,165 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, Chicago White Sox and Colorado Rockies.

According to the Arizona Hospitality Research & Resource Center, nearly $1.3 billion was spent in the County in 2004. 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 2000 and 2004.

Total Tourist Expenditures
($ in millions)

Year	Pima County	State of Arizona
2004	$1,283	$8,515
2003	1,190	7,808
2002	1,163	7,441
2001	1,161	7,413
2000	1,167	7,522

Education

The University of Arizona (the "University") provides approximately 10,300 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 2004 were estimated at 36,932 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 2002-03 was estimated at 68,300 students.

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 on the following page 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 2.5% 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
2004	$6,594,312,765	6.08%
2003	6,216,097,166	3.39%
2002	6,012,022,946	1.13%
2001	5,944,792,196	2.20%
2000	5,816,299,178	8.63%

(a) Excludes Food Sales and Gas Tax.

Source: Arizona Department of Revenue.

Financial Institutions

The following table illustrates the total dollars on deposit with participating banks for the County on June 30 of each year.

TABLE 7

Pima County
Bank Deposits (a)

Year	Amount
2004	$8,941,000,000
2003	8,091,000,000
2002	7,391,000,000
2001	6,538,000,000
2000	6,427,000,000

(a) As of June 30, for commercial banks, savings institutions and U.S. branches of foreign banks.

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. This level of impact dropped to $0.875 billion in 1986, but increased to $1.49 billion in 1999. The direct economic impact of the industry statewide was approximately $1.087 billion, $1.075 billion, and $1.278 billion in 2003, 2002 and 2001, respectively. The direct impact of the copper industry within the County was nearly $370 million in 2003, $275 million in 2002 and $315 million in 2001. Employment in the mining industry within the County was approximately 1,200 in 2004, 1,200 in 2003 and 1,500 in 2002.

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
2003	$66,646,000
2002	51,983,000
2001	48,013,000
2000	45,502,000
1999	53,573,000

Source: *Arizona Agricultural Statistics Bulletin,* September 2004.

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
2004	$1,680,800,000	$284,275,000	$16,206,000	$117,220,000	$2,098,501,000
2003	1,386,884,000	312,257,000	8,717,000	82,909,000	1,790,767,000
2002	1,089,239,000	277,762,000	10,766,000	131,771,000	1,509,538,000
2001	989,210,000	234,454,000	23,526,000	98,008,000	1,345,198,000
2000	859,751,000	182,831,000	16,748,000	216,626,000	1,275,956,000

Source: Arizona Real Estate Center, L. William Seidman Research Institute, College of Business, Arizona State University.

TABLE 10

Pima County
New Housing Starts

Year	Total Housing Units Permitted
2004	11,452
2003	9,635
2002	8,915
2001	8,735
2000	8,337

Source: Arizona Real Estate Center, L. William Seidman Research Institute, College of Business, Arizona State University.

During 1998, the Arizona Legislature promulgated the Growing Smarter Act of 1998 ("Growing Smarter") which created new planning requirements throughout the State and provided stronger tools for local governments in their efforts to manage rapid development. Growing Smarter also created the "Growing Smarter Commission" which conducted hearings throughout the State on ways to enhance the law and to address certain other issues. During 2000, the Arizona Legislature adopted additional legislation known as "Growing Smarter Plus" which significantly expanded the requirements of Growing Smarter, and particularly the planning requirements passed in 1998. Fast growing communities are now 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. To pay for growth, communities are permitted to establish service area limits, beyond which new growth pays the full cost for services. Growing Smarter allowed citizens to refer general plans passed by local government to the ballot for voter approval. Growing Smarter Plus goes a step farther by requiring fast growing and large cities, the County and Maricopa County to submit their general plans to the voters for ratification. The general plan of such jurisdictions will be subject to future ratification by its voters every 10 years. It is not possible to determine the effect the foregoing will have on continuing development in the County.

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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 2003-04 fiscal year was $381,461,790. The County's expenditures for the 2003-04 fiscal year were under the limit. The County's 2004-05 fiscal year expenditure limitation is $396,261,892.

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 described herein under the subheading "The Bonds – Security and Sources 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 Projection 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 2000-01 through 2004-05 for each class of property are set forth below.

Property Tax Assessment Ratios
2000-01 through 2004-05

Classification (a)	2000-01	2001-02	2002-03	2003-04	2004-05
Mining , Utility, Commercial and Industrial (b)	25%	25%	25%	25%	25%
Agriculture and Vacant Land (b)	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 (c)	21%	21%	21%	20%	21%

(a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body's total valuation.
(b) The first $56,298 of full cash value of commercial, industrial and agricultural personal property is exempt from taxation. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of those amounts will be assessed at 25% or 16%, as applicable.
(c) 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 it 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 2004-05

Estimated Actual Valuation*	$43,778,402,824
Net Secondary Assessed Valuation	$ 5,620,156,274
Net Primary Assessed Valuation	$ 5,412,550,080

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

Source: Pima County Assessor's *Abstract of the 2004 Tax Roll for Pima County*.

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
2004-05	$5,620,156,274	$43,778,402,824	12.84%
2003-04	5,221,270,997	43,733,555,507	11.94%
2002-03	4,835,561,219	36,999,609,652	13.07%
2001-02	4,491,395,307	34,150,201,378	13.15%
2000-01	4,236,070,095	32,488,178,944	13.03%

Source: Arizona Tax Research Foundation, *Property Tax Rates and Assessed Value*, Pima County Finance Department and Pima County Assessor's *Abstract of the 2004 Tax Roll for Pima County.*

* 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
2004-05	$2,558,231,181	5.40%	$5,620,156,274	7.64%	$44,461,738,026	8.87%
2003-04	2,427,120,926	5.98%	5,221,270,997	7.98%	40,839,898,348	10.97%
2002-03	2,268,733,334	6.09%	4,835,561,219	7.66%	36,805,206,912	6.76%
2001-02	2,138,461,318	4.40%	4,491,395,307	6.03%	34,473,431,135	8.28%
2000-01	2,048,620,866	5.31%	4,236,070,095	5.88%	31,837,391,782	9.41%

Source: Arizona Tax Research Foundation, *Property Tax Rates and Assessed Value*, Pima County Finance Department and Pima County Assessor's *Abstract of the 2004 Tax Roll for Pima County.*

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 2004-05 Net Secondary Assessed Valuation	As Percent of County's 2004-05 Net Secondary Assessed Valuation
Tucson Electric Power Co.	$145,703,385	2.59%
Qwest Corporation	104,468,013	1.86%
Southwest Gas Corporation	63,012,885	1.12%
DND Neffson Co	22,376,657	0.40%
Arizona Portland Cement Co	21,299,034	0.38%
Phelps Dodge	20,264,613	0.36%
Westin Tucson Hotel Co	16,358,321	0.29%
HDP Northwest LLC	14,708,284	0.26%
CHH Tucson Partnership LP	14,098,866	0.25%
Northwest Hospital	13,778,530	0.25%
	$436,068,588	7.76%

(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 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
2004-05	$281,171,502	(c)	(c)	$151,071,836	53.73%
2003-04	260,569,500	$250,928,829	96.30%	257,682,348	98.89%
2002-03	241,415,870	231,618,482	95.94%	240,387,530	99.57%
2001-02	228,476,979	218,191,563	95.50%	227,163,167	99.42%
2000-01	214,642,135	204,963,396	95.49%	213,527,948	99.48%
1999-00	201,924,932	192,408,605	95.29%	200,950,582	99.52%

(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 January 31, 2005 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
2004-05	$4.0720	$1.4247	$5.4967
2003-04	4.0720	1.4261	5.4981
2002-03	4.0720	1.4278	5.4998
2001-02	4.0720	1.5108	5.5828
2000-01	4.0720	1.4915	5.5635

Source: *Property Tax Rates and Assessed Values,* The Arizona Tax Research Foundation and Pima County Finance 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 County's General Obligation Bonds, Series 2005.

Net Secondary Assessed Valuation (FY 2004-05)	**$5,620,156,274**
15% Constitutional Limitation	843,023,441
Net Direct General Obligation Bonds Outstanding	(297,105,000)
Unused 15% Limitation	$545,918,441

General Obligation Bonded Debt to be Outstanding

The following chart indicates the outstanding general obligation bonded debt of the County that will be outstanding after the issuance of the County's General Obligation Bonds, Series 2005 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%	$25,465,000
10-01-99	50,000,000	Various Improvements	7-1-00/10	5.040%	31,115,000
08-01-00	50,000,000	Various Improvements	7-1-01/14	4.760%	38,000,000
07-01-01	17,835,000	Refunding	7-1-03/09	4.410%	13,175,000
01-01-02	20,000,000	Various Improvements	7-1-02/16	4.000%	13,000,000
01-05-03	50,000,000	Various Improvements	7-1-03/17	3.900%	46,350,000
06-01-04	65,000,000	Various Improvements	7-1-05/19	4.207%	65,000,000
Total General Obligation Bonded Debt Outstanding					232,105,000
Plus: The General Obligation Bonds, Series 2005					65,000,000(a)
Total General Obligation Bonded Debt to be Outstanding					$297,105,000

(a) The General Obligation Bonds, Series 2005 are being issued concurrently with the sale of the Bonds under a separate Official Statement.

Annual Debt Service Requirements of General Obligation Bonded Debt to be Outstanding

The following chart indicates the general obligation debt service requirements of the County that will be outstanding after the issuance of the County's General Obligation Bonds, Series 2005.

Fiscal Year	Existing General Obligation Bonded Debt Outstanding		Series 2005 Bonds Dated: May 1, 2005		Total Debt Service
30-Jun	Principal	Interest	Principal	Interest (a)	Requirement
2005	$29,835,000	$5,143,518			$34,978,518
2006	29,785,000	9,001,385	$6,175,000	$3,106,046	48,067,431
2007	25,825,000	7,612,435	6,510,000	2,415,325	42,362,760
2008	21,955,000	6,416,530	3,050,000	2,122,375	33,543,905
2009	17,075,000	5,416,380	3,185,000	2,000,375	27,676,755
2010	16,460,000	4,629,730	3,330,000	1,872,975	26,292,705
2011	13,710,000	3,875,950	3,480,000	1,739,775	22,805,725
2012	13,890,000	3,245,550	3,635,000	1,600,575	22,371,125
2013	14,085,000	2,609,250	3,800,000	1,455,175	21,949,425
2014	11,965,000	1,989,050	3,970,000	1,284,175	19,208,225
2015	9,115,000	1,463,300	4,150,000	1,105,525	15,833,825
2016	8,935,000	1,089,681	4,335,000	898,025	15,257,706
2017	8,970,000	708,400	4,530,000	724,625	14,933,025
2018	5,115,000	315,000	4,735,000	543,425	10,708,425
2019	5,385,000	161,550	4,945,000	354,025	10,845,575
2019			5,170,000	180,950	5,350,950

(a) The first interest payment date on the General Obligation Bonds, Series 2005 is January 1, 2006. Interest on the Bonds is actual.

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	2004-05 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	$44,461,738,026	None	100%	None	$0.0000
Pima County	**5,620,156,274**	**$297,105,000**	**100%**	**$297,105,000**	**5.1421 (b)**
Pima County Flood Control District (c)	4,907,357,254	4,120,000	100%	4,120,000	0.3546
Elementary School Districts	225,932,271	3,390,000	100%	3,390,000	2.7572 (d)
Unified School Districts	5,386,025,233	587,295,000	100%	587,295,000	7.4711 (d)
Cities and Towns	3,229,591,904	274,059,070	100%	274,059,070	0.9398 (d)
Pima County Community College District	5,620,156,274	80,785,000	100%	80,785,000	1.3428
Total				**$1,246,754,070**	

Jurisdiction	2004-05 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding (a)(f)	Combined Tax Rate Per $100 Assessed Valuation (e)
State of Arizona	$44,461,738,026	None	$0.0000
Pima County	5,620,156,274	$297,105,000	5.1421 (b)
Pima County Flood Control District (c)	4,907,357,254	4,120,000	0.3546
Pima County Community College District	5,620,156,274	80,785,000	1.3428
Elementary School Districts:			
San Fernando ESD #35	911,229	None	0.0000
Empire ESD #37	4,428,357	None	6.1171
Continental ESD #39	193,866,290	3,390,000	2.2216
Redington ESD #44	1,126,040	None	3.9915
Altar Valley ESD #51	25,600,355	None	6.2759
Unified School Districts:			
Tucson USD #1	2,498,086,222	266,600,000	8.3286
Marana USD #6	454,309,453	74,330,000	6.5034
Flowing Wells USD #8	164,538,782	12,835,000	6.5883
Amphitheater USD #10	1,035,842,553	99,895,000	6.3375
Sunnyside USD #12	311,227,376	51,605,000	8.4846
Tanque Verde USD #13	135,898,992	6,170,000	5.6661
Ajo USD #15	13,579,791	None	4.4316
Catalina Foothills USD #16	440,943,767	39,805,000	6.6459
Vail USD #20	228,913,523	17,435,000	7.0008
Sahuarita USD #30	98,749,653	18,620,000	8.3095
Indian Oasis USD #40	2,935,121	None	0.0000
Cities and Towns:			
City of Tucson	2,558,231,181	274,059,070	1.1847
City of South Tucson	18,395,271	None	0.2383
Town of Marana	213,420,010	None	0.0000
Town of Oro Valley	375,458,828	None	0.0000
Town of Sahuarita	64,086,614	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 $0.2124 tax rate of the Free Library District, and the $0.0427 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 General Obligation Bonds, Series 2005.

Jurisdiction (g)	Authorized But Unissued General Obligation Bonds
Pima County	$519,710,000
Tucson Unified School District No. 1	188,000,000
City of Tucson	39,140,000
Catalina Foothills Unified School District No. 16	18,810,000
Marana Unified School District No. 6	4,845,000
Indian Oasis Unified School District No. 40	500,000

(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 2004-05	
	Per Capita Net Debt (Pop. @ 931,210) (a)	**Secondary Assessed Valuation ($5,620,156,274)**	**Est. Actual Valuation ($43,778,402,824)**
Net Direct General Obligation Bonded Debt ($297,105,000) (b)	$319.05	5.29%	0.68%
Net Direct and Overlapping General Obligation Bonded Debt ($1,246,754,070)	$1,338.85	22.18%	2.85%

(a) Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Economic Security, Population Statistics, July, 2004.
(b) Reflects the Net General Obligation Bonds Outstanding after the issuance of the County's General Obligation Bonds, Series 2005.

Street and Highway Revenue Bonded Debt Outstanding (a)

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

Date of Issue	Original Amount	Purpose	Original Maturity Dates	Remaining Balance Outstanding
5-01-98	$40,000,000	Street & Highway Improvements	7-1-99/08	$ 16,000,000
1-01-02	55,000,000	Street & Highway Improvements	7-1-03/12	45,750,000
1-15-03	35,000,000	Street & Highway Improvements	7-1-04/18	33,500,000
Total Street and Highway Revenue Bonds Outstanding				$95,250,000
Plus: The Bonds Offered Herein				51,200,000
Total Street and Highway Revenue Bonds to be Outstanding				$146,450,000

(a) In 2002, the County received two loans totaling $5.1 million from the Highway Expansion and Extension Loan Program (HELP) of the Arizona Department of Transportation. The loans from the HELP program allowed the County to accelerate by several years the completion of two projects that were scheduled to be funded from Federal aid highway revenues in future years. Final payments on each loan, which are currently outstanding in the aggregate principal amount of $1.98 million, are due in January 2007 and each loan is payable solely from the County's Highway User Tax Revenues, on a basis junior and subordinate to amounts due on the Bonds and all Parity Bonds.

Sewer Revenue Debt Outstanding

The following chart lists the sewer revenue debt of the County that is currently outstanding.

Date of Issue	Original Amount	Purpose	Remaining Maturity Dates	Balance Outstanding
01-01-93	$ 6,000,000	Sewer Improvements	7-1-01/05	$ 315,000
02-01-96	11,313,350	Refunding (a)(b)	7-1-04/12	10,615,744
06-01-97	7,500,000	Sewer Improvements (b)	7-1-01/11	4,221,854
05-01-98	29,185,000	Sewer Improvements	7-1-01-15	21,575,000
10-27-00	61,180,286	Sewer Improvements (b)(c)	7-1-02-16	51,942,063
04-01-01	19,440,000	Refunding	7-1-04/15	17,120,000
05-01-04	25,770,000	Refunding	7-1-05/15	25,770,000
05-11-04	18,015,219	Sewer Improvements (b)	7-1-05/24	18,015,219
Total Sewer Revenue Bonded Debt Outstanding				$149,574,880

(a) Proceeds of this loan were used to refund in advance of maturity $5,025,000 of the Sewer Revenue Bonds, Series 1992, $2,845,000 of the Sewer Revenue Bonds, Series 1993 and $2,650,000 of the Sewer Revenue Bonds, Series 1994B. The debt service requirements on the refunded bonds are secured for payment by U.S. Government Securities, which are held in an irrevocable trust.

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

(c) 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.

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 three fiscal years appears below.

	Fiscal Year		
County Department	**2001-02**	**2002-03**	**2003-04**
Elections	$ 459,635	$459,635	$ -
Clerk of Superior Court	58,251	144,062	195,417
Juvenile Court	115,935	73,986	73,986
Legal Services Building	52,550	-	-
Public Works Building	1,641,810	1,644,900	1,642,680
Sheriff	138,910	42,274	42,279
Superior Court	269,315	-	-
Fiscal Year Total	$2,736,406	$2,364,857	$1,954,357

Source: Pima County Finance Department.

Certificates of Participation

The following chart lists the certificates of participation obligations outstanding for the County.

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	27,525,000
Total Certificates of Participation Obligations Outstanding				$31,525,000

Management's Review of the County's Financial Position

Since 1998-99 Pima County's General Fund financial performance has improved from an actual $8.5 million ending fund balance on June 30, 1999 to a June 30, 2004 fund balance of $32.7 million, with an unrestricted fund balance of $25.6 million. During the same period the County also eliminated several long-term cash deficits in certain enterprise and special revenue funds; implemented significant changes in the County's Health Care System including, most recently, leasing its hospital property to a private nonprofit corporation; increased its budgeted ending fund balance; absorbed cost shifts from the State; increased operating and maintenance costs associated with voter authorized capital bond programs approved in May 1997, in November 1997 and in May 2004; increased the County's Contingency Fund; and funded several General Fund supported capital projects. All of the above issues, as well as the rest of the County's budget, were funded by maintaining the County's primary property tax rate at the current level of $4.0720 per $100 of assessed value, continued growth in County tax revenues due to the strong local economy and an equity transfer from the County's managed care fund in previous years.

The County had a long-term cash deficit in the County's Stadium District Fund which has been eliminated during the current fiscal year. The County Administrator's Fiscal Year 2003-04 Recommended Budget proposed to retire the then existing $6.0 million Stadium District deficit over a three year period at $2 million per year. By the time the fiscal year 2003-04 budget was adopted, additional one-time funds had become available and the Board of Supervisors voted to increase the fiscal year 2003-04 reduction to almost $3 million or approximately one half of the deficit. During the current fiscal year, additional one-time funds became available due to a larger than anticipated fiscal year 2003-04 ending balance in the General Fund and the County eliminated the remaining $3.4 million deficit in the Stadium District Fund.

As of June 30, 2003, the County's Wastewater Management Enterprise Fund had borrowed $10.8 million from the General Fund to cover a short-term cash deficit due to expenses related to the failure of a main sewer trunk line. The $10.8 million was fully repaid to the General Fund in fiscal year 2003-04. The damaged line has subsequently been replaced. As a result of the sewer line failure, the County has been in negotiations with the Arizona Department of Environmental Quality ("ADEQ"). At its February 1, 2005 meeting, the Board considered a confidential settlement proposal from ADEQ. The County and ADEQ continue to meet to develop an acceptable settlement. Previous Notices of Violations received by the County have not resulted in financial penalties, however, the violations associated with those notices were not of the same magnitude and the County and ADEQ have discussed a possible financial penalty for this event. It is too early to determine what a final settlement agreement or the resulting financial impact of any such agreement might be, but the County does not expect any financial penalty to require a General Fund subsidy of the Wastewater Management Department's operations.

The Wastewater Management Department eliminated the cash deficit during fiscal year 2003-04 and is not anticipated to require any further subsidy from the General Fund. In order to meet this goal, the Wastewater Management Department revised its Five Year Capital Improvement Program, reduced operating expenses and received approval from the Board to raise the sewer user fee rates by four percent (4%) and sewer connection fees by six percent (6%) effective July 1, 2004.

In July 2004, the County retained Black & Veatch Corporation to conduct a Management Audit of the County's Wastewater Management Department. In the Audit Report, Black & Veatch recommended certain improvements to the management of the Wastewater Management Department. The County has implemented these changes by, among other things, restructuring the Wastewater Management Department management, creating and filling the position of a financial controller for the Wastewater Management Department, increasing the training of Wastewater Management Department staff relating to capital improvement project management, and commencing a rate review study that Black & Veatch Corporation is expected to complete in June of this year.

Following a series of public meetings in fiscal year 2002-03, the County made several major operational changes in its Health Care system that were intended to limit the County's financial liability while continuing to provide much needed health care services to an underserved section of the County and to provide critical psychiatric care services for County residents. Following this, in November 2003, University Physicians Inc., a non-profit organization affiliated with the University of Arizona School of Medicine ("UPI"), expressed an interest in operating a hospital at the County hospital facility as an integral part of their teaching mission. To meet the critical healthcare needs of the community in a fiscally responsible manner, the Board of Supervisors approved a 25-year lease (the "Lease") with UPI for the land and buildings at which the County hospital had been operated. Under the

terms of the Lease, which began June 16, 2004, UPI assumed full responsibility for operation of a new hospital, known as University Physicians HealthCare Hospital at Kino Campus ("UPH"), located at the site of the former County hospital facility. As consideration for UPI's provision of the services to be offered at UPH, the Lease requires the County to pay UPI a Service Fee in the amount, if any, by which the cost of providing these services exceeds the revenue generated by UPI at UPH, up to the following annual amounts:

Year 1:	$25,833,333
Year 2:	$19,791,667
Year 3:	$14,791,667
Years 4 through 7:	$10,000,000
Year 8:	$ 9,958,333
Year 9:	$ 8,958,333
Year 10	$ 7,666,667
Year 11 through 25:	$ 0

In addition to the Service Fee, the Lease requires the County to complete two capital projects for mold abatement and ADA compliance. These projects have been funded with 1997 General Obligation bond funds and with prior operating transfers from the General Fund. Additional General Fund support from the County is not expected to be needed to complete these projects. As part of the Lease, UPI assumed responsibility for all other maintenance and capital expenditures related to the existing facilities covered by the Lease. In UPI's January 2005 report to the Board of Supervisors, UPI has reported progress in expanding the level of services provided at UPH.

The Lease provides the County with a cap on the County funding needed in future years. The payment to UPI of $25.8 is included in the current year 2004-05 adopted budget and the County does not expect additional General Fund subsidy of the facility.

The Board of Supervisors has taken a variety of significant actions to stabilize the finances and enhance the fiscal integrity of the County. The Board has steadily increased the amount budgeted as the General Fund ending balance from its low point of zero in fiscal year 1996-97. For the current fiscal year, the Board initially budgeted an unrestricted General Fund ending balance of $13 million. This amount was subsequently adjusted upward to a budgeted ending balance of $24 million as a result of a higher than expected ending balance for fiscal year 2003-04 as reflected in the year-end audit. As explained above, a portion of these funds were used to eliminate the cash deficit in the Stadium District Fund. After eliminating the cash deficit in the Stadium District, the County is currently projecting a June 30, 2005 unrestricted General Fund balance of $19.1 million.

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

	Actual					Budget
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05 (a)
Revenues by Source:						
Taxes	$214,332	$227,542	$244,807	$258,375	$279,527	$297,298
Special Assessments	703	845	598	1,023	505	606
Licenses and Permits	4,541	4,882	6,077	6,087	6,566	6,615
Intergovernmental	241,225	253,863	260,218	245,378	273,225	276,378
Charges for Services	27,308	26,613	31,112	35,721	43,505	34,759
Fines and Forfeits	4,245	4,365	4,882	5,047	5,010	4,751
Interest Income	11,384	15,468	6,952	4,152	2,656	4,008
Miscellaneous	9,452	8,131	8,143	10,356	11,918	10,838
Total Revenues	$513,190	$541,709	$562,789	$566,139	$622,912	$635,209
Expenditures by Fund:						
General	253,563	270,028	285,486	308,917	323,591	372,103
Special Revenues	141,860	147,367	153,888	149,633	161,716	186,137
Debt Service	46,992	50,219	48,102	57,563	60,828	62,048
Capital Projects	89,215	87,673	109,670	97,147	103,167	132,118
Total Expenditures	$531,630	$555,287	$597,146	$613,260	$649,302	$752,406
Excess of Revenues Over (Under) Expenditures	(18,440)	(13,578)	(34,357)	(47,121)	(26,390)	(117,197)
Proceeds of Long-Term Debt	54,129	50,358	82,717	85,247	65,148	96,000
Proceeds of Refunding Bonds	0	0	22,420	0	6,880	0
Payment to Refunded Bond Escrow Agent	0	0	(22,551)	0	(6,846)	0
Operating Transfers In (Out)	(13,134)	(37,941)	(12,905)	(15,140)	(21,333)	2,801
Capital Leases	0	0	0	177	0	
Sale of General Fixed Assets	0	0	590	37	406	
Beginning Fund Balance, as restated	80,675	105,554	110,664	147,803	165,395	182,894
Restatement Adjustment/LGIP Loss	1,816	2,063	1,175	(6,237)	0	0
Changes in Reserve for Inventory	166	(117)	64	629	(379)	0
Charges in Reserve for Prepaid	(6)	10	(14)	0	13	0
Residual Equity Transfer In (Out)	348	4,315	0	0	0	0
Ending Fund Balance	$105,554	$110,664	$147,803	$165,395	$182,894	$164,498

(a) These amounts are based on budgeted data and are subject to change based on actual results.

Source: Pima County Finance 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					Budget
	1999-00	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05 (a)**
General						
Reserved	$ 1,846	$ 2,233	$ 2,486	$ 2,549	$7,068	$3,884
Unreserved	24,721	19,653	28,656	30,999	25,628	24,054
	26,567	**21,886**	**31,142**	**33,548**	**32,696**	**27,938**
Special Revenue						
Reserved	2,785	3,639	2,570	3,623	3,399	2,549
Unreserved	40,785	48,616	61,134	42,312	45,325	33,995
	43,570	**52,255**	**63,704**	**45,935**	**48,724**	**36,544**
Debt Service						
Reserved	7,627	5,537	5,964	3,078	4,202	4,247
	7,627	**5,537**	**5,964**	**3,078**	**4,202**	**4,247**
Capital Projects						
Reserved	0	0	8	41	2	0
Unreserved	27,790	30,986	46,985	82,793	97,270	95,769
	27,790	**30,986**	**46,993**	**82,834**	**97,272**	**95,769**
Total Fund Balance	$105,554	$110,664	$147,803	$165,395	$182,894	$164,498

(a) These amounts are based on budgeted data and are subject to change based on actual results.

Source: Pima County Finance 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					Budget
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05(a)
Revenues by Source:						
Taxes	$158,750	$169,129	$181,840	$194,552	$209,672	$223,091
Licenses and Permits	1,449	1,186	2,071	2,010	2,166	2,260
Intergovernmental	103,828	110,408	111,922	112,530	120,058	116,460
Charges for Services	15,927	15,663	19,974	23,750	24,133	23,648
Fines and Forfeits	3,466	3,483	3,898	4,111	4,023	3,884
Interest	4,197	4,361	2,086	1,015	530	1,040
Miscellaneous	3,227	2,007	1,995	2,884	2,132	1,670
Total Revenues	290,844	306,237	323,786	340,852	362,174	372,053
Expenditures:						
Current						
General Government	92,397	98,689	101,397	110,813	120,755	133,195
Public Safety	72,399	78,785	86,039	90,375	100,650	106,507
Sanitation	0	0	0	0	0	0
Health	554	532	2,567	2,762	2,898	2,895
Welfare	69,368	71,243	73,060	84,130	76,619	105,770
Culture & Recreation	10,159	11,128	13,453	12,858	14,448	14,864
Education & Econ. Opport.	4,217	4,987	5,299	4,812	5,578	6,102
Debt Service:						
Principal	2,618	2,834	1,913	1,550	1,610	1,440
Interest	1,844	1,826	1,754	1,613	1,030	1,325
Miscellaneous	7	4	4	4	3	5
Total Expenditures	253,563	270,028	285,486	308,917	323,591	372,103
Excess of Revenues Over (Under) Expenditures	37,281	36,209	38,300	31,935	39,123	(50)
Other Financing Sources (uses):						
Proceeds of Long-Term Debt	369	345	0	0	0	0
Sale of General Fixed Assets	0	0	0	0	2	0
Operating Transfers In (Out)	(19,112)	(45,550)	(29,624)	(27,799)	(39,977)	(4,708)
Total Other Financing Sources (Uses):	(18,743)	(45,205)	(29,624)	(27,799)	(39,975)	(4,708)
Excess of Revenues and Other Sources						
Extraordinary item:						
Loss from State Treasurer's Local Government Investment Pool	0	0	0	(1,730)	0	0
Over (Under) Expenditure and Other Uses	18,538	(8,996)	8,676	2,406	(852)	0
Beginning Fund Balance, as restated	8,509	26,567	22,466	31,142	33,548	32,696
Residual Equity Transfer:						0
In (Out)	(480)	4,315	0	0	0	0
Ending Fund Balance	$ 26,567	$ 21,886	$ 31,142	$ 33,548	$ 32,696	$ 27,938

(a) These amounts are based on budgeted data and are subject to change based on actual results.

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

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

May 26, 2005

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 $51,200,000 aggregate principal amount of bonds designated the Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005 (the "*Bonds*"). The Bonds are issued pursuant to Title 11, Chapter 2, Article 12 of the Arizona Revised Statutes, and under the provisions of an authorizing resolution adopted by the Board of Supervisors of the County on May 10, 2005 (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 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 Pledged Revenues (as defined in the Bond Resolution), consisting of revenues derived by the County from taxes, fees, charges and other monies collected by the State of Arizona and returned to the County for street and highway purposes pursuant to law. Such pledge is authorized by law. The Bonds and the payment of principal thereof and interest thereon are not secured by an obligation or pledge of any moneys raised by taxation other than the Pledged 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. The County has pledged, in the Bond Resolution, to comply with any requirements imposed by law for eligibility to receive its share of such funds.

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, a portion of the interest on the Bonds earned by corporations may be subject to the federal corporate alternative minimum tax, and the interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

Respectfully submitted,

SQUIRE, SANDERS & DEMPSEY L.L.P.

EXCERPTS FROM
PIMA COUNTY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2004

The following are the County's Basic Financial Statements for the fiscal year ended June 30, 2004. The County has not requested the State of Arizona Auditor General to perform any review of the County's financial condition subsequent to June 30, 2004. These are the most recent audited financial statements available to the County. These financial statements are not current and may not represent the current financial position of the County.

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COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER
130 W. CONGRESS, TUCSON, AZ 85701-1317
(520) 740-8661 FAX (520) 740-8171

C. H. HUCKELBERRY
County Administrator

December 3, 2004

The Honorable Board of Supervisors
Pima County, Arizona

We are pleased to submit, in accordance with state statutes, the Comprehensive Annual Financial Report (CAFR) of Pima County, prepared by the Finance Department, for the fiscal year ended June 30, 2004. This report presents comprehensive financial and operating information about the County's activities for the fiscal year that is useful to its property owners, businesses and other resource providers. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County.

This report is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting as established by the Governmental Accounting Standards Board (GASB) using the guidelines as recommended by the Government Finance Officers Association of the United States and Canada (GFOA). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

We believe that the financial information, as presented, is accurate in all material aspects; that it is presented in a manner designed to openly disclose the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The CAFR consists of three sections:

- The ***INTRODUCTORY*** section, which familiarizes the reader with the organizational structure of the County, the nature and scope of the services it provides, and the specifics of its legal operating environment.

- The ***FINANCIAL*** section, which includes the independent auditor's report, MD&A, audited basic financial statements and notes to the statements, required supplementary information, and supporting statements and schedules necessary to fairly present the financial position and results of operations of the County in conformity with generally accepted accounting principles.

- The ***STATISTICAL*** section, which contains comprehensive statistical data on the County's financial, physical, economic and demographic characteristics.

Pima County and its Services

Pima County is situated in the southern part of Arizona with a portion of its southern boundary bordering Mexico. The County was organized in 1864 under the Arizona Territorial Legislature as one of the State's four original counties.

A five-member Board of Supervisors is responsible for implementing the County's governmental and administrative affairs. Each member of the Board is elected from a designated district to serve a four-year term. The Chair is selected by the Board from among its members. The Board is also responsible for establishing the policies of the County, which provide guidance to the various County constitutional officers and departments. The Board appoints a County Administrator who is responsible for the general administrative and overall operations of the various departments of the County.

Pima County includes in its financial statements all funds, agencies, boards, commissions and authorities for which the Pima County Board of Supervisors is financially accountable. As the primary government, Pima County is financially accountable if it appoints a voting majority of an organization's governing body and either: 1) it is able to impose its will on that organization; or 2) a potential exists for that organization to provide specific benefits to, or impose specific financial burdens on, the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government.

Pima County offers a wide variety of governmental services, including:

- *Justice and Law Enforcement*: Clerk of the Superior Court, Constables, County Attorney, Superior Court, Juvenile Court, Justice Court system, Sheriff's Department, Indigent Defense and Public Fiduciary

- *Medical Services*: Pima Health Care System, including Pima Health System, Kino Community Hospital (see page 4), Department of Institutional Health, Public Health Department (including Health & Animal Control) and Forensic Science Center

- *Community Resources*: Superintendent of Schools, Employment and Training, Community Services, Community Resources, County Free Library District, Southwestern Fair Commission and Stadium District

- *Public Works*: Flood Control District, Development Services (including Planning & Zoning), Transportation, Wastewater Management (including Solid Waste Management), Environmental Quality, Capital Projects, Fleet Services, Natural Resources, Parks & Recreation, and Graphics Services

- *County Administration*: Board of Supervisors, County Administrator, Assessor's Office, Clerk of the Board, Elections, Finance, Human Resources, Information Technology, Non-Departmental (including Contingency), Procurement, Recorder, Risk Management, Treasurer, Facilities Management, Communications and Parking Garages

Pima County is also responsible for reporting the financial activities of its component units. These units are either discretely presented or blended. Although they are separate legal entities, blended component units are substantially a part of the County's financial activities and are combined with data for the County. Blended and discrete component units include:

- *Metropolitan Domestic Water Improvement District, Marana Domestic Water Improvement District and Green Valley Domestic Water Improvement District.* Activities of the Districts are reported as discrete components of the County in the accompanying financial statements.

- *Southwestern Fair Commission.* Activities of the Commission are reported as a discrete component of the County in the accompanying financial statements.

- *Pima County Stadium District, Flood Control District, and Library District.* Activities are reported in special revenue funds as blended component units in the accompanying financial statements.

- *Municipal Property Corporation.* Activities of the corporation are reported as a special revenue fund as a blended component unit in the accompanying financial statements.

- *Special Districts.* Pima County includes the financial activities of various improvement districts in its financial statements. Improvement districts are established to pay for the construction of specific public works projects that benefit citizens of a limited geographical area. The County's currently active improvement districts include La Cholla Boulevard, Country Club Estates, Cimarron, Hayhook and Camino Ojo De Agua Improvement Districts.

The County also has various independently governed school, irrigation, fire, and street lighting districts, and a health district. In addition, there are other entities for which the County is not financially accountable. These entities include the Industrial Development Authority, Pima Association of Governments, Pima Council on Aging and the Private Industry Council. The financial statements of such districts and entities are not included in the accompanying financial statements except to reflect amounts held in a fiduciary capacity by the County Treasurer.

Economic Outlook

According to *Arizona's Economy*, a publication of the University of Arizona's Economic & Business Research Program, Pima County's population increased 2.3% to 929,000 persons for the year ended June 30, 2004. Over the same period, per capita income rose 1.7% to $25,395. The County's population is expected to steadily increase over the next few years at a rate of about 2.5%. By 2010, the County's population is expected to reach one million.

For the Tucson metropolitan area, non-farm payrolls are expected to decrease 1.7% to 352,800 jobs during 2004. For all of 2004, per-capita wage income is forecast to rise 4.0% to $32,566 and aggregate retail sales are forecast to rise 8.4% to $9.975 billion. The number of residential permits is forecast to increase 7.1% to 8,903, signaling a boost in the housing sector.

The property tax base will grow due to an increase in residential construction. Rising personal income, incoming wealth, and continued low financing rates will substantially increase the value per residential parcel. The interest and penalties collection from delinquent property taxes will also grow due to the anticipated increase of valuation in future years.

The State Shared Sales Tax growth rate has increased over 6% for the past few years since a decline of almost 3.5% three years ago. The increase in growth rate is due to federal fiscal stimulus from lower, retroactive, income tax rates, business tax incentives for capital investments, and low long-term interest rates. The increase in growth rate is expected to slow in the near future due to the expected discontinuation of federal stimuli.

The growth rate of Vehicle License Tax (VLT) revenues has been declining since fiscal year 2001/02. This is attributed to slowing new car sales and the decreasing basis of revenue from the cars already registered in the County. VLT revenue is expected to grow again beginning in fiscal year 2007/08, based on the previous historical surge of VLT.

Expenditure Limitation

Arizona voters approved a proposition amending the state constitution in 1980 that established expenditure limitations for local governments, including Pima County.

Major Program Initiatives and Developments

Some of the major developments that occurred in Pima County during the fiscal year ended June 30, 2004 include:

Lease of property and Closure of Kino Community Hospital

To meet the healthcare needs of the County in a fiscally responsible manner, the Board of Supervisors approved a 25 year lease with an option to renew for an additional 25 years with University Physicians, Inc. (UPI), a non-profit organization affiliated with the University of Arizona School of Medicine. Under the terms of the lease, UPI will assume full responsibility for the operation of Kino Community Hospital and, over the next few years, expand and increase services as set forth in the lease. Pima County retains ownership of the land and buildings.

Capital Improvement Projects

In May 2004 Pima County voters approved a general obligation bond authorization of $582.25 million and sewer revenue bonds of $150 million. The County's progress in improvements of infrastructure, land, and buildings is continuing with a significant portion of the 1997 program completed.

During the fiscal year, the County issued $65 million of general obligation bonds that was a combination of both the 1997 and 2004 authorization.

For the fiscal year ended June 30, 2004, major completed transportation projects included: Skyline Drive between Chula Vista and Campbell and Ajo Road between Country Club and Alvernon.

During the year, some of the more significant projects the County completed using general obligation bonds included the Kino Youth Library and Resource Center, Green Valley Performing Arts Center, Anamax Neighborhood Park Improvements, Marana Northwest Pool, Flowing Wells Park, Agua Caliente Regional Park, and Linda Vista Neighborhood Park.

Sonoran Desert Conservation Plan

Background and Purpose: The Pima County Board of Supervisors continues to support the Sonoran Desert Conservation Plan (SDCP). This comprehensive plan aims to: (1) prevent urban sprawl through the protection of natural and cultural resources; (2) provide a basis for natural resource protection; (3) lead to the recovery of the pygmy owl and other species protected under the Endangered Species Act (ESA); (4) stabilize the ecosystem and plant communities supporting indigenous plants and animals and mitigate a need for future endangered species listings; and (5) lead to the issuance of a regional conservation plan that

balances environmental and economic considerations. In 2001 and 2002, parts of the Plan were adopted into Pima County's Comprehensive Land Use Plan and updated in accordance with state law.

The SDCP is a countywide planning effort aimed at resolving compliance issues with the ESA and balancing the economic needs of the community. The 9,184-square-mile project area covers all of Pima County and encompasses federal, state and tribal reservation lands. The Plan's scope is roughly 10 times the area of San Diego County's multi-species effort. The Plan has received numerous state, regional and national awards, including the American Planning Association's Outstanding Planning Award for 2002, the Arizona Planning Association Award for Multi-Agency Coordination in 2001 and a number of awards for technical merit.

Recent Developments: During 2003, the SDCP's steering committee, comprised of over 70 community members, voted to support the Plan and asked the Board of Supervisors to pursue an open space bond initiative to fund the plan's efforts. In 2004 the community voted in support of a $174.3 million open space bond. Another $19.9 million was approved in support of cultural resource protection. Implementation of the ESA permit is scheduled for 2005.

Financial Information

Accounting System and Budgetary Control

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal control procedures. Internal controls for accounting purposes are designed to provide reasonable, but not absolute, assurance regarding: (1) safeguarding of assets against loss from unauthorized use or disposition, and (2) reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) costs of implementing controls should not exceed their likely derived benefits, and (2) evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the elected official or department level and is aided during the fiscal year by the use of encumbrances of estimated purchases. Open encumbrances lapse at year-end and are budgeted again as needed in the next fiscal year.

Capital Assets System

The County has purchased a comprehensive asset management system and has begun the implementation process. The new asset management system will be used to interface with its existing financial management system. An important desired feature of the asset management system is that it will facilitate the County's compliance with the reporting requirements of Governmental Accounting Standards Board Statement 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. GASB 34 requires disclosure and capitalization of infrastructure, such assets as roads, parks and bridges, which had previously not been required for governmental reporting.

Cash Management

Most cash, other than imprest accounts, is on deposit with the County Treasurer or the State Treasurer. Amounts temporarily available during the course of the fiscal year are invested on a short-term basis. To

address cash flow needs in the short term, the County instituted internal borrowings among funds that were recorded formally in its accounting records.

Risk Management

Pima County has established a Self Insurance Trust Fund to account for the risk management function of the County. The Fund is administered by an appointed Board of Trustees and provides self-insured coverage to the County for medical malpractice, workers' compensation, unemployment, general liability, property damage, environmental damage and employee dental benefits, as well as obtaining coverage for other risks. The Fund is financed by charges to other County funds.

Other Information

Independent Audit

Arizona Revised Statutes require an annual audit of the financial statements. The County is fully compliant with this legal requirement. An independent auditors' report is included in this CAFR.

Single Audit

As a recipient of federal and state financial assistance, the County is required to ensure adequate internal controls are in place to comply with applicable laws and regulations related to administration of these programs. This internal control structure is subject to periodic evaluation by management of Pima County.

As a part of the County's single audit, tests are made to determine 1) the adequacy of the internal control structure, including that portion related to federal financial assistance programs and 2) whether the County has complied with applicable laws and regulations.

The results of the County's single audit for the fiscal year ended June 30, 2003 included two reportable conditions. The first reportable condition cited inadequate policies and procedures for ensuring PILT monies received under 31 United States Code (U.S.C.) § 6904 and 16 U.S.C. § 715s were distributed to all affected local government units and school districts.

The second reportable condition cited inadequate policies and procedures over the Workforce Improvement Act federal programs. Specifically, the reportable condition pertained to a review of four of the State required monthly Contractor Requests for Funds and Disbursement Reports in which none of the reported amounts agreed to the financial records, nor could the County explain the differences. This reportable condition was also considered a material weakness. The County has since submitted a corrective plan of action.

The Single Audit for Pima County for the fiscal year ended June 30, 2004 was not complete at the time of publication of this Comprehensive Annual Financial Report.

As demonstrated by the statements and schedules included in the financial section of this report, Pima County continues to meet its responsibility for sound financial management.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Pima County, Arizona for its

comprehensive annual financial report for all fiscal years ended June 30, 1984 through 2003, except for fiscal years ended June 30, 1990 and June 30, 1999, due to missing the filing deadline.

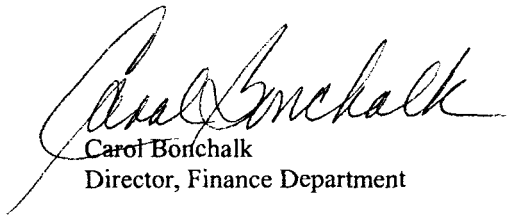
In order to receive a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report with contents that conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

Acknowledgements

Preparation of this report could not be accomplished without the efficient and dedicated service of the staff of the County's Finance Department. We also wish to thank the Board of Supervisors for its continued support in planning and conducting the County's financial operations in a responsible fiduciary manner.

Respectfully submitted,

C. H. Huckelberry
County Administrator



Carol Bonchalk
Director, Finance Department

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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, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2004, 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 the aggregate discretely presented component units of Pima County. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units of Pima County, is 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, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 13 through 27, the Budgetary Comparison Schedule on pages 81 and 82, and the Schedule of Agent Retirement Plans' Funding Progress on page 83 are not a required part 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.

2910 NORTH 44TH STREET • SUITE 410 • PHOENIX, ARIZONA 85018 • (602) 553-0333 • FAX (602) 553-0051

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information included in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on such information.

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

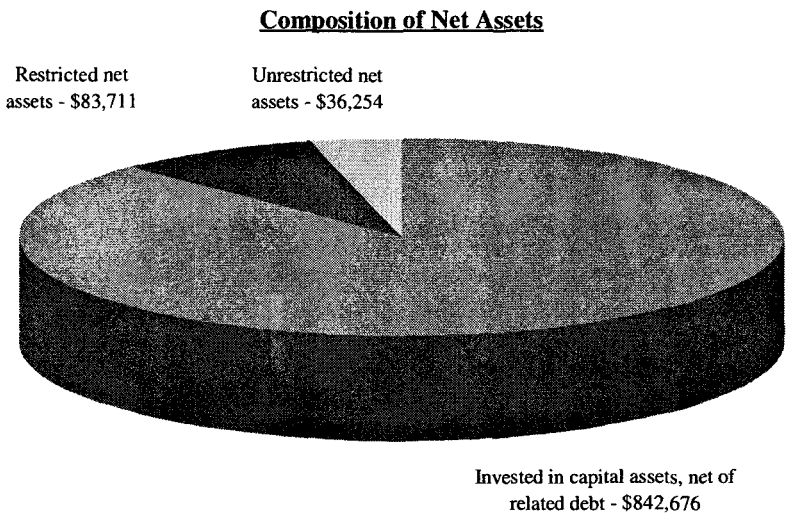
December 3, 2004

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, 2004 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, 2004, the County's combined assets exceeded combined liabilities (*net* assets) by $962,641, an increase of 13.6% from the prior year. Of this amount, $36,254 is available for general government expenditures (*unrestricted net assets)*, $83,711 is restricted for specific purposes (*restricted net assets)*, and $842,676 is invested in capital assets, net of related debt and accumulated depreciation.



- Of the total fund balances of the County's governmental funds, total fund balance increased $17,499 to $182,894, with $166,344 of this amount available for expenditure. Within the general fund, capital projects fund and the County's other governmental funds, $25,628, $97,270 and $43,446 are available for future expenditures, respectively.

- The general fund unreserved fund balance decreased $5,371 from the previous year to $25,628. This balance accounts for approximately 7.9% of the County's general fund expenditures and 3.9% of total governmental funds expenditures.

- Pima Health Care System increased its operating loss to $38,953, an increase of $17,926 from the prior year. A significant portion of the operating loss was attributed to Kino Community Hospital, which suffered an operating loss of $30,767.

- Effective June 16, 2004, the County entered into a 25 year lease with University Physicians, Inc. (UPI), a non-profit organization. UPI has assumed full fiscal and operational responsibility of Kino

Community Hospital. Over the next 10 years, the County will pay UPI annual service fees, totaling a maximum amount of $127,000.

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 four components: (1) Government-wide financial statements, (2) Fund financial statements, (3) Component unit financial statements, and (4) 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 in part 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, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include Pima Health Care System (PHCS), which includes Kino Community Hospital, Wastewater Management, Development Services and the County's downtown parking garages.

Discretely presented component units are included in the basic financial statements and consist of legally separate entities for which the County is financially accountable. The County's discretely presented component units are the Metropolitan Domestic Water Improvement District, the Marana Domestic Water Improvement District, the Green Valley Domestic Water Improvement District, and the Southwestern Fair Commission, which operates the County Fairgrounds and the annual Pima County Fair.

The government-wide financial statements can be found on pages 29-30 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 OMB budgeting guidelines. All of the funds of the County 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 expend-*

able 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 fourteen 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 Fund and the Capital Projects fund. 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 31-34 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 and communications. Because these services predominantly benefit governmental rather than business-type functions, most of 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. Wastewater Management and Pima Health Care System 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 35-38 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 39-40 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 43-79 of this report.

Required Supplementary Information (RSI) is presented concerning the County General Fund budgetary schedule and the schedule of retirement plans' funding progress. Required supplementary information can be found on pages 81-83 of this report.

The combining and individual fund statements and schedules referred to earlier provide information for non-major governmental and enterprise funds and internal service funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 86-116 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. In the case of the County, assets exceeded liabilities by $962,641 at June 30, 2004. The following table shows condensed information for the Statement of Net Assets:

Table 1
Statement of Net Assets
At June 30, 2004

	Governmental Activities Fiscal Year		Business-type Activities Fiscal Year		Total Fiscal Year	
	2003-2004	2002-2003*	2003-2004	2002-2003	2003-2004	2002-2003*
Current and other assets	$ 312,193	$ 276,801	$ 65,345	$ 58,814	$ 377,538	$ 335,615
Capital assets:						
Land, buildings, equipment & other	676,131	590,509	594,221	570,391	1,270,352	1,160,900
Total assets	988,324	867,310	659,566	629,205	1,647,890	1,496,515
Current and other liabilities	88,779	68,936	39,066	39,077	127,845	108,013
Long-term liabilities	391,594	375,919	165,810	149,143	557,404	525,062
Total liabilities	480,373	444,855	204,876	188,220	685,249	633,075
Net assets :						
Invested in capital assets, net of related debt	391,514	288,506	451,162	444,590	842,676	733,096
Restricted net assets	75,417	67,934	8,294	21,139	83,711	89,073
Unrestricted net assets (deficit)	41,020	66,015	(4,766)	(24,744)	36,254	41,271
Total net assets	$ 507,951	$ 422,455	$ 454,690	$ 440,985	$ 962,641	$ 863,440

*As restated - See Note 2 of the financial statements

The largest portion of the County's net assets reflects its investment in capital assets (i.e. land, buildings, infrastructure, equipment), less any related outstanding debt used to acquire those assets. As of June 30, 2004, investment in capital assets totaled $842,676, comprising approximately 87.5% 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 $109,580 increase in capital assets, net of related debt, for fiscal year 2003-2004 is mostly 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.

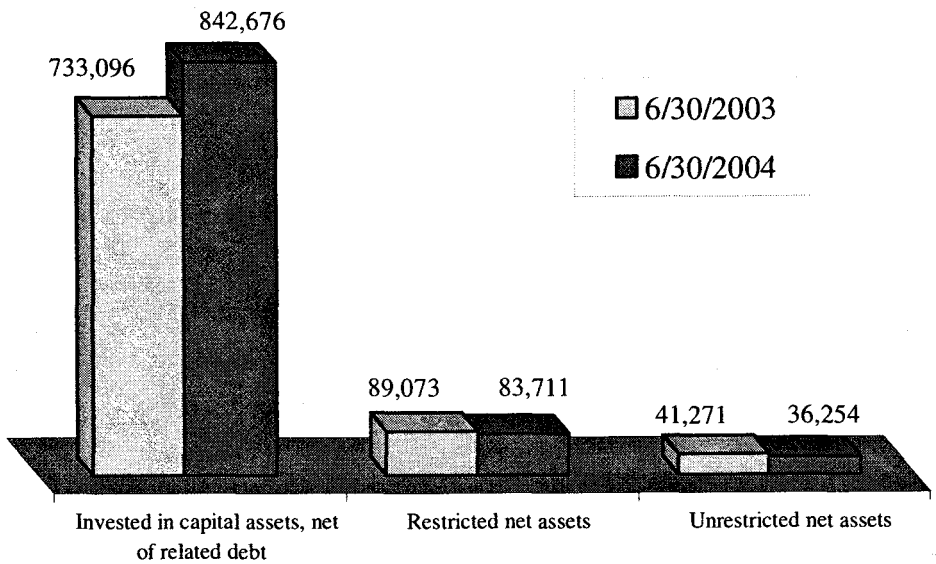
Restricted net assets represent resources that are subject to external restrictions on how they may be used. As of June 30, 2004, restricted net assets totaled $83,711 and comprised approximately 8.7% of total net

assets. This represents a $5,362 decrease in restricted net assets from the $89,073 balance of fiscal year 2002-2003.

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, 2004, unrestricted net assets totaled $36,254 and comprised approximately 3.8% of total net assets.

The following chart shows the composition and changes in net assets for the fiscal years ended June 30, 2004 and June 30, 2003:

Comparative Composition of Net Assets



Governmental activities

Governmental activities contributed $85,496, or 86.2%, of the County's $99,201 increase in total net assets during fiscal year 2003-2004. The following table shows changes in net assets for governmental activities:

Table 2
Governmental Activities
Comparative Statements of Activities
For the Years Ended June 30, 2004 and 2003

	Fiscal Year		Variance	
	2003-2004	2002-2003	Amount	Percent
Program revenues:				
Charges for services	$ 54,939	$ 45,527	$ 9,412	20.7%
Operating grants and contributions	135,119	121,587	13,532	11.1%
Capital grants and contributions	17,413	5,665	11,748	207.4%
Total program revenues	207,471	172,779	34,692	20.1%
General revenues:				
Property taxes	272,507	251,844	20,663	8.2%
State-shared taxes	106,615	100,408	6,207	6.2%
Investment earnings	3,102	5,064	(1,962)	-38.7%
Other general revenues	33,480	35,985	(2,505)	-7.0%
Total general revenues	415,704	393,301	22,403	5.7%
Total primary government revenues	623,175	566,080	57,095	10.1%
Expenses:				
General government	140,827	131,925	8,902	6.7%
Public safety	151,860	132,939	18,921	14.2%
Highways and streets	42,133	39,492	2,641	6.7%
Health	30,165	23,917	6,248	26.1%
Welfare	76,894	84,457	(7,563)	-9.0%
Culture and recreation	32,727	31,326	1,401	4.5%
Education and economic opportunity	33,093	35,033	(1,940)	-5.5%
Unallocated depreciation and amortization	1,772	1,474	298	20.2%
Interest on long-term debt	15,012	15,779	(767)	-4.9%
Total expenses	524,483	496,342	28,141	5.7%
Excess before transfers and extraordinary item	98,692	69,738	28,954	41.5%
Extraordinary Item:				
Loss from State Treasurer's Local Government Investment Pool	-	(7,447)	7,447	n/a
Transfers out	(13,196)	(17,980)	4,784	-26.6%
Change in net assets	$ 85,496	$ 44,311	$ 41,185	92.9%

Key elements of the change in net assets from governmental activities are as follows:

- Program revenues increased $34,692, reflecting an increase of $11,748 in capital grants and contributions, specifically Surface Transportation Program monies from the Federal Highway Administration.

- General revenues increased by $22,403, primarily due to increases in property tax revenues and state-shared tax revenues. Increases in real property assessed valuations and residential construction activity were the primary reasons property tax revenues increased by $20,663.

- Investment earnings continued to decrease in fiscal year 2003-2004. The County invests a majority of its funds in the State Treasurer's Local Government Investment Pool. The interest rate for this pool has declined for a fourth consecutive year, resulting in less investment earnings.

- The increase of $18,921 for Public Safety expenses resulted primarily from the Sheriff department due to increases in personnel costs, increases in state and federal Racketeering Influenced

Corrupted Organization expenditures and reclassification of inmate welfare and commissary costs from an Agency fund.

- General government expenses increased primarily because of the passage of State legislation creating the County Contribution Fund. This legislation required the County to pay $3,828 during the course of the fiscal year. Additionally, a $1,042 payment was made to University Physicians, Inc. as part of the Kino Community Hospital closure.

- Health expenses increased $6,248 due to an expansion of the Health and Environmental Quality department programs in the course of the fiscal year. Increases in personnel costs, supplies and services for these new programs comprised most of the increase.

- Welfare expenses decreased by $7,563 due to a decline in costs associated with Title 36 Psychiatric Services and reduced costs associated with ALTCS (Arizona Long-Term Care System).

Business-type activities

Business-type activities contributed $13,705, or 13.8%, of the County's increase of $99,201 in total net assets during the year ended June 30, 2004. The following table shows changes in revenues and expenses for business-type activities between the current and prior year:

Table 3
Business-type Activities
Comparative Statements of Activities
For the Years Ended June 30, 2004 and 2003

	Fiscal Year		Variance	
	2003-2004	2002-2003	Amount	Percent
Program revenues:				
Charges for services	$ 320,542	$ 277,375	$ 43,167	15.6%
Operating grants and contributions	4,777	4,909	(132)	-2.7%
Total program revenues	325,319	282,284	43,035	15.2%
General revenues:				
Capital contributions	22,214	12,479	9,735	78.0%
Investment earnings	747	1,727	(980)	-56.7%
Other general revenues	3,896	6,787	(2,891)	42.6%
Total general revenues	26,857	20,993	5,864	27.9%
Total primary government revenues	352,176	303,277	48,899	16.1%
Expenses:				
Wastewater Management	71,804	74,816	(3,012)	-4.0%
Pima Health Care System	268,869	221,970	46,899	21.1%
Development Services	9,617	8,373	1,244	14.9%
Parking Garages	1,377	1,346	31	2.3%
Total expenses	351,667	306,505	45,162	14.7%
Excess before transfers and extraordinary item	509	(3,228)	3,737	-115.8%
Extraordinary item: Loss from State Treasurer's Local Government Investment Pool	-	(2,673)	2,673	n/a
Transfers in	13,196	17,980	(4,784)	-26.6%
Increase in net assets	$ 13,705	$ 12,079	$ 1,626	13.5%

Key elements to the increase in net assets from business-type activities include:

- Charges for services increased by $43,167 during the year primarily due to a $28,948 increase in revenues for Pima Health Care System. This increase was driven by an increase in Capitation revenues, which comprises ambulatory and long-term care contracts with AHCCCS.

- Expenses for Pima Health Care System increased by $46,899, or 21.1%, from the prior year. This change was driven primarily by a $56,581 increase in medical claims and a $12,713 increase in consultants and professional services that was offset by a $23,160 decrease in employee compensation.

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. 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.

At June 30, 2004, the County's governmental funds reported combined fund balances of $182,894, an increase of $17,499 in comparison with the prior year. Approximately 91% of the combined fund balances, or $166,344, constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed to the following:

- $4,202 to pay debt service
- $7,538 to reflect inventories and prepaid amounts
- $2,073 for a loan receivable
- $783 committed to specific programs
- $75 reserved for capital repairs and refurbishments
- $1,879 designated for debt payment

The General Fund is the chief operating fund of the County. At June 30, 2004, unreserved fund balance of the general fund was $25,628 while total fund balance reached $32,696. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7.9% of total general fund expenditures, while total fund balance represents 10.1% of that same amount.

Revenues for governmental functions totaled approximately $622,912 in fiscal year 2003-2004, which represents an increase of $56,773 (10%) 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
Revenues Classified by Source
All Government Funds

	Fiscal Year					
	2003-2004		2002-2003		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenues by source:						
Taxes	$ 279,527	44.9%	$ 258,375	45.7%	$ 21,152	8.2%
Special assessments	505	0.1%	1,023	0.2%	(518)	-50.6%
Licenses and permits	6,566	1.0%	6,087	1.1%	479	7.9%
Intergovernmental	273,225	43.9%	245,378	43.3%	27,847	11.3%
Charges for services	43,505	7.0%	35,721	6.3%	7,784	21.8%
Fines and forfeits	5,010	0.8%	5,047	0.9%	(37)	-0.7%
Interest	2,656	0.4%	4,152	0.7%	(1,496)	-36.0%
Miscellaneous	11,918	1.9%	10,356	1.8%	1,562	15.1%
Total revenues	$ 622,912	100.0%	$ 566,139	100.0%	$ 56,773	10.0%

The following provides an explanation of revenues by source that changed significantly over the prior year:

- Property taxes. Revenues from property taxes increased $21,152. This was a result of growth in construction activity within the County over the past year, as well as continued increases in assessed property valuations and greater real estate market values.

- Intergovernmental revenue. The $27,847 increase in intergovernmental revenue is due primarily to a $12,213 increase observed for Capital Projects. The following monies were received for construction projects: $2.47 million in State funding for the Old Nogales Highway project; $2.2 million in federal funding for the Veteran's Memorial Overpass project; $4 million in federal funding for the General Hitchcock Highway project; and $5.01 million in federal funding for the Wetmore/Ruthrauff project.

- Charges for services. The $7,784 increase in charges for services revenue is due primarily to a $5,854 increase observed in Capital Projects. The Board of Supervisors approved an increase in Impact Fee Charges and the addition of ten new benefit areas to which the charges will also be applied.

- Interest revenue. As previously mentioned, the County invests a majority of its funds in the State Treasurer's Local Government Investment Pool. Interest rates are down again for fiscal year 2003-2004 due to a continued decline in the investment pool's interest rate, resulting in decreased interest revenue.

The following table presents expenditures by function compared to prior year amounts:

Table 5
Expenditures by Function
All Governmental Funds

Government Function	Fiscal Year 2003-2004 Amount	2003-2004 Percent	2002-2003 Amount	2002-2003 Percent	Increase (Decrease) Amount	Increase (Decrease) Percent
General government	$ 140,319	21.6%	$ 132,416	21.6%	$7,903	6.0%
Public safety	146,275	22.5%	127,155	20.7%	19,120	15.0%
Highways and streets	29,170	4.5%	26,741	4.4%	2,429	9.1%
Health	30,322	4.7%	24,029	3.9%	6,293	26.2%
Welfare	76,725	11.8%	84,238	13.7%	(7,513)	-8.9%
Culture and recreation	27,141	4.2%	25,214	4.1%	1,927	7.6%
Education and economic opportunity	32,146	5.0%	35,057	5.7%	(2,911)	-8.3%
Capital outlay	103,167	15.9%	97,147	15.9%	6,020	6.2%
Debt service:						
- Principal	49,025	7.5%	45,544	7.4%	3,481	7.6%
- Interest	14,851	2.3%	15,695	2.6%	(844)	-5.4%
- Miscellaneous	161	0.0%	24	0.0%	137	570.8%
Total expenditures	$ 649,302	100.0%	$ 613,260	100.0%	$36,042	5.9%

Total expenditures in governmental funds increased during fiscal year 2003-2004 by $36,042 (See related discussion on page 19).

Capital outlay increased by $6,020 this year and was due to the following factors:

- Expenditures for land and right of way/easements increased $23,389 and $2,064, respectively. The largest land purchases were $11,741 for Tucson Mountain Park Sweetwater (Open Space – Bonded) and $10,534 for Flood Prone Land Acquisition Program (due to Aspen Fire damage). The largest rights of way/easements expenditures were $1,291 for River Road: Campbell to Alvernon Way and $1,072 for La Cholla Boulevard: Omar Drive to Magee Road.

- Expenditures for buildings increased $831. The breakdown for this increase is $584 for the new jail and $247 for the new forensics science center under the Sheriff's department.

The $3,481 increase for debt service principal payments was due to the issuance and payment of the short-term 2004 General Obligation (GO) Bonds in the amount of $6,880. In addition, initial payments were made in the amount of $1,500 for the 2003 Series of Transportation Bonds.

Budget to Actual Comparison for the General Fund

Overall, budgeted revenues and expenditures for the General Fund were generally consistent with actual fund activity. Actual revenues exceeded budgeted revenues by $10,152 and actual expenditures were less than budgeted by $8,503. No variances between the budget to actual amounts were significant enough to affect the County's ability to provide future services.

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 Care System, Wastewater Management, 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
Summary Statement of Revenues, Expenses and Changes in Fund Net Assets
Total Enterprise Funds
For the Fiscal Years ended June 30, 2004 and 2003

	Fiscal Year		Variance	
	2003-2004	2002-2003	Amount	Percent
Operating revenues:				
Net patient services	$ 222,918	$ 195,872	$ 27,046	13.8%
Charges for services	67,704	61,223	6,481	10.6%
Other	3,209	29,346	(26,137)	-89.1%
State reimbursement of disproportionate share	-	(23,518)	23,518	-100.0%
Total net operating revenues	293,831	262,923	30,908	11.8%
Operating expenses:				
Employee compensation	70,673	90,824	(20,151)	-22.2%
Medical claims	183,816	127,235	56,581	44.5%
Operating supplies & services	12,663	13,864	(1,201)	-8.7%
Utilities	4,934	3,575	1,359	38.0%
Sludge and refuse disposal	2,462	2,242	220	9.8%
Repair and maintenance	3,591	6,801	(3,210)	-47.2%
Landfill closure and post-closure care costs	377	1,078	(701)	-65.0%
General and administrative	16,748	19,098	(2,350)	-12.3%
Consultants and professional services	29,703	17,551	12,152	69.2%
Depreciation and amortization	18,857	18,497	360	1.9%
Total operating expenses	343,824	300,765	43,059	14.3%
Operating loss	(49,993)	(37,842)	(12,151)	32.1%
Nonoperating revenues (expenses):				
Grants	4,777	4,909	(132)	-2.7%
Shared State tax revenue	1,146	959	187	19.5%
Interest income	747	1,727	(980)	-56.7%
Sewer connection fees	29,404	20,280	9,124	45.0%
Interest expense	(4,530)	(5,434)	904	-16.6%
Loss on disposal of capital assets	(109)	(338)	229	-67.8%
Amortization of deferred charges	(91)	(89)	(2)	2.2%
Premium Tax	(3,160)	-	(3,160)	n/a
Loss on closure of business	(139)	-	(139)	n/a
Total nonoperating revenues (expenses)	28,045	22,014	6,031	27.4%
Loss before extraordinary item, contributions and transfers	(21,948)	(15,828)	(6,120)	38.7%
Extraordinary Item: Loss on State Treasurer's Local Government Investment Pool	-	(2,673)	2,673	-100.0%
Capital contributions	22,697	15,521	7,176	46.2%
Transfers in	31,149	23,065	8,084	35.0%
Transfers (out)	(18,436)	(8,127)	(10,309)	126.8%
Change in net assets	$ 13,462	$ 11,958	$ 1,504	12.6%

Key activity within the enterprise funds for fiscal year 2003-2004 include the following:

- While net operating revenues for the County's enterprise funds increased $30,908 (11.8%), operating expenses also increased $43,059 (14.3%), resulting in an operating loss of $49,993, an increase of $12,151, or 32.1%. The increase in operating losses was due to increased health care service costs for PHCS.

- Net Patient Services revenues increased by $27,046 from fiscal year 2002-2003. This is attributable to increased membership enrollment for Pima Health System services, which generated increases in capitation revenues and reinsurance claim revenues.

- Other revenues decreased $26,137 primarily due to the closure of Kino Community Hospital. In fiscal year 2002-03, state laws required Pima Health Care System and its subfund, Kino Community Hospital, to return disproportionate share revenue received. The closure of Kino Community Hospital in fiscal year 2003-04, discontinued the receipt of disproportionate share revenues previously reported as other revenues.

- Employee compensation decreased as the result of the closing of Kino Hospital and the subsequent reassignment of hospital employees.

- Medical claims continued to increase this year as a result of the passage of Proposition 204 in the prior fiscal year, which expanded the eligibility for medical care within the Arizona Health Care Cost Containment System (AHCCCS), resulting in higher enrollment for Pima Health Care System. An increase in doctor fees is also responsible for a portion of the rise in medical claims expenditures.

- Consultants and professional services increased due to a rise in costs associated with ancillary and administrative services for Kino Hospital.

- Sewer connection fees charged by Wastewater Management increased by $9,124 due to increased connection fees.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital for its governmental and business-type activities as of June 30, 2004 amounted to $1,270,352 (net of accumulated depreciation), an increase of 10.9%. The County's investment in capital assets consists of land, buildings, sewage conveyance systems, infrastructure, equipment and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Land increased by $32,880 due mainly to open space acquisitions.

- A number of roads and flood control projects were completed and capitalized in fiscal year 2003-2004, increasing infrastructure by $61,956.

- Construction in Progress decreased by $19,365 since the number of projects completed was greater than the number of new projects initiated during the year.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Table 7
Capital Assets
Governmental and Business-type Activities

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2003-2004	2002-2003*	2003-2004	2002-2003	2003-2004	2002-2003*
Land	$ 160,586	$ 127,895	$ 13,054	$ 12,865	$ 173,640	$ 140,760
Buildings and improvements	228,160	203,344	140,560	147,183	368,720	350,527
Sewage conveyance systems	-	-	279,617	264,665	279,617	264,665
Machinery and equipment	34,668	32,894	8,569	9,507	43,237	42,401
Infrastructure	155,147	93,191	-	-	155,147	93,191
Construction in progress	97,570	133,185	152,421	136,171	249,991	269,356
Total	$ 676,131	$ 590,509	$ 594,221	$ 570,391	$ 1,270,352	$ 1,160,900

*As restated - See Note 2 of the financial statements

The County's infrastructure assets are recorded at historical cost in the government-wide financial statements. Additional information regarding the County's capital assets can be found in Note 5 of the financial statements on pages 53 –56 of this report.

Long-term Debt

Significant, comparative long-term debt data is presented below:

Table 8
Long-Term Debt
Governmental Funds

	Fiscal Year	
	2003-2004	2002-2003
Bonds issued (at face value):		
General obligation refunding	$ -	$ -
General obligation	65,000	50,000
Transportation revenue	-	35,000
Flood control district refunding	-	-
Special assessment with government commitment	-	-
Sewer revenue refunding	-	-
Capital leases	2,680	177
Loan proceeds	-	-
Total	$ 67,680	$ 85,177

General obligation bonds issued in FY 2003-2004 amounted to $65,000; the proceeds of this issue were allocated as follows:

- $14,749 to Sonoran Desert Open Space and Habitat Protection,
- $28,542 to Parks and Recreational Facilities,
- $2,652 to River Parks and Flood Control Improvements,
- $3,733 to Public Safety and Justice Facilities,
- $14,561 to Public Health and Community Facilities,
- $763 to improve solid waste disposal facilities.

The $2,680 reported for capital leases represents the 2003 refinance of jail facilities being leased back by the County.

Pima County maintains an "A+" rating from Standard & Poor's and an "A1" rating from Moody's for general obligation bonds, street and highway revenue bonds, sewer revenue bonds, and flood control general obligation bonds, except for the General Obligation Bonds, Series 2004 which Standard & Poor's upgraded to AA-.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total asset valuation. The current debt limitation for Pima County is $783,191, which is significantly in excess of Pima County's outstanding general obligation debt.

Refunding of 1979 bonds

Pima County was advised that $925 of bonds were not called as planned in 2002 and again in 2003. The Pima County Treasurer was named as paying agent for these bonds. We have evaluated the possibility of noncompliance with regard to this matter and have concluded that the funds received from the irrevocable trust for use in calling the bonds met the requirements for a sinking fund as defined by the bond covenants. On November 1, 2004, a redemption notice was issued to call the $1,850 of bonds outstanding.

Additional information regarding the County's debt can be found in Note 7 of the financial statements on pages 58-72 of this report.

Economic Factors and Next Year's Budget

Pima County continues to record steady increases in various aspects of its economy. Increases in residential construction continue to contribute to increases in the real property taxes, along with increases in valuation. Increases in per-capita wage income and sales taxes have also provided indications of economic growth.

The budget for fiscal year 2004/05 has expenditures for the General Fund increasing by approximately $40 million for the following reasons:

- $25 million in expenditures for Kino Community Hospital. Prior to fiscal year 2004/05, operating transfers were used to subsidize this division of Pima Health Care System.
- $5 million attributable to a 5% increase in employee salaries
- $5 million for increased operating costs associated with the Adult Detention Facility

- $3 million of funds were set aside to cover the salaries of former Kino Community Hospital employees as they transition to other jobs throughout the County.
- approximately $2 million for other miscellaneous adjustments related to the Presidential election, increases in operations and maintenance costs, etc.

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 Department, 130 W. Congress, 7th Floor, Tucson, AZ, 85701.

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PIMA COUNTY
STATEMENT OF NET ASSETS

Exhibit A-1

As of June 30, 2004
(in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 64,804	$ 41,928	$ 106,732	$ 5,543
Property taxes receivable (net)	8,739		8,739	
Interest receivable	377	52	429	
Internal balances	6,330	(6,330)		
Due from other governments	47,769	4,566	52,335	
Accounts receivable (net)	6,244	11,653	17,897	1,835
Inventories	2,277	2,793	5,070	315
Prepaids	6,571	112	6,683	200
Other assets	372	945	1,317	3,319
Restricted assets:				
Cash and cash equivalents	166,637	9,626	176,263	6,517
Investments				1,275
Regulatory asset				7,421
Loans receivable	2,073		2,073	
Capital assets (net):				
Land	160,586	13,054	173,640	995
Water supply and recharge rights				1,200
Buildings and improvements	228,160	140,560	368,720	3,378
Sewage conveyance system		279,617	279,617	
Equipment	34,668	8,569	43,237	1,086
Infrastructure	155,147		155,147	43,608
Construction in progress	97,570	152,421	249,991	5,767
Total assets	988,324	659,566	1,647,890	82,459
LIABILITIES				
Accounts payable	34,395	27,925	62,320	2,362
Interest payable	196	71	267	519
Contract retentions	371		371	
Employee compensation	34,785	7,233	42,018	
Due to other governments	12,996	107	13,103	
Deposits and rebates	3,321		3,321	212
Deferred revenues	2,715	3,730	6,445	
Noncurrent liabilities:				
Due within one year	48,232	9,656	57,888	2,497
Due in more than one year	343,362	156,154	499,516	56,843
Total liabilities	480,373	204,876	685,249	62,433
NET ASSETS				
Invested in capital assets, net of related debt	391,514	451,162	842,676	1,897
Restricted for:				
Special revenue	52,363		52,363	
Debt service	5,686	499	6,185	3,339
Capital projects	17,368	88	17,456	581
Wastewater management		3,696	3,696	
Health care		4,011	4,011	
Unrestricted (deficit)	41,020	(4,766)	36,254	14,209
Total net assets	$ 507,951	$ 454,690	$ 962,641	$ 20,026

See Notes to the Financial Statements

PIMA COUNTY
STATEMENT OF ACTIVITIES

Exhibit A-2

For the Year Ended June 30, 2004
(in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Primary government:								
Governmental activities:								
General government	$ 140,827	$ 21,422	$ 12,412	$ 165	$ (106,828)		$ (106,828)	
Public safety	151,860	10,289	34,299	242	(107,030)		(107,030)	
Highways and streets	42,133	11,728	51,367	16,648	37,610		37,610	
Health	30,165	8,772	11,779		(9,614)		(9,614)	
Welfare	76,894	918	534		(75,442)		(75,442)	
Culture and recreation	32,727	1,709	267	306	(30,445)		(30,445)	
Education and economic opportunity	33,093	101	24,461	52	(8,479)		(8,479)	
Depreciation - unallocated	805				(805)		(805)	
Amortization - unallocated	967				(967)		(967)	
Interest on long-term debt	15,012				(15,012)		(15,012)	
Total governmental activities	524,483	54,939	135,119	17,413	(317,012)		(317,012)	
Business-type activities:								
Wastewater Management	71,804	82,432	379			$ 11,007	$ 11,007	
Pima Health Care System	268,869	224,820	4,398			(39,651)	(39,651)	
Development Services	9,617	11,830				2,213	2,213	
Parking Garages	1,377	1,460				83	83	
Total business-type activities	351,667	320,542	4,777			(26,348)	(26,348)	
Total primary government	$ 876,150	$ 375,481	$ 139,896	$ 17,413	(317,012)	(26,348)	(343,360)	
Component units:								
Metropolitan Domestic Water Imp. District	$ 10,107	$ 10,983						$ 876
Marana Domestic Water Improvement District	461	503	$ 812					854
Southwestern Fair Commission	4,747	4,666	88					7
Green Valley Domestic Water Imp. District	885	1,027						142
Total component units	$ 16,200	$ 17,179	$ 900					$ 1,879
General revenues:								
Property taxes, levied for general purposes					203,013		203,013	
Property taxes, levied for flood control district					15,945		15,945	
Property taxes, levied for library district					11,012		11,012	
Property taxes, levied for debt service					42,537		42,537	
Hotel/motel taxes, levied for sports facility and tourism					2,745		2,745	
Other taxes, levied for stadium district					1,709		1,709	
Unrestricted share of state sales tax					83,202	1,146	84,348	
Unrestricted share of state vehicle license tax					23,413		23,413	
Grants and contributions not restricted to specific programs					3,201		3,201	
Interest and penalties on delinquent taxes					6,321		6,321	
Investment earnings					3,102	747	3,849	194
Miscellaneous					14,063	2,750	16,813	352
Capital contributions					5,441	22,214	27,655	784
Transfers					(13,196)	13,196		
Total general revenues and transfers					402,508	40,053	442,561	1,330
Change in net assets					85,496	13,705	99,201	3,209
Net assets at beginning of year, as restated					422,455	440,985	863,440	16,817
Net assets at end of year					$ 507,951	$ 454,690	$ 962,641	$ 20,026

See Notes to the Financial Statements

PIMA COUNTY

Exhibit A-3

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004
(in thousands)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 22,368	$ 99,872	$ 63,592	$ 185,832
Investments		3		3
Property taxes receivable (net of allowances for uncollectables)	6,516		2,223	8,739
Interest receivable	63	86	134	283
Interfund receivable	97			97
Due from other funds	12,930	2,020	1,544	16,494
Due from other governments	21,844	4,263	21,583	47,690
Accounts receivable	4,477	388	1,185	6,050
Inventory			1,954	1,954
Prepaid expenditures	4,995	2	587	5,584
Loan receivable	2,073			2,073
Restricted cash equivalent		3,170		3,170
Total assets	$ 75,363	$ 109,804	$ 92,802	$ 277,969
Liabilities and fund balances				
Liabilities:				
Accounts payable	$ 14,680	$ 8,537	$ 9,026	$ 32,243
Interest payable	7	4	185	196
Contract retentions		339	32	371
Employee compensation	10,978	50	4,072	15,100
Due to other funds	2,868	397	6,763	10,028
Due to other governments	302		12,694	12,996
Deposits and rebates	137	3,170	14	3,321
Deferred revenues	13,695	35	7,090	20,820
Total liabilities	42,667	12,532	39,876	95,075
Fund balances:				
Reserved for:				
Inventory			1,954	1,954
Prepaid expenditures	4,995	2	587	5,584
Debt service			4,202	4,202
Capital repairs and refurbishments			75	75
Loan receivable	2,073			2,073
Specified programs			783	783
Unreserved:				
Designated for debt payment			1,879	1,879
Undesignated	25,628	97,270	43,446	166,344
Total fund balances	32,696	97,272	52,926	182,894
Total liabilities and fund balances	$ 75,363	$ 109,804	$ 92,802	$ 277,969

See Notes to the Financial Statements

Exhibit A-4

PIMA COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004
(in thousands)

Fund balances - total governmental funds		$ 182,894
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	$ 794,211	
Less accumulated depreciation	(134,856)	659,355
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	(333,555)	
Loans and leases payable	(32,343)	
Unamortized deferred issuance costs reported as other assets	372	(365,526)
Some compensated absences are not due and payable shortly after June 30, 2004, and therefore are not reported in the governmental funds		
Employee compensation		(18,950)
Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements		18,105
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		32,073
Net assets of governmental activities		$ 507,951

See Notes to the Financial Statements

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004
(in thousands)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 209,672		$ 69,855	$ 279,527
Special assessments			505	505
Licenses and permits	2,166		4,400	6,566
Intergovernmental	120,058	$ 16,855	136,312	273,225
Charges for services	24,133	9,537	9,835	43,505
Fines and forfeits	4,023		987	5,010
Interest	530	997	1,129	2,656
Miscellaneous	2,132	1,642	8,144	11,918
Total revenues	362,714	29,031	231,167	622,912
Expenditures:				
Current:				
General government	120,755		19,564	140,319
Public safety	100,650		45,625	146,275
Highways and streets			29,170	29,170
Health	2,898		27,424	30,322
Welfare	76,619		106	76,725
Culture and recreation	14,448		12,693	27,141
Education and economic opportunity	5,578		26,568	32,146
Capital outlay		103,167		103,167
Debt service - principal	1,610		47,415	49,025
- interest	1,030		13,821	14,851
- miscellaneous	3		158	161
Total expenditures	323,591	103,167	222,544	649,302
Excess (deficiency) of revenues over (under) expenditures	39,123	(74,136)	8,623	(26,390)
Other financing sources (uses):				
Premium on bonds			148	148
Proceeds from sale of capital assets	2		404	406
Proceeds - refunding debt			6,880	6,880
Payments to escrow agent			(6,846)	(6,846)
Face amount of long-term debt		65,000		65,000
Transfers in	11,762	25,035	31,786	68,583
Transfers (out)	(51,739)	(1,461)	(36,716)	(89,916)
Total other financing sources (uses)	(39,975)	88,574	(4,344)	44,255
Net change in fund balances	(852)	14,438	4,279	17,865
Fund balance at beginning of year	33,548	82,834	49,013	165,395
Change in reserve for inventory			(379)	(379)
Change in reserve for prepaids			13	13
Fund balance at end of year	$ 32,696	$ 97,272	$ 52,926	$ 182,894

See Notes to the Financial Statements

Exhibit A-6

PIMA COUNTY
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, 2004
(in thousands)

Net change in fund balances - total governmental funds		$ 17,865
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	$ 93,695	
Less current year depreciation	(20,197)	$ 73,498
Transfers of capital assets between governmental activities and proprietary funds are not reported in the governmental funds but are recognized in the statement of activities		
Enterprise funds	$ 8,278	
Internal service funds	107	$ 8,385
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on 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		
Face amount of long-term debt	$ (65,000)	
Debt service - principal payments	49,025	
Proceeds on refunding bonds	(6,880)	
Payments to escrow agent	6,846	
Premium on bonds	(148)	
Amortization expense	(967)	$ (17,124)
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. Also, collections of property taxes in the governmental funds exceeded revenues reported in the statement of activities		
Donations of capital assets	$ 5,441	
Property tax revenues	(1,499)	
Other	2,066	$ 6,008
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	(1,204)	
Loss on disposal of capital assets	(1,740)	
Change in reservation of fund balances	(366)	$ (3,310)
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net revenue of the internal service funds is reported with governmental activities		174
Change in net assets of governmental activities		$ 85,496

See Notes to the Financial Statements

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004
(in thousands)

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Pima Health Care System	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	
Assets					
Current assets:					
Cash and cash equivalents	$ 23,655	$ 5,777	$ 12,496	$ 41,928	$ 42,436
Interest receivable	29	12	11	52	94
Due from other funds		81	93	174	16
Due from other governments	4,110	439	17	4,566	79
Accounts receivable	5,130	6,511	12	11,653	194
Inventory	97	2,696		2,793	323
Prepaid expense		92	20	112	987
Total current assets	33,021	15,608	12,649	61,278	44,129
Noncurrent assets:					
Restricted:					
Cash and cash equivalents		9,626		9,626	
Total restricted assets		9,626		9,626	
Capital assets:					
Land and other improvements		12,397	657	13,054	592
Buildings and improvements	1,116	225,007	12,927	239,050	462
Sewage conveyance system		423,337		423,337	
Equipment	1,282	18,721	1,089	21,092	27,863
Less accumulated depreciation	(1,184)	(246,111)	(7,438)	(254,733)	(12,141)
Construction in progress		152,421		152,421	
Total capital assets (net of accumulated depreciation)	1,214	585,772	7,235	594,221	16,776
Deferred financing costs		945		945	
Total noncurrent assets	1,214	596,343	7,235	604,792	16,776
Total assets	34,235	611,951	19,884	666,070	60,905
Liabilities					
Current liabilities:					
Accounts payable	22,295	5,287	343	27,925	2,152
Employee compensation	2,922	3,398	913	7,233	735
Interest payable	2	69		71	
Interfund payable	97			97	
Due to other funds	6,145	125	350	6,620	36
Due to other governments			107	107	
Deferred revenues	2	3,728		3,730	
Current portion of sewer revenue bonds		4,705		4,705	
Current portion of wastewater loans payable		4,951		4,951	
Current portion reported but unpaid losses					2,441
Current portion incurred but not reported losses					3,268
Total current liabilities	31,463	22,263	1,713	55,439	8,632
Noncurrent liabilities:					
Contracts and notes		5,783		5,783	
Landfill closure payable		16,022		16,022	
Sewer revenue bonds		55,359		55,359	
Wastewater loans payable		78,990		78,990	
Reported but unpaid losses					8,402
Incurred but not reported losses					11,585
Total noncurrent liabilities		156,154		156,154	19,987
Total liabilities	31,463	178,417	1,713	211,593	28,619
Net assets					
Invested in capital assets, net of related debt	1,214	442,713	7,235	451,162	16,776
Restricted for:					
Debt service		499		499	
Capital projects		88		88	
Wastewater management		3,696		3,696	
Health care	4,011			4,011	
Unrestricted	(2,453)	(13,462)	10,936	(4,979)	15,510
Total net assets	$ 2,772	$ 433,534	$ 18,171	454,477	$ 32,286

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.	213
Net assets of business-type activities	$ 454,690

See Notes to the Financial Statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2004 (in thousands)	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Pima Health Care System	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	
Operating revenues:					
Net patient services	$ 222,918			$ 222,918	
Charges for services	1,902	$ 52,512	$ 13,290	67,704	$ 30,323
Other	1,670	1,376	163	3,209	1,486
Total net operating revenues	226,490	53,888	13,453	293,831	31,809
Operating expenses:					
Employee compensation	35,880	27,554	7,239	70,673	6,010
Medical claims	183,816			183,816	
Operating supplies and services	6,801	4,866	996	12,663	3,530
Utilities	1,582	3,069	283	4,934	
Sludge and refuse disposal		2,462		2,462	
Repair and maintenance	1,328	1,981	282	3,591	3,007
Landfill closure and postclosure care costs		377		377	
Incurred losses					7,468
Insurance premiums					5,374
General and administrative	8,656	6,779	1,313	16,748	2,883
Consultants and professional services	26,147	3,100	456	29,703	706
Depreciation and amortization	1,233	17,184	440	18,857	1,935
Total operating expenses	265,443	67,372	11,009	343,824	30,913
Operating income (loss)	(38,953)	(13,484)	2,444	(49,993)	896
Nonoperating revenues (expenses):					
Grants	4,398	379		4,777	
Shared state tax revenue		1,146		1,146	
Interest income	369	253	125	747	547
Sewer connection fees		29,404		29,404	
Interest expense	(74)	(4,456)		(4,530)	
Gain/(loss) on disposal of capital assets	(165)	57	(1)	(109)	(778)
Amortization of deferred charges		(91)		(91)	
Premium tax	(3,160)			(3,160)	
Loss on closure of business activity	(139)			(139)	
Total nonoperating revenues (expenses)	1,229	26,692	124	28,045	(231)
Income (loss) before contributions and transfers	(37,724)	13,208	2,568	(21,948)	665
Capital contributions	19	22,678		22,697	6
Transfers in	31,100	49		31,149	389
Transfers (out)	(17,104)	(1,029)	(303)	(18,436)	(643)
Change in net assets	(23,709)	34,906	2,265	13,462	417
Net assets at beginning of year	26,481	398,628	15,906	441,015	31,869
Net assets at end of year	$ 2,772	$ 433,534	$ 18,171	454,477	$ 32,286

Some amounts reported for business-type activities in the statement of activities are different because a portion of the net revenue of certain internal service funds is reported with business-type activities.	243
Change in net assets of business-type activities	$ 13,705

See Notes to the Financial Statements

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2004
(in thousands)

	Pima Health Care System	Wastewater Management	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	$ 3,064		$ 503	$ 3,567	$ 30,323
Cash received from customers for goods and services provided	212,190	$ 52,885	13,274	278,349	
Cash received from miscellaneous operations	1,670	1,201	184	3,055	1,298
Cash payments to suppliers for goods and services	(192,506)	(13,535)	(1,580)	(207,621)	(13,464)
Cash payments to other funds for goods and services	(3,789)	(8,791)	(2,818)	(15,398)	(2,189)
Cash payments for incurred losses					(7,726)
Cash payments to employees for services	(51,980)	(27,303)	(6,492)	(85,775)	(5,938)
Net cash provided by (used for) operating activities	(31,351)	4,457	3,071	(23,823)	2,304
Cash flows from noncapital financing activities:					
Interest paid on short-term credit	(74)			(74)	
Interest received from Medicare	30			30	
Cash transfers in from other funds	28,000	49		28,049	389
Cash transfers out from other funds	(115)	(5)	(14)	(134)	(66)
Loan payments from other funds	2,837		104	2,941	30
Loan payments to other funds		(10,934)		(10,934)	(16)
Shared State tax revenues		1,146		1,146	
Premium Tax	(3,160)			(3,160)	
Grant revenues	4,768	379		5,147	
Net cash provided by (used for) noncapital financing activities	32,286	(9,365)	90	23,011	337
Cash flows from capital and related financing activities:					
Proceeds of loans		24,873		24,873	
Principal paid on bonds and loans		(7,980)		(7,980)	
Interest paid on bonds and loans		(4,124)		(4,124)	
Sewer connection fees		29,342		29,342	
Proceeds from sale of capital assets	15	20		35	238
Proceeds from intergovernmental contract		2,443		2,443	
Purchase of capital assets from other funds		(1,024)		(1,024)	
Purchase of capital assets	(1,389)	(32,375)	(162)	(33,926)	(3,560)
Net cash provided by (used for) capital and related financing activities	(1,374)	11,175	(162)	9,639	(3,322)
Cash flows from investing activities:					
Interest received on cash and investments	346	268	134	748	568
Net cash provided by investing activities	346	268	134	748	568
Net increase (decrease) in cash and cash equivalents	(93)	6,535	3,133	9,575	(113)
Cash and cash equivalents at beginning of year	23,748	8,868	9,363	41,979	42,549
Cash and cash equivalents at end of year	$ 23,655	$ 15,403	$ 12,496	$ 51,554	$ 42,436

(Continued)

See Notes to the Financial Statements

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2004
(in thousands)
(Continued)

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	Pima Health Care System	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Operating income (loss)	$ (38,953)	$ (13,484)	$ 2,444	$ (49,993)	$ 896
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,233	17,184	440	18,857	1,935
Provision for doubtful accounts	4,051			4,051	
Landfill closure and postclosure care costs		377		377	
Decrease (increase) in accounts receivable	(1,864)	349	22	(1,493)	(182)
Increase in interfund receivables	(188)			(188)	
Decrease (increase) in due from other governments		(152)	(17)	(169)	(6)
Decrease (increase) in inventory and other assets	(372)	(48)	(4)	(424)	6
Increase (decrease) in accounts payable	12,580	(20)	76	12,636	(50)
Increase (decrease) in interfund payables	(321)			(321)	(113)
Increase (decrease) in due to other funds			58	58	
Increase (decrease) in due to other governments	(5,625)		(45)	(5,670)	
Decrease in reported but unpaid losses					(2,184)
Increase in incurred but not reported losses					1,926
Increase (decrease) in other current liabilities	(1,892)	251	97	(1,544)	76
Net cash provided by (used) for operating activities	$ (31,351)	$ 4,457	$ 3,071	$ (23,823)	$ 2,304

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2004:

Wastewater Management Enterprise Fund retired assets with a net book value of $4.

Wastewater Management Enterprise Fund received contributed developer-built conveyance systems with estimated fair values totaling $22,214. These contributions were recorded as an increase in capital assets and capital contributions (a non-cash transaction).

Wastewater Management Enterprise Fund performed a physical inventory of capital assets during the year and increased the net book value of capital assets by $41.

Wastewater Management Enterprise Fund issued $25,770 of Sewer Revenue Refunding Bonds, Series 2004, at a premium of $1,258 to refund sewer revenue bonds issued in 1994. Bond issuance costs totaling $424 were deducted from the refunding bond proceeds and $26,604 was deposited immediately to refund $25,520 of 1994a sewer revenue bonds.

Pima Health Care System had unpaid transfers totaling $1,600 at year end.

Pima Health Care System disposed of assets with a net book value of $180.

Pima Health Care System sold assets to University Physicians, Inc. at a loss of $139.

Pima Health Care System transferred assets to the County's general government with a net book value of $13,489.

Pima Health Care System received capital assets with a net book value of $19 from the County's general capital assets.

Other Enterprise Funds disposed of capital assets with a net book value of $1.

Other Enterprise Funds had unpaid transfers totaling $290 at year-end.

Other Enterprise Funds transferred $7 of completely depreciated capital assets to the County's general capital assets.

Internal Service Funds transferred capital assets with a net book value of $464 to the Wastewater Management Enterprise Fund.

Internal Service Funds transferred $113 of capital assets to the County's general capital assets.

Internal Service Funds disposed of assets with a net book value of $1,016.

Internal Service Funds received a capital asset with a value of $6 from the County's general capital assets.

See Notes to the Financial Statements

PIMA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2004
(in thousands)

Exhibit A-10

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ 135,883	$ 36,578
Interest receivable	252	
Due from other governments		3,101
Total assets	136,135	39,679
LIABILITIES		
Employee compensation		73
Due to other governments		16,200
Deposits and rebates		23,406
Total liabilities		$ 39,679
NET ASSETS		
Held in trust for pool participants	$ 136,135	

See Notes to the Financial Statements

PIMA COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2004
(in thousands)

Exhibit A-11

	Investment Trust Funds
ADDITIONS	
Contributions from participants	$ 1,889,746
Total contributions	1,889,746
Investment interest earnings	1,927
Total investment earnings	1,927
Total additions	1,891,673
DEDUCTIONS	
Distributions to participants	1,878,715
Total deductions	1,878,715
Change in net assets	12,958
Net assets held in trust July 1, 2003	123,177
Net assets held in trust June 30, 2004	$ 136,135

See Notes to the Financial Statements

PIMA COUNTY
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2004
(in thousands)

Exhibit A-12

	Metropolitan Domestic Water Improvement District	Marana Domestic Water Improvement District	Southwestern Fair Commission	Green Valley Domestic Water Improvement District	Total
ASSETS					
Cash and cash equivalents	$ 3,920	$ 243	$ 1,010	$ 370	$ 5,543
Accounts receivable (net)	1,610	54	32	139	1,835
Inventories	273	3	39		315
Prepaids	178		20	2	200
Other assets	1,455	13	7	1,844	3,319
Restricted assets:					
Cash and cash equivalents	5,506	24		987	6,517
Investments	1,275				1,275
Regulatory asset	7,421				7,421
Capital assets (net):					
Land	950	28		17	995
Water supply and recharge rights				1,200	1,200
Buildings and improvements	1,703	73	1,474	128	3,378
Machinery and equipment	496	77	237	276	1,086
Water system	36,669	1,987		4,952	43,608
Construction in progress	5,767				5,767
Total assets	67,223	2,502	2,819	9,915	82,459
LIABILITIES					
Accounts payable	1,802	12	206	342	2,362
Interest payable	519				519
Deposits and rebates	176	18	10	8	212
Noncurrent liabilities:					
Due within one year:					
Contracts and notes	129	26	104	6	265
Revenue bonds	2,065	7		160	2,232
Due in more than one year:					
Contracts and notes	1,673	1,084	430	17	3,204
Revenue bonds	44,111	383		9,145	53,639
Total liabilities	50,475	1,530	750	9,678	62,433
NET ASSETS					
Invested in capital assets, net of related debt	2,161	678	1,177	(2,119)	1,897
Restricted for:					
Debt service	2,328	24		987	3,339
Capital projects	536		45		581
Unrestricted	11,723	270	847	1,369	14,209
Total net assets	$ 16,748	$ 972	$ 2,069	$ 237	$ 20,026

See Notes to the Financial Statements

PIMA COUNTY
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended June 30, 2004
(in thousands)

Exhibit A-13

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	MDWID	MARANA	SFC	GVDWID	Total
Metropolitan Domestic Water Improvement District (MDWID)								
Operations	$ 10,107	$ 10,983		$ 876				$ 876
Total MDWID	10,107	10,983		876				876
Marana Domestic Water Improvement District (MARANA)								
Operations	461	503	$ 812		$ 854			854
Total MARANA	461	503	812		854			854
Southwestern Fair Commission (SFC)								
Operations	4,747	4,666	88			$ 7		7
Total SFC	4,747	4,666	88			7		7
Green Valley Domestic Water Improvement District (GVDWID)								
Operations	885	1,027					$ 142	142
Total GVDWID	885	1,027					142	142
Total component units	$ 16,200	$ 17,179	$ 900	876	854	7	142	1,879
General revenues:								
Investment earnings				191			3	194
Miscellaneous				219		133		352
Capital contributions				692			92	784
Total general revenues				1,102		133	95	1,330
Change in net assets				1,978	854	140	237	3,209
Net assets at beginning of year, as restated				14,770	118	1,929		16,817
Net assets at end of year				$ 16,748	$ 972	$ 2,069	$ 237	$ 20,026

See Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Pima County conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

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 is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined 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, except for the Green Valley Domestic Water Improvement District, which has a December 31 year-end.

The Municipal Property Corporation (MPC) is a nonprofit corporation created by the Pima County Board of Supervisors to assist in the development of the County, among other things, by acquiring, constructing and improving any facilities, including real property and improvements and personal property, entirely for use by the County. The MPC undertook its first bond issue in October, 1992. The MPC is governed by a five-member board elected by the Pima County Board of Supervisors to one-year terms. The MPC is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the MPC are not available.

The Pima County Stadium District, a legally separate entity, was formed to promote and establish major league baseball spring training in Pima County. The Board of Directors of the District comprises the same individuals who constitute the Pima County Board of Supervisors. 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 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 Finance Department 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 Board of Directors is the Pima County Board of Supervisors. The Library District and the City of Tucson have had intergovernmental agreements to provide library services since 1986. 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 Flood Control District was established June 5, 1978, and became operational on July 1, 1978. To comply with federal law, the State of Arizona enacted the Floodplain Management Act of 1973. This act authorized the counties in Arizona to adopt rules and regulations concerning the management of floodplain areas. The State of Arizona subsequently authorized flood control districts to levy taxes on real property to finance district-operating expenses. The District is responsible for floodplain management activities for the unincorporated areas of Pima County (except national forests, parks, monuments and Indian 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 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 Metropolitan Domestic Water Improvement District (MDWID) of Pima County, a legally separate entity, was formed by the Pima County Board of Supervisors on July 7, 1992. The initial Board of Directors of the District was comprised of five members appointed by the Pima County Board of Supervisors to varying terms. In November 1994, three members were elected to four-year terms. The Board of Directors of the District has all the powers and duties of the Board of Supervisors of Pima County sitting as the board of directors of a county improvement district that are not in conflict with the provisions of the law. The Pima County Board of Supervisors may review all financial transactions of the Board of Directors of the District. Additionally, the Pima County Board of Supervisors may revoke at any time the authority of the Board of Directors of the District in order to protect the residents of the District. If this should occur, the Pima County Board of Supervisors would govern the District. Based on these factors, and because the District does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, the District is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements of the District can be obtained from its administrative offices located at 6265 North La Canada Drive, Tucson, Arizona 85704.

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 the District 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 Finance Department located at 130 West Congress Street, Tucson, Arizona 85701.

The Marana Domestic Water Improvement District (MARANA) of Pima County is a municipal corporation organized in 1997 under the laws of Arizona. It is a public service corporation authorized to engage in the sale of water for commercial and domestic use. The Board of Directors of the District are appointed by the Pima County Board of Supervisors. The Board of Directors of the District has all the powers and duties of the Board of Supervisors of Pima County, as the board of directors of a County improvement district that are not in conflict with the provisions of the law. The Pima County Board of Supervisors may review and shall have veto authorization over all financial transactions of the Board of Directors of the District. Additionally, the Pima County Board of Supervisors may revoke at any time the authority of the Board of Directors of the District in order to protect the residents of the District. If this should occur, the Pima County Board of Supervisors would govern the District. Based on these factors, and because the District does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, the District is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements of the District can be obtained from its administrative offices located at 16560 W. El Tiro Road, P.O. Box 518, Marana, Arizona 85653-0518.

The Green Valley Domestic Water Improvement District (GVDWID) of Pima County, a legally separate entity, was formed on December 17, 2002, by the Pima County Board of Supervisors. It was formed for the purpose of purchasing a water system and operating the water system, with operations commencing on May 21, 2003. The initial nine members of the Board of Directors were appointed by the Pima County Board of Supervisors with five having four-year terms and four having two-year terms. The residents of the District will elect the succeeding Board of Directors, who will all have four-year terms. The Pima County Board of Supervisors may review all financial transactions of the Board of Directors of the District. Additionally, the Pima County Board of Supervisors may revoke at any time the authority of the Board of Directors of the District in order to protect the residents of the District. Based on these factors, and because the District does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, the District is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements of the District can be obtained from its administrative offices located at 3290 S. Camino Del Sol, Green Valley, Arizona 85614.

B. 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 (Pima County) 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 units. 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:

- 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 nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary funds are financed mainly by fees and charges to users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating 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 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 Care System – provides health care services through Kino Hospital, Pima Health System, and Posada del Sol 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. Kino Hospital ceased operations on June 15, 2004 and no financial activity will be reported in future years (see Note 15 to the Financial Statements).

Wastewater Management Fund – accounts for the management and operation of wastewater treatment, water pollution control programs, and solid waste management throughout the County.

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, graphics services, and communications 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.

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 or have a measurement focus.

C. Basis of Accounting

The government-wide, proprietary funds and fiduciary funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. 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, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 30 days after year-end. 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.

D. Cash and Investments

For purposes of its statement of cash flows, the County considers only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents. All other 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.

E. Inventories

Inventories of the governmental funds 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.

Inventories of Pima Health Care System, an enterprise fund, are valued at the lower of cost or market, cost being determined on the first-in, first-out method.

Inventories of Wastewater Management, 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 the lower of cost or market, cost being determined using the moving average method.

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.

Excluding component units, capitalization thresholds, depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Buildings and building improvements	All	Straight Line	7 to 40 Years
Equipment	$ 5	Straight Line	4 to 25 Years
Fleet service vehicles	$ 5	Units of Production Based on number of hours or miles	5 to 15 Years
Infrastructure	$100	Straight Line	20 to 50 Years
Land improvements	All	Straight Line	20 to 25 Years
Wastewater sewer conveyance	$ 20	Straight Line	20 to 50 Years
Wastewater treatment facilities, transfer stations and other property and equipment	$ 20	Straight Line	50 Years

H. Investment Income

Investment income is 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.

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 an unlimited number of sick leave 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 an estimate is made for non-vested sick leave. 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 to be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts are accrued.

NOTE 2: NET ASSET BEGINNING BALANCES RESTATED

The beginning governmental activities net asset balance was restated to correct errors in reporting capital assets acquired in prior years.

		Governmental Activities
Net assets, June 30, 2003, as previously reported	$	406,079
Correction of error		16,376
Net assets, July 1, 2003, as restated	$	422,455

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; and bonds of the State of Arizona or any of its counties, cities, towns, school districts as specified by statute. State statutes also require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by Federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, and obligations of the various states and their municipalities, school districts and special districts. At least monthly, the Treasurer's Office determines that the collateral is adequate to cover the deposits by calculating the lower amount of par or fair value of individual securities pledged as collateral.

Most cash, including amounts held in trust and agency capacity for other entities, is deposited with the County Treasurer who invests the pooled balances on a short-term basis. Interest received is allocated monthly, on the basis of average daily cash balances, to separate districts and to various County funds. The County Treasurer also maintains discrete deposit and investment accounts for various funds and other entities. Deposits and investments are displayed on the financial statements as cash and cash equivalents, investments, and restricted cash and cash equivalents.

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.

Deposits—At June 30, 2004, the investment pool had cash on hand of $4. The carrying amount of the pool's total cash in bank was $8,925 and the bank balance was $21,051. Of the bank balance, $100 was covered by federal depository insurance and $20,951 was covered by collateral held by the pledging financial institution's agent in the County's name.

Investments—At June 30, 2004, the County Treasurer's Investment Pool's investments consisted of $280,705 invested in the State Treasurer's Investment Pool. The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and

advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments, are not subject to custodial credit risk, and have no stated interest rate or maturity date.

A condensed statement of the investment pool's net assets and changes in net assets follows:

Statement of Net Assets	
Net assets held in trust for:	
Internal participants	$ 169,557
External participants	120,210
Total liabilities	0
Total net assets held in trust	$ 289,767

Statement of Changes in Net Assets	
Total additions	$ 4,955,812
Total deductions	(4,918,817)
Net increase	36,995
Net assets held in trust:	
July 1, 2003	252,772
June 30, 2004	$ 289,767

Other Cash and Investments—At June 30, 2004, the total nonpooled cash on hand was $74. The carrying amount of the total nonpooled cash in bank was $22,191, and the bank balance was $22,964. Of the bank balance, $17,012 was covered by federal depository insurance; $4,675 was covered by collateral held by the pledging financial institution's agent in the County's name; and $1,277 was uninsured and uncollateralized.

Deposits held in escrow total $5,215. They are not reflected in a risk category.

The County's nonpooled investments are categorized below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered in the County's name or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name. The County's investment in the State Treasurer's Investment Pool represents shares of the pool's portfolio. Those shares are not identified with specific investments and are not subject to custodial credit risk.

Investment Type	Category 1	Category 2	Category 3	Reported Amount	Fair Value
U.S. Government Issues	$ 0	$ 0	$ 1,460	$ 1,460	$ 1,460
State Treasurer's Investment Pool				136,882	136,882
Total				$ 138,342	$ 138,342

A reconciliation of financial statement amounts to amounts disclosed within this footnote is as follows:

Basic Financial Statements:	
Government-Wide Statement of Net Assets:	
Cash and cash equivalents	$ 106,732
Restricted assets:	
Cash and cash equivalents	173,090
Investments	3,173
Statement of Fiduciary Net Assets:	
Investment Trust Funds	135,883
Agency Funds	36,578
Total	$ 455,456

Note 3	
Cash in bank and on hand	$ 31,194
Deposits held in escrow	5,215
County Treasurer's Investment Pool	280,705
Other investments	138,342
Total	$ 455,456

DISCRETELY PRESENTED COMPONENT UNITS

Metropolitan Domestic Water Improvement District (MDWID) — At June 30, 2004, MDWID's cash deposits had a carrying balance of $1,190 and a corresponding bank balance of $1,189. Of the bank balance $429 was covered by federal depository insurance and the remaining amount, with the exception of operating cash accounts, was fully insured or collateralized with securities held by MDWID or its agents in MDWID's name.

The MDWID cash and cash equivalents also include $2,417 in operating funds held by the Pima County Treasurer, which represent a portion of the Pima County Treasurer investment pool portfolio for the year ended June 30, 2004; $4,674 deposited with the State of Arizona Treasurer; and $1,145 in money market funds. These deposits are not subject to custodial credit risk. At June 30, 2004, MDWID's investments had a fair value of $1,275. These investments were with federally insured agencies and were considered custodial credit risk category 1, indicating they were insured or registered in MDWID's name or the securities were held by MDWID or its agent in MDWID's name.

Marana Domestic Water Improvement District (MARANA) — At June 30, 2004, the District's cash and cash equivalents were $243 and included cash on hand and amounts held by the Pima County Treasurer.

Southwestern Fair Commission (SFC) — At June 30, 2004, the Commission's $1,010 of cash and cash equivalents consisted of deposits with financial institutions, of which $710 was uninsured and uncollateralized.

Green Valley Domestic Water Improvement District (GVDWID) — At December 31, 2003, GVDWID's cash and cash equivalents were $1,357 and included the bond reserve funds of $987. The cash deposit had a carrying balance of $370 and a corresponding bank balance of $379. Of the bank balance, $126 was covered by federal depository insurance and $253 was in excess of FDIC insurance and therefore uninsured and uncollateralized.

NOTE 4: DUE FROM OTHER GOVERNMENTS

Governmental Activities:

	General	Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal government:					
Grants and contributions	$ 1,560	$ 3,869	$ 11,113	$ 1	$ 16,543
State of Arizona:					
Taxes and shared revenues	18,477		4,438		22,915
Grants and contributions		113	5,110	3	5,226
Reimbursement for services			33		33
City of Tucson:					
Reimbursement for services	1,791	281	729		2,801
Due from other governments:					
Reimbursement for services	16		160	75	251
Total due from other governments	$ 21,844	$ 4,263	$ 21,583	$ 79	$ 47,769

Business-type Activities:

	Pima Health Care System	Wastewater Management	Other Business-type Activities	Total Business-type Activities
Federal Government:				
Grants and contributions	$ 195	$ 153		$ 348
State of Arizona:				
Grants and contributions	3,915	286		4,201
City of Tucson				
Reimbursement for services			$ 14	14
Due from other governments				
Reimbursement for services			3	3
Total due from other governments	$ 4,110	$ 439	$ 17	$ 4,566

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance July 1, 2003 (as restated)	Increases	Decreases	Balance June 30, 2004
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 127,895	$ 33,468	$ (777)	$ 160,586
Construction in progress	133,185	56,894	(92,509)	97,570
Total capital assets not being depreciated	261,080	90,362	(93,286)	258,156
Capital assets being depreciated:				
Buildings and improvements	271,728	53,304	(1,068)	323,964
Infrastructure	95,257	71,434	(727)	165,964
Equipment	74,308	12,372	(11,636)	75,044
Total capital assets being depreciated	441,293	137,110	(13,431)	564,972
Less accumulated depreciation for:				
Buildings and improvements	(68,384)	(27,679)	259	(95,804)
Infrastructure	(2,066)	(8,751)		(10,817)
Equipment	(41,414)	(9,203)	10,241	(40,376)
Total accumulated depreciation	(111,864)	(45,633)	10,500	(146,997)
Total capital assets being depreciated, net	329,429	91,477	(2,931)	417,975
Governmental activities capital assets, net	$ 590,509	$ 181,839	$ (96,217)	$ 676,131

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 12,865	$ 504	$ (315)	$ 13,054
Construction in progress	136,171	27,272	(11,022)	152,421
Total capital assets not being depreciated	149,036	27,776	(11,337)	165,475
Capital assets being depreciated:				
Buildings and improvements	258,739	9,063	(28,752)	239,050
Sewer conveyance system	399,747	23,618	(28)	423,337
Equipment	27,847	3,356	(10,111)	21,092
Total capital assets being depreciated	686,333	36,037	(38,891)	683,479
Less accumulated depreciation for:				
Buildings and improvements	(111,556)	(8,188)	21,254	(98,490)
Sewer conveyance system	(135,082)	(8,883)	245	(143,720)
Equipment	(18,340)	(2,077)	7,894	(12,523)
Total accumulated depreciation	(264,978)	(19,148)	29,393	(254,733)
Total capital assets being depreciated, net	421,355	16,889	(9,498)	428,746
Business-type activities capital assets, net	$ 570,391	$ 44,665	$ (20,835)	$ 594,221

The July 1, 2003 governmental activities capital asset balance was restated to correct capitalization errors made in previous years, as explained in Note 2 to the financial statements. The increases to governmental activities capital assets include capital assets transferred from the Pima Health Care System Enterprise Fund, with a value of $31,798 less accumulated depreciation of $23,501, as explained in Note 15 to the financial statements.

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 3,525
Public safety	6,665
Highway and streets	5,650
Health	380
Welfare	9
Culture and recreation	3,021
Education and economic opportunity	142
Unallocated	805
Internal service funds	1,935
Total governmental activities depreciation	$ 22,132
Business-type activities:	
Pima Health Care System	$ 1,233
Parking garages	333
Wastewater management	17,184
Development services	107
Total business-type activities depreciation	$ 18,857

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Discretely presented component units:				
Metropolitan Domestic Water Improvement District (MDWID):				
Capital assets not being depreciated:				
Land	$ 950			$ 950
Construction in progress	2,785	$ 5,402	$ (2,420)	5,767
Total capital assets not being depreciated	3,735	5,402	(2,420)	6,717
Capital assets being depreciated:				
Buildings and improvements	1,982	4		1,986
Water systems	40,660	3,066		43,726
Equipment	2,009	146		2,155
Total capital assets being depreciated	44,651	3,216		47,867
Less accumulated depreciation for:				
Buildings and improvements	(233)	(50)		(283)
Water systems	(5,958)	(1,099)		(7,057)
Equipment	(1,448)	(211)		(1,659)
Total accumulated depreciation	(7,639)	(1,360)		(8,999)
Total capital assets being depreciated, net	37,012	1,856		38,868
MDWID capital assets, net	40,747	7,258	(2,420)	45,585

	Balance July 1, 2003 (as restated)	Increases	Decreases	Balance June 30, 2004
Southwestern Fair Commission (SFC):				
Capital assets being depreciated:				
Buildings and improvements	3,511	43		3,554
Equipment	1,387	99	(151)	1,335
Total capital assets being depreciated	4,898	142	(151)	4,889
Less accumulated depreciation for:				
Buildings and improvements	(1,882)	(198)		(2,080)
Equipment	(1,175)	(63)	140	(1,098)
Total accumulated depreciation	(3,057)	(261)	140	(3,178)
Total capital assets being depreciated, net	1,841	(119)	(11)	1,711
SFC capital assets, net	1,841	(119)	(11)	1,711

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Marana Domestic Water Improvement District (MARANA):				
Capital assets not being depreciated:				
Land	8	20		28
Construction in progress	369		(369)	
Total capital assets not being depreciated	377	20	(369)	28
Capital assets being depreciated:				
Buildings and improvements	2	74		76
Water systems	1,150	1,099		2,249
Equipment	21	66		87
Total capital assets being depreciated	1,173	1,239		2,412
Less accumulated depreciation for:				
Buildings and improvements		(3)		(3)
Water systems	(178)	(84)		(262)
Equipment	(6)	(4)		(10)
Total accumulated depreciation	(184)	(91)		(275)
Total capital assets being depreciated, net	989	1,148		2,137
MARANA capital assets, net	1,366	1,168	(369)	2,165

	Balance Jan. 1, 2003	Increases	Decreases	Balance Dec. 31, 2003
Green Valley Domestic Water Improvement District (GVDWID):				
Capital assets not being depreciated:				
Land		17		17
Water supply and recharge rights		1,200		1,200
Total capital assets not being depreciated		1,217		1,217
Capital assets being depreciated:				
Buildings and improvements		132		132
Water systems		5,101		5,101
Equipment		290		290
Total capital assets being depreciated		5,523		5,523
Less accumulated depreciation for:				
Buildings and improvements		(4)		(4)
Water systems		(149)		(149)
Equipment		(14)		(14)
Total accumulated depreciation		(167)		(167)
Total capital assets, being depreciated, net		5,356		5,356
GVDWID capital assets, net		6,573		6,573
Discretely presented component units capital assets, net	$ 43,954	$ 14,880	$ (2,800)	$ 56,034

NOTE 6: CLAIMS, JUDGMENTS and RISK MANAGEMENT

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.

Wastewater Management

The County has entered into settlement negotiations with Arizona Department of Environmental Quality (ADEQ) to resolve litigation associated with the cleanup of the Camino del Cerro landfill. Cleanup expenses have been incurred and include a soil vapor extraction system, a series of drainage improvements, re-grade landfill cap and groundwater remediation. The liability is not presented within the financial statements because the outcome of the settlement negotiations is uncertain. However, cleanup costs could total $3,600 and county management plans to finance the cost of any such settlement through future bond issues.

As a result of a major sewer line failure, the County Wastewater Management Department has received a Notice of Violation from the ADEQ that could result in various penalties, fines or remediation requirements. The County is in negotiation with the ADEQ and it is too early to speculate on a possible settlement agreement or the resulting financial impact of any such agreement.

Other

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 and dental losses. Environmental losses are based on reported claims and the County risk manager's knowledge and experience. 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 and dental losses are reported at their present value using an expected future investment yield assumption of four percent. 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.

All funds of the County participate in the Fund. With the exception of environmental and dental losses, payments to the Fund are based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish some reserve for catastrophic losses. That reserve was estimated to be $500 at June 30, 2004, and is included in the Fund net assets. Payments to the Fund for environmental losses are based on historical experience, since an actuarial basis is not available. Payments for dental losses are based on claims made.

The claims liability of $25,696 reported in the Fund at June 30, 2004, 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.

	2004	2003
Claims liability balance—beginning	$25,954	$ 28,112
Current year claims and changes in estimates	7,468	7,036
Claims payments	(7,726)	(9,194)
Claims liability balance—ending	$25,696	$ 25,954

NOTE 7: LONG-TERM LIABILITIES

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2004.

	Balance July 1, 2003 (as restated)	Additions	Reductions	Balance June 30, 2004	Due within 1 year
Governmental activities:					
General obligation bonds	$ 200,280	$ 65,000	$ 33,175	$ 232,105	$ 29,835
Plus unamortized deferred amount	401	75	28	448	33
Total general obligation bonds	200,681	65,075	33,203	232,553	29,868
Flood control bonds	4,585		780	3,805	795
Transportation revenue bonds	105,465		10,215	95,250	8,905
Plus unamortized deferred amount	236		25	211	25
Total transportation revenue bonds	105,701		10,240	95,461	8,930
Lease revenue bonds	495		495		
Special assessment bonds with governmental commitment	2,121		385	1,736	460
Certificates of participation payable	1,560		1,560		
Loans and Leases:					
Transportation loans payable	4,060		1,040	3,020	1,040
Capital leases payable:					
Jail capital lease	30,455	2,680	1,610	31,525	1,440
Less unamortized deferred amount		(2,680)	(191)	(2,489)	(191)
Other capital leases	594		307	287	181
Total capital leases	31,049		1,726	29,323	1,430
Total loans and leases	35,109		2,766	32,343	2,470
Reported but unpaid losses (Note 6)	13,027	5,542	7,726	10,843	2,441
Incurred but not reported losses (Note 6)	12,927	1,926		14,853	3,268
Total governmental activities long-term liabilities	$ 376,206	$ 72,543	$ 57,155	$ 391,594	$ 48,232

The beginning balances of the governmental activities' General Obligation and Transportation Bonds were restated to exclude $387 of deferred issuance costs. The deferred issuance costs are now reported as an Other Asset. This had no effect on beginning net assets.

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Due within 1 year
Business-type activities:					
Sewer revenue bonds	$ 68,240	$ 25,770	$ 29,230	$ 64,780	$ 4,705
Less unamortized deferred amount	(5,142)	(2,401)	(2,827)	(4,716)	
Total revenue bonds payable	63,098	23,369	26,403	60,064	4,705
Wastewater loans payable	63,879	24,623	4,270	84,232	4,951
Less unamortized deferred amount	(328)		(37)	(291)	
Total loans payable	63,551	24,623	4,233	83,941	4,951
Landfill closure and post-closure care costs	15,645	377		16,022	
Contracts and notes	6,849	1,447	2,513	5,783	
Total business-type activities long-term liabilities	$ 149,143	$ 49,816	$ 33,149	$ 165,810	$ 9,656
Discretely presented component units:					
MDWID revenue bonds	$ 48,720		$ 1,980	$ 46,740	$ 2,065
Less unamortized deferred amount	(557)	$ (95)	(88)	(564)	
Total revenue bonds	48,163	(95)	1,892	46,176	2,065
MDWID notes payable	1,821	101	120	1,802	129
Marana Domestic WID bonds	335	62	7	390	7
Marana Domestic WID notes payable	1,133		23	1,110	26
Total	1,468	62	30	1,500	33
Southwestern Fair Commission notes payable	637		103	534	104
Green Valley Domestic Water Improvement District presented for period ending December 31, 2003:					
GVDWID revenue bonds		9,305		9,305	160
GVDWID notes payable		24	1	23	6
Total discretely presented component unit long-term liabilities	$ 52,089	$ 9,397	$ 2,146	$ 59,340	$ 2,497

GENERAL OBLIGATION BONDS OUTSTANDING

Governmental Activities
(Payments made from property
tax revenues of the Debt Service Fund)

General obligation bonds payable at June 30, 2004, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, $2,919 from the November 2, 1982 bond election, $40,591 from the May 20, 1997, and $541,200 from the May 18, 2004 bond election remain unissued. The table below presents amounts outstanding by issue.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2004
Series of 1998	$ 42,420	4.40 – 5.00%	2005-13	$ 25,465
Series of 1999	50,000	5.00 – 5.125%	2005-10	31,115
Series of 2000	50,000	4.00 – 5.00%	2005-14	38,000
2001 Refunding	17,835	4.00 – 5.00%	2005-09	13,175
Series of 2002	20,000	3.50 – 4.50%	2005-16	13,000
Series of 2003	50,000	3.25 – 4.25%	2005-17	46,350
Series of 2004	65,000	3.00 – 5.00%	2005-19	65,000
G.O. bonds outstanding				232,105
Plus unamortized deferred amount:				448
Total G.O. bonds outstanding				$ 232,553

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 29,835	$ 10,524
2006	29,785	9,001
2007	25,825	7,612
2008	21,955	6,417
2009	17,075	5,416
2010-2014	70,110	16,350
2015-2019	37,520	3,738
Total	$ 232,105	$ 59,058

REFUNDED GENERAL OBLIGATION BONDS

In 2004, the County defeased $5,785 of General Obligation Bonds, Series 1999, by issuing $6,880 of short-term General Obligation Bonds that had 6-month maturities and an interest rate of 3.375%. The proceeds of the new bonds were placed in an irrevocable trust to provide for future debt service payments of the refunded debt. Accordingly, the trust account assets and liability for the defeased bonds are not included in the County's financial statements. Also, the refunding bond debt is not included in the County's financial statements because as of June 30, 2004, the County had transferred cash to its paying agent to pay off the bonds. This refunding transaction resulted in an economic gain of $690, and a reduction in debt service payments of $1,247. Refunded amounts at June 30, 2004 were as follows:

Issue	Outstanding June 30, 2004
Series of 1999	$ 5,785

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, 2004, the following outstanding bonds were considered defeased:

Issue	Outstanding June 30, 2004
1979 General Obligation Refunding Bonds	$ 7,425

FLOOD CONTROL REFUNDING BONDS OUTSTANDING

Governmental Activities

(Payments made from property tax revenues of the Debt Service Fund of the district)

The Pima County Flood Control District was created on April 3, 1978, by State law.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2004
2001 Refunding	$ 4,585	4.00 - 4.20%	2005-09	$ 3,805

The following schedule details flood control bond debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 795	$ 154
2006	780	123
2007	760	91
2008	745	61
2009	725	31
Total	$ 3,805	$ 460

TRANSPORTATION BONDS
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, $220,000 from the November 4, 1997, bond election remains unissued.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2004
Series of 1998	$ 40,000	4.50%	2005-08	$ 16,000
Series of 2002	55,000	4.00 - 4.50%	2005-12	45,750
Series of 2003	35,000	3.375-4.38%	2005-18	33,500
Transportation bonds outstanding				95,250
Plus unamortized deferred amount:				211
Total transportation bonds outstanding				$ 95,461

The following schedule details transportation bond debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 8,905	$ 3,965
2006	10,710	3,589
2007	11,435	3,140
2008	11,745	2,636
2009	8,075	2,160
2010-2014	31,895	5,869
2015-2019	12,485	1,367
Total	$ 95,250	$ 22,726

TRANSPORTATION LOANS PAYABLE
Governmental Activities

During the fiscal year ended June 30, 2002, Pima County Transportation Department entered into loan agreements to provide funds for the construction and improvement of certain highways and streets. 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, 2004
2002 HELP Loan – Ajo	$ 3,700	3.23%	2005-07	$ 2,220
2002 HELP Loan – Shannon	1,400	3.23%	2005-07	800
Total transportation loans payable				$ 3,020

The following schedule details transportation loans debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 1,040	$ 89
2006	1,040	55
2007	940	23
Total	$ 3,020	$ 167

LEASE REVENUE BONDS
Governmental Activities
(Payments made from revenues received in the Governmental Funds)

The Pima County, Arizona, Municipal Property Corporation, a Special Revenue Fund, issued lease revenue bonds in 1992 to provide monies for financing the cost of acquiring, constructing, reconstructing or improving, building, and equipping other real and personal properties suitable for use by Pima County.

In December 2003, Pima County called the remaining $495 of outstanding bonds for redemption prior to their maturity date, at 101% of par value. The County realized an economic gain of $44 by calling the bonds early.

SPECIAL ASSESSMENT BONDS OUTSTANDING
Governmental Activities
(Payments made from assessments received in the Debt Service Fund and the Transportation Fund)

Special assessment bonds are secured by pledges of revenues from special assessments levied against the benefiting property owners. The proceeds of the bond issues were used to finance construction in these districts. While there is no legal obligation for the County to further secure the special assessment bonds of the districts listed below, the County has made a moral commitment to take steps necessary to prevent default.

Improvement District	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2004
Country Club Estates	$ 2,745	7.200%	2005	$ 275
C.C. Estates 2nd Issue	30	7.200%	2005	3
La Cholla Boulevard	1,821	6.500%	2005-12	1,458
Total special assessment bonds outstanding				$ 1,736

The following schedule details special assessment bond debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 460	$ 99
2006	182	77
2007	182	65
2008	182	53
2009	182	41
2010-2012	548	54
Total	$ 1,736	$ 389

REFUNDING CERTIFICATES OF PARTICIPATION OUTSTANDING
Governmental Activities
(Payments made from General Fund revenues
and from Special Revenue Fund revenues)

The Refunding Certificates of Participation (COPs) Series 7 were issued on April 1, 1995. The purpose of the original debt was to finance the purchase of the Legal Services and Public Works Buildings.

The final payment on the debt in the amount of $1,560 principal, and $41 interest was processed on June 30, 2004.

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, 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, increased the range of interest rates and increased the County's obligation under the lease agreement.

On October 1, 2003, the County amended the jail capital lease to extend the lease term to 2018, with a range of interest rates from 2.00% - 5.00%. This amendment also increased the County's obligation under the lease agreement by $2,680. This amount was deferred and is being amortized over the amended lease term.

The County has also entered into capital leases for election and other equipment. The outstanding balance as of June 30, 2004, for these leases totaled $287.

The net book value of assets acquired through capital leases consists of $21,485 of buildings and $265 of equipment.

The following schedule details capital lease debt service requirements to maturity at June 30, 2004.

Governmental Activities:

	Buildings		Equipment	
Year Ending June 30,	Principal	Interest	Principal	Interest
2005	$ 1,440	$ 1,324	$ 181	$ 8
2006	1,750	1,292	85	3
2007	1,785	1,230	21	1
2008	1,870	1,139		
2009	1,965	1,063		
2010-2014	11,645	3,793		
2015-2018	11,070	935		
Total	$31,525	$10,776	$ 287	$ 12

SEWER REVENUE BONDS
Business-type Activities
(Payments made from user charges received
in the Wastewater Management Enterprise Fund)

Pima County sewer revenue bonds, as presented below, were issued to provide monies to construct improvements to the County's wastewater management system. Of the total amount originally authorized, $5,895 from the May 20, 1997, and $150,000 from the May 18, 2004 bond election remain unissued.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2004
Series of 1993	$ 6,000	6.50%	2005	$ 315
Series of 1998	29,185	4.00 - 5.50%	2005-15	21,575
2001 Refunding	19,440	4.00 - 5.40%	2005-15	17,120
2004 Refunding	25,770	2.00 - 5.50%	2005-15	25,770
Sewer revenue bonds outstanding				64,780
Less unamortized deferred amount:				(4,716)
Total sewer revenue bonds outstanding				$ 60,064

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 4,705	$ 2,953
2006	4,550	2,760
2007	5,570	2,573
2008	5,800	2,340
2009	6,025	2,098
2010-2014	30,060	6,473
2015-2019	8,070	383
Total	$64,780	$19,580

REFUNDED SEWER REVENUE BONDS OUTSTANDING

In May 2004, the County defeased certain sewer revenue 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 the liability for the defeased bonds are not included in the County's financial statements. This refunding resulted in an economic gain of $657 and a reduction in debt service payments of $164.

The cash and investments held in the irrevocable trusts at June 30, 2004, amounted to $26,603. Refunded amounts outstanding as of June 30, 2004 were as follows:

Issue	Outstanding June 30, 2004
Series of 1994 A	$25,520

LOANS PAYABLE
Business-type Activities
(Payments made from user charges received
in the Wastewater Management Enterprise Fund)

Wastewater Management (WWM) 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. For the 2004 loan payable, principal payments to maturity are subject to change based upon the total amounts drawn down. As of June 30, 2004, WWM has drawn down $17,452 of the available $18,015 from the 2004 loan amount.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2004
1996 Loan Payable	$11,313	3.19%	2005-12	$10,616
1997 Loan Payable	7,500	2.95%	2005-11	4,222
2000 Loan Payable	61,180	2.20%	2005-16	51,942
2004 Loan Payable	17,452	1.81%	2005-24	17,452
Loans payable				84,232
Less unamortized deferred amount				(291)
Total loans payable				$83,941

The following schedule details loans payable debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 4,951	$ 3,037
2006	5,503	2,856
2007	5,641	2,654
2008	5,871	2,450
2009	6,230	2,237
2010-2014	34,259	7,398
2015-2019	16,237	2,061
2020-2024	5,540	526
Total	$84,232	$23,219

CONTRACTS AND NOTES
Business-type Activities
(Payments made from restricted assets in the Wastewater
Management 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.

WATER REVENUE AND REFUNDING BONDS OUTSTANDING

Component Unit - Metropolitan Domestic Water Improvement District (MDWID)
(Payments made from user charges and special assessments)

Description	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2004
Series of 1999	$27,985	3.7- 4.875%	2005-2019	$23,025
Series of 2002	24,855	2.9-5.25%	2005-2022	23,715
Water revenue and refunding bonds				46,740
Less unamortized amounts				(564)
Total water revenue and refunding bonds				$46,176

The following schedule details MDWID water revenue and refunding debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 2,065	$ 2,135
2006	2,150	2,047
2007	2,240	1,958
2008	2,335	1,864
2009	2,435	1,763
2010-2014	14,040	7,148
2015-2019	18,645	3,343
2020-2024	2,830	318
Total	$46,740	$20,576

ADVANCED REFUNDINGS OF WATER REVENUE BONDS

In prior years, the District defeased certain revenue 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 the liability for these defeased bonds are not included in the County's financial statements. At June 30, 2004, the following outstanding bonds were considered defeased:

Issue	Outstanding June 30, 2004
1992 Water Revenue Bonds	$ 14,105
1998 Water Revenue Bonds	5,390

NOTES PAYABLE
Component Unit - Metropolitan Domestic Water Improvement District (MDWID)
(Payments made from user charges)

MDWID's notes payable are due in monthly installments and are secured by equipment.

Description	Interest Rates	Maturities	Outstanding June 30, 2004
Credit company	6.00%	July 2004 - June 2019	$1,690
Credit company	6.60%	July 2004 – May 2005	4
Credit company	6.25%	July 2004 – July 2005	5
Credit company	6.25%	July 2004 – July 2005	7
Credit company	6.40%	July 2004 – July 2005	10
Credit company	5.70%	July 2004 – July 2006	19
Credit company	5.20%	July 2004 – April 2007	67
Total			$1,802

The following schedule details MDWID's notes payable debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$129	$104
2006	111	98
2007	101	91
2008	86	86
2009	92	80
2010-2014	550	391
2015-2019	733	119
Total	$1,802	$969

BONDS PAYABLE
Component Unit - Marana Domestic Water Improvement District (MARANA)

On February 19, 2003, Rural Utility Services entered into a bond agreement with the Marana Domestic Water Improvement District, Inc., in the amount of $397. The bond is payable commencing January 1, 2004, in annual installments of $25, including interest at 4.625% through January 1, 2032. At June 30, 2004 the outstanding balance of the bonds payable was $390.

The following schedule details bond debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 7	$ 18
2006	7	18
2007	8	17
2008	8	17
2009	8	17
2010-2014	49	77
2015-2019	61	65
2020-2024	77	49
2025-2029	96	30
2030-2032	69	6
Total	$390	$314

LOAN PAYABLE
Component Unit - Marana Domestic Water Improvement District (MARANA)

On February 22, 2002, the Water Infrastructure Finance Authority of Arizona (WIFA), entered into a loan agreement under the Drinking Water Revolving Fund Loan program with the Marana Domestic Water Improvement District, Inc., in the amount of $1,156. The loan is payable in monthly installments, commencing September 1, 2002, in the amount of $6, including interest at 2.918% through February 2032. At June 30, 2004 the outstanding balance was $1,110.

The following schedule details notes payable debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$ 27	$ 32
2006	27	31
2007	28	30
2008	29	31
2009	26	28
2010-2014	139	159
2015-2019	153	117
2020-2024	223	87
2025-2029	266	47
2030-2032	192	5
Total	$1,110	$567

NOTES PAYABLE
Component Unit - Southwestern Fair Commission (SFC)
(Payments made from user charges)

Southwestern Fair has a note payable to Pima County, due in annual installments of $50, unsecured, non-interest bearing.

Description	Interest Rates	Maturities	Outstanding June 30, 2004
Pima County	None	Annual installments until June 2007	$150

Southwestern Fair Commission's other notes payable are due in monthly installments and are secured by equipment.

Description	Interest Rates	Maturities	Outstanding June 30, 2004
Bank	Prime with 4% floor	Monthly installments until July 2008	$293
Bank	Wall Street Journal interest rate	Monthly installments until July 2008	91
Total			$384

The following schedule details Southwestern Fair Commission's notes payable debt service requirements to maturity at June 30, 2004.

Year Ending June 30,	Principal	Interest
2005	$104	$18
2006	104	15
2007	104	12
2008	54	10
2009	168	0
Total	$534	$55

LEASE REVENUE BONDS AND NOTES PAYABLE OUTSTANDING

Component Unit – Green Valley Domestic Water Improvement District (GVDWID)

(Payments made from lease payments and water revenues)

The Green Valley Domestic Water Improvement District (GVDWID) of Pima County, Arizona was formed on December 17, 2002 by the Pima County Board of Supervisors for the purpose of purchasing and operating a water system, with a fiscal year ending December 31 each year.

On February 21, 2003, the GVDWID Board of Directors formed the Green Valley Municipal Property Corporation, for the sole purpose of assisting the district in financing the acquisition of substantially all of the operating assets of Green Valley Water Company.

On May 21, 2003, Green Valley Municipal Property Corporation, an Arizona nonprofit corporation, acquired substantially all of the operating assets of Green Valley Water Company for lease to Green Valley Domestic Water Improvement District (GVDWID), an Arizona tax levying improvement district. The purchase was financed through lease revenue bonds issued May 1, 2003, in the amount of $ 9,305.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding December 31, 2003
Series of 2003	$ 9,305	2.50-5.25%	2004-33	$ 9,305
Lease revenue bonds outstanding				$ 9,305

The following schedule details bonds debt service requirements to maturity at December 31, 2003.

Year Ending December 31,	Principal	Interest
2004	$ 160	$ 526
2005	165	446
2006	170	442
2007	170	438
2008	180	433
2009 – 2013	990	2,066
2014 – 2018	1,230	1,824
2019 – 2023	1,580	1,474
2024 – 2028	2,030	1,021
2029 – 2033	2,630	428
Total	$9,305	$9,098

GVDWID's notes payable are due in monthly installments and are secured by equipment.

Description	Interest Rates	Maturities	Outstanding December 31, 2003
Credit company	7.49%	Monthly installments until September 2007	$23
Total			$23

The following schedule details notes payable debt service requirements to maturity at December 31, 2003.

Year Ending December 31,	Principal	Interest
2004	$6	$1
2005	6	1
2006	6	1
2007	5	0
Total	$23	$3

LEGAL DEBT MARGIN

COUNTY GENERAL OBLIGATION BONDS

General obligation debt may not exceed six 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, 2004, is as follows:

Net assessed valuation:		$5,221,271
Debt Limit (15% of net assessed valuation):		783,191
Amount of debt applicable to debt limit:		
General obligation bonds outstanding	$232,105	
Less net assets in debt service fund available for payment of general obligation bond principal	(2,648)	(229,457)
Legal debt margin available		$ 553,734

FLOOD CONTROL GENERAL OBLIGATION BONDS

Flood Control general obligation debt may not exceed five percent of the value of the Flood Control District's taxable property as of the latest assessment. Legal debt margin at June 30, 2004, is as follows:

Net assessed valuation:		$4,511,100
Debt Limit (5% of net assessed valuation):		225,555
Amount of debt applicable to debt limit:		
Flood Control general obligation bonds outstanding	$3,805	
Less net assets in debt service fund available for payment of flood control bond principal	(26)	(3,779)
Legal debt margin available		$ 221,776

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, 2004, 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.

	Beginning Balance	Draws	Repayments	Ending Balance
Line of credit	$0	$55,800	$55,800	$0

NOTE 9: LANDFILL LIABILITIES

SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE 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 postclosure 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 postclosure care costs as a long-term liability in each period based on landfill capacity used as of each balance sheet date. The $16,022 reported as landfill closure and postclosure care liability in the Wastewater Management Enterprise Fund 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 postclosure care of $5,515 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and postclosure care in the fiscal year ended June 30, 2004; actual costs may change due to inflation, changes in technology, or changes in regulations.

Landfill Site	Capacity Used June 30, 2004	Estimated Year of Closure
Ajo	99%	2005
Sahuarita *	41%	2019
Tangerine	88%	2006

*The Sahuarita Landfill was increased from 2,069,819 cu. yd. at June 30, 2003 to 5,130,192 cu. yd. at June 30, 2004. Concurrently, the estimated year of closure was adjusted to 2019.

The County plans to fund the estimated closure and postclosure care costs with proceeds of general obligation bonds and with solid waste tipping fees.

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, postclosure, and corrective action when needed. The County is in compliance with these requirements.

NOTE 10: RETIREMENT PLANS

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 **ASRS** administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the County. 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** is an agent multiple-employer defined benefit pension plan that covers 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 199 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The **CORP** is an agent multiple-employer defined benefit pension plan that covers certain employees of the State of Arizona, 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 19 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.

ASRS
3300 N. Central Ave.
P.O. Box 33910
Phoenix, AZ 85067-3910
(602) 240-2000 or
(800) 621-3778

PSPRS and CORP
1020 E. Missouri Ave.
Phoenix, AZ 85014
(602) 255-5575

Funding Policy
The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates.

Cost-sharing plans For the year ended June 30, 2004, active **ASRS** members and the County were each required by statute to contribute at the actuarially determined rate of 5.70 percent (5.2 percent retirement and 0.50 percent long-term disability) of the members' annual covered payroll. The County's contributions to **ASRS** for the years ended June 30, 2004, 2003, and 2002 were $13,231, $6,307 and $6,351 respectively, which were equal to the required contributions for the year.

Agent plans For the year ended June 30, 2004, 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 7.71 percent. As allowed by statute, the County contributed 3.65 percent of the members' required contribution, with the members contributing 4.00 percent. Active **CORP** members were required by statute to contribute 8.50 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 4.38 percent.

Annual Pension Cost: The County's pension cost for the two agent plans for the year ended June 30, 2004, and related information follow:

	PSPRS	CORP
Contribution rates:		
County	11.36%	4.38%
Plan members	4.00%	8.50%
Annual pension cost	$ 2,694	$ 632
Contributions made	$ 2,694	$ 632
Actuarial valuation date	June 30, 2002	June 30, 2002
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	9.00%	9.00%
Projected salary increases	6.50% - 9.50%	5.50% - 9.50%
includes inflation at	5.50%	5.50%
Amortization method	Level percent open	Level percent open
Remaining amortization period	20 years	20 years
Asset valuation method	smoothed market	smoothed market

Trend Information: Information for each of the three most recent actuarial valuations for each of the agent plans follows:

Contributions Required and Contributions Made

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2004	$ 2,694	100%	$ -
	2003	1,463	100%	-
	2002	1,319	100%	-
CORP	2004	$ 632	100%	$ -
	2003	296	100%	-
	2002	274	100%	-

NOTE 11: SEGMENT INFORMATION

Liquid Waste, a division of Pima County's Department of Wastewater Management, is reported within the Wastewater Management Enterprise Fund. Liquid Waste operates the sewer system, which provides wastewater collection, treatment, and disposal throughout Pima County. All revenues generated by the ownership, use, and operation of Pima County's sewer system are pledged in support of sewer system debt. In addition, debt covenants require sewer system revenues, expenses, gains, losses, assets and liabilities to be accounted for separately. As a result, condensed financial information for Liquid Waste is presented in the following table.

Condensed Statement of Net Assets

	Wastewater Management Liquid Waste
Assets:	
Current assets	$ 11,199
Due from other funds	81
Restricted assets	9,626
Capital assets, net	574,205
Other non-current assets	945
Total Assets	596,056
Liabilities:	
Current liabilities	21,538
Due to other funds	108
Non-current liabilities	140,132
Total Liabilities	161,778
Net Assets:	
Invested in capital assets (net of related debt)	431,145
Restricted	4,283
Unrestricted	(1,150)
Total Net Assets	$ 434,278

Condensed Statement of Revenues, Expenses and Change in Net Assets

		Wastewater Management Liquid Waste
Operating revenues/(expenses):		
Charges for services	$	48,989
Depreciation expense		(16,737)
Other operating expenses		(44,704)
Operating loss		(12,452)
Non-operating revenues/(expenses):		
Sewer connection revenue		29,404
Other non-operating revenue		592
Interest expense		(4,456)
Gain on disposal of fixed assets		150
Other non-operating expense		(91)
Capital contributions		22,214
Transfers in from other county funds		49
Transfers out to other county funds		(1,027)
Change in net assets		34,383
Beginning net assets		399,895
Ending net assets	$	434,278

Condensed Statement of Cash Flows

Net cash provided (used) by:		
Operating activities	$	4,503
Non-capital financing activities		(12,489)
Capital and related financing activities		11,492
Investing activities		228
Net increase		3,734
Beginning cash and cash equivalents		7,905
Ending cash and cash equivalents	$	11,639

NOTE 12: INTERFUND TRANSACTIONS

A. Interfund Assets/Liabilities

Interfund Receivables/Payables are used to record transactions between individual funds for goods provided or services rendered.

Receivable fund	Payable fund	Amount
General	Pima Health Care System	$ 97
Total General Fund interfund receivable		$ 97

Due from / Due to Other Funds are used to record loans or unpaid operating transfers between funds.

The following funds recorded amounts as due from:	The following funds recorded amounts as due to: General	Capital Projects	Other Governmental	Pima Health Care System	Wastewater Management	Other Enterprise	Internal Service	Total
General		25	6,707	6,145	42	5	6	12,930
Capital Projects	1,893		45		82			2,020
Other Governmental	865	372	9		1	296	1	1,544
Pima Health Care System								0
Wastewater Management	2		1			49	29	81
Other Enterprise	93							93
Internal Service	15		1					16
Total	2,868	397	6,763	6,145	125	350	36	16,684

B. Transfers

Transfers are used to record transactions between individual funds to subsidize their operations and fund debt service payments and capital construction projects.

The following funds recorded amounts as transfers in:	The following funds recorded amounts as transfers out: General	Capital Projects	Other Governmental	Pima Health Care System	Wastewater Management	Other Enterprise	Internal Service	Total
General			2,918	8,807			37	11,762
Capital Projects	7,514		16,497		1,024			25,035
Other Governmental	12,882	1,461	17,180			241	22	31,786
Pima Health Care System	31,100							31,100
Wastewater Management						49		49
Other Enterprise								0
Internal Service	243		121		5	13	7	389
Total	51,739	1,461	36,716	8,807	1,029	303	66	100,121
Transfers out of capital assets:				8,297			577	8,874
Total:	51,739	1,461	36,716	17,104	1,029	303	643	108,995

In the fund financial statements, total transfers in of $100,121 are less than total transfers out of $108,995 because of the following. First, Pima Health Care System and the Internal Service funds reported capital assets transfers out of

$8,297 and $113, respectively. No amounts were reported in the governmental funds because the amounts did not involve financial resources. Second, the Internal Service funds reported capital asset transfers out of $464. This amount was reported as a capital contribution in the Wastewater Management fund.

The government-wide financial statements include transfers between governmental and business-type activities that are reported above, as well as $19 general capital asset transfer into the Pima Health Care System. This amount is reported as a capital contribution in the Pima Health Care System.

NOTE 13: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At June 30, 2004, Pima County had the following major contractual commitments related to Transportation Projects, Flood Control Projects, General Government Projects and Wastewater Management Projects.

Transportation Projects
At June 30, 2004, the Pima County Transportation Department had contractual commitments of $112,919. Funding for these expenditures will be primarily provided from Transportation Revenue Bonds and Highway User Tax Revenue, the primary sources of revenue for the Transportation Department.

Flood Control Projects
At June 30, 2004, the Pima County Flood Control District had contractual commitments of $13,688. Funding for these expenditures will be primarily provided from general obligation bonds and the Flood Control District's tax levy of property within Pima County, the primary sources of revenue for the Flood Control District.

General Government Projects
At June 30, 2004, Pima County had contractual commitments related to various Facilities Management Projects of $12,758 and Parks and Recreation Projects of $60,010. Funding for these expenditures will be primarily provided from general obligation bonds.

Wastewater Management Projects
At June 30, 2004, the Wastewater Management Enterprise Fund had commitments under construction contracts that totaled $ 27,746.

The County enters into operating leases for various equipment and office space. These leases are entered into with the provision that they may be canceled at the end of each fiscal year if future funding is not provided. Accordingly, these leases totaled $3,449 for the year ended June 30, 2004.

NOTE 14: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (DEFICIT FUND BALANCES)

The Stadium District Special Revenue Fund (a nonmajor governmental fund) had a deficit fund balance at June 30, 2004, of $3,225. Management plans to eliminate the deficit by transferring cash from the General Fund and operating the Baseball Complex profitably in the future.

NOTE 15: SIGNIFICANT EVENT

Pima County operated Kino Community Hospital, which was reported within the Pima Health Care System Enterprise Fund through June 15, 2004. On June 15, 2004, the Pima County Board of Supervisors entered into a contract with University Physicians Incorporated (UPI). This contract, effective June 16, 2004, contained an operating lease of Kino Community Hospital's buildings, improvements and land to UPI for 25 years for ten dollars per year. UPI may terminate the lease after 5 years, subject to certain conditions. Administrative control of the leased assets was transferred to the capital assets of the general governmental activities. In addition, the County will pay UPI an annual service fee during the first ten years of the contract to support the continued operations of the Hospital. The service fee will be subject to maximum amounts defined within the agreement. The maximum service fee for fiscal year ending June 30, 2005 is $25.8 million. The maximum service fee for all ten years combined is $127 million.

The net assets transferred to Pima County's general government were as follows:

Current assets	$	12,041
Capital assets (net of accumulated depreciation of $23,501)		8,297
Current liabilities		(6,734)
Net assets transferred	$	13,604

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APPENDIX E

CONTINUING DISCLOSURE UNDERTAKING

$51,200,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2005

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 $51,200,000 aggregate principal amount of Street and Highway Revenue Bonds, Series 2005 (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, the resolution adopted by the Board of Supervisors of the County on May 10, 2005, 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.

"*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

FT Interactive Data
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.

"*SID*" means any public or private repository designated by the State as the state repository and recognized as such by the Commission for purposes of the Rule. As of the date of this Undertaking, no SID exists within the State. The name and address of the SID, if any, should be verified each time information is delivered pursuant to this Undertaking.

"*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 721882. The Final Official Statement relating to the Bonds is dated May 10, 2005.

4. Annual Information Disclosure. Subject to Section 9 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 all NRMSIRs and to the SID, if any. 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 9 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, or to the MSRB and to the SID, if any.

6. Duty to Update NRMSIRs/SID. The County shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs and SID each time it is required to file information with such entities.

7. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner to each NRMSIR, or to the MSRB and to the SID, if any, 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

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 and the SID.

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 each NRMSIR, or to the MSRB, and to the SID, if any.

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: _____
Finance Director

Date: May 26, 2005

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 under the heading "STREET AND HIGHWAY REVENUES – Street and Highway Revenues Received by the County" in the table entitled "PIMA COUNTY STREET AND HIGHWAY REVENUE RECEIPTS."

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 and to the SID, if any, or filed with the Commission. 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 SID or the Commission. 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 each NRMSIR and to the SID, if any, no later than the first business day in February of each year, commencing February 1, 2006. 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 GAAP, as applied to governmental units as modified by State law, Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, 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

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that 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 guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

President

Attest:

Assistant Secretary

STD-R-7
01/05

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ADDITIONAL INFORMATION

Additional information and copies of the Official Statement may be obtained from RBC Dain Rauscher Inc., 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 /s/ Sharon Bronson
Chair, Board of Supervisors

By: /s/ C. H. Huckelberry
County Administrator

$51,200,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2005

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT AGREEMENT

This Bond Registrar, Transfer Agent and Paying Agent Agreement, dated as of May 1, 2005 (the "Agreement"), between Pima County, Arizona (the "County"), and U.S. Bank National Association (the "Registrar"),

WITNESSETH

WHEREAS, the County proposes to issue its Street and Highway Revenue Bonds, Series 2005, in the aggregate principal amount of $51,200,000 (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 of the County (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 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 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 $51,200,000 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, 2006, and semiannually thereafter on January 1 and July 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.

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, Section 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 Sections 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.

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 Registrar: U.S. Bank National Association
Corporate Trust Services
101 North First Avenue, Suite 1600
Phoenix, Arizona 85003

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. 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 28. This Agreement shall be governed by the laws of the State of Arizona.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION,
as Registrar

By: _____
Deborah M. Scherer
Assistant Vice President

PIMA COUNTY, ARIZONA

By: Sharon Bronson
Sharon Bronson
Chair, Board of Supervisors

ATTEST:

By: Lori Godoshian
Lori Godoshian
Clerk, Board of Supervisors

APPROVED AS TO FORM:

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

By: _____
Timothy E. Pickrell

EXHIBIT A

$51,200,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2005

MATURITY SCHEDULE

Maturity Date (July 1)	Principal Amount	Interest Rate
2009	$3,390,000	4.125%
2010	3,510,000	5.000
2011	3,645,000	5.000
2012	3,790,000	4.000
2013	3,945,000	4.000
2014	4,110,000	4.000
2015	4,285,000	4.000
2016	4,475,000	5.000
2017	4,680,000	4.000
2018	4,890,000	4.000
2019	5,120,000	3.500
2020	5,360,000	3.500

EXHIBIT B

Registrar and Paying Agent Fee Schedule

usbank
Five Star Service Guaranteed

Schedule of Fees for Services as Registrar and Paying Agent

For
Pima County, Arizona Street and Highway Users Revenue Bonds, Series 2005

Administrative Fees Billed Annually

01010	**Acceptance Fee** The acceptance fee includes the administrative review of documents, initial set-up of the account, and other reasonably required services up to and including the closing. This is a one-time fee, payable at closing.	$150.00
04120	**Paying Agent** Annual administration fee for performance of the routine duties of the paying agent associated with the management of the account. Administration fees are payable in advance.	$300.00

Direct Out of Pocket Expenses

Reimbursement of expenses associated with the performance of our duties, including but not limited to publications, legal counsel after the initial close, travel expenses and filing fees. — At Cost

Extraordinary Services

Extraordinary services are duties or responsibilities of an unusual nature, including termination, but not provided for in the governing documents or otherwise set forth in this schedule. A reasonable charge will be assessed based on the nature of the service and the responsibility involved. At our option, these charges will be billed at a flat fee or at our hourly rate then in effect.

Account approval is subject to review and qualification. Fees are subject to change at our discretion and upon written notice. Fees paid in advance will not be prorated. The fees set forth above and any subsequent modifications thereof are part of your agreement. Finalization of the transaction constitutes agreement to the above fee schedule, including agreement to any subsequent changes upon proper written notice. In the event your transaction is not finalized, any related out-of-pocket expenses will be billed to you directly. Absent your written instructions to sweep or otherwise invest, all sums in your account will remain uninvested and no accrued interest or other compensation will be credited to the account. Payment of fees constitutes acceptance of the terms and conditions set forth.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT:
To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account.
For a non-individual person such as a business entity, a charity, a Trust or other legal entity we will ask for documentation to verify its formation and existence as a legal entity. We may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

Dated: May 23, 2005

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. 46271

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to U.S. Bank National Association, Phoenix, Arizona or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that 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 guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

$51,200,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2005

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this 26th day of May, 2005.

MBIA Insurance Corporation

President

Attest:
Assistant Secretary

STD-R-7
1/05

MBIA Insurance Corporation
113 King Street, Armonk, NY 10504
Tel 914-273-4545
www.mbia.com

MBIA

Capital Strength. Triple-A Performance.

May 26, 2005

U.S. Bank National Association
Phoenix, Arizona

$51,200,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2005

Ladies and Gentlemen:

In connection with the above-described obligations (the "Obligations") of which you are acting as paying agent (the "Paying Agent"), please be advised that the payment to you of principal of and interest on the Obligations has been guaranteed by a policy of financial guaranty insurance (the "Policy") issued by the MBIA Insurance Corporation (the "Insurer"). U.S. Bank Trust National Association, New York, New York (the "Fiscal Agent") is acting as the fiscal agent for the Insurer.

The Policy unconditionally and irrevocably guarantees to any owner or holder of the Obligations or, if applicable, of the coupons appertaining thereto (the "Owner"), the full and complete payment required to be made by or on behalf of the issuer of the Obligations (the "Issuer") to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations as such payments shall become due but shall not be so paid (except that 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 guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference (a "Preference") to the Owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence are referred to collectively in this letter as the "Insured Amounts."

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligations. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Obligations upon tender by an Owner thereof; or (iv) any Preference relating to (i) through (iii) above.

MBIA

In the event that the Issuer does not make full and complete payment when due of the principal of and interest on the Obligations, please immediately notify, by telephone or telegraph, the Insurer, 113 King Street, Armonk, New York, 10504, (914) 273-4545. On the due date or within one business day after receipt of such notice, whichever is later, the Insurer will deposit funds with the Fiscal Agent sufficient to pay the Obligations (or, if applicable, coupons appertaining thereto) then due. Upon presentment and surrender of such Obligations (or, if applicable, coupons) or presentment of such other proof of ownership of Obligations together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for the Owners in any legal proceeding related to payment of Insured Amounts on the Obligations (or, if applicable, coupons), such instruments being in a form satisfactory to the Fiscal Agent, the Fiscal Agent shall disburse to you payment of the Insured Amounts due on such Obligations (and, if applicable, coupons), less any amount held by you for the payment of such Insured Amounts and legally available therefor.

Forms of such instruments of assignment and instruments to effect the appointment of the Insurer as such agent for the Owners (collectively, the "Claim Documents"), which are currently acceptable to the Fiscal Agent and the Insurer, are on file with the Fiscal Agent. The Insurer may, from time to time, file revised forms of Claim Documents with the Fiscal Agent in substitution for the forms previously filed with the Fiscal Agent, and upon such filing, the revised forms shall supersede all forms of Claim Documents previously filed with the Fiscal Agent, except as otherwise directed by the Insurer in writing.

In the event that you shall have prior knowledge of an impending failure by the Issuer to make payment on the Obligations (or, if applicable, coupons) when due, please immediately notify the Insurer so that it will be possible to have funds available for you on the due date to make payments against surrendered Obligations (and, if applicable, coupons).

Your cooperation in this matter will be most appreciated and will make it possible for the Owners of Obligations guaranteed by the Insurer to be assured of all payments when due.

Very truly yours,

Neil G. Budnick

Neil G. Budnick
President

$51,200,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2005

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 $51,200,000 aggregate principal amount of Street and Highway Revenue Bonds, Series 2005 (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, the resolution adopted by the Board of Supervisors of the County on May 10, 2005, 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.

"*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

FT Interactive Data
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.

"*SID*" means any public or private repository designated by the State as the state repository and recognized as such by the Commission for purposes of the Rule. As of the date of this Undertaking, no SID exists within the State. The name and address of the SID, if any, should be verified each time information is delivered pursuant to this Undertaking.

"*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 721882. The Final Official Statement relating to the Bonds is dated May 10, 2005.

4. Annual Information Disclosure. Subject to Section 9 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 all NRMSIRs and to the SID, if any. 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 9 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, or to the MSRB and to the SID, if any.

6. Duty to Update NRMSIRs/SID. The County shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs and SID each time it is required to file information with such entities.

7. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner to each NRMSIR, or to the MSRB and to the SID, if any, 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

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 and the SID.

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 each NRMSIR, or to the MSRB, and to the SID, if any.

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

Thomas Burke
Finance Director

Date: May 26, 2005

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 under the heading "STREET AND HIGHWAY REVENUES – Street and Highway Revenues Received by the County" in the table entitled "PIMA COUNTY STREET AND HIGHWAY REVENUE RECEIPTS."

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 and to the SID, if any, or filed with the Commission. 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 SID or the Commission. 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 each NRMSIR and to the SID, if any, no later than the first business day in February of each year, commencing February 1, 2006. 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 GAAP, as applied to governmental units as modified by State law, Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, 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. Huckelberry
(Authorized Officer's Signature)

C. H. HUCKELBERRY, 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: Roby Bondar

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.

$51,200,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2005

GENERAL CERTIFICATE OF THE COUNTY

The undersigned, Chair (the "Chair") 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 $51,200,000 aggregate principal amount of Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005 (the "Bonds"), issued by the County pursuant to Resolution No. 2005-99, passed, adopted and approved by the Board of Supervisors of the County on May 10, 2005 (the "Resolution"), authorizing and providing for the issuance and sale of the Bonds:

1. They are the duly elected or appointed, qualified and acting Chair 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 April 5, 2005 and May 10, 2005, 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 Resolution, as executed by the Chair 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 May 10, 2005.

3. The persons named below were on April 5, 2005 and May 10, 2005 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
Sharon Bronson	Chair and Supervisor
Ray Carroll	Supervisor
Ann Day	Supervisor
Richard Elías	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 Chair 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 Resolution, the Bonds, the Bond Registrar, Transfer Agent and Paying Agent Agreement, dated as of May 1, 2005 (the "Bond Registrar and Paying Agent Agreement"), between the County and U.S. Bank National Association. (the "Registrar"), the Continuing Disclosure Undertaking, dated May 26, 2005 (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 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 Chair and the Clerk hereby authorize, ratify and adopt the facsimile signatures of the Chair and the Clerk executing and attesting, respectively, the Bonds in the aggregate principal amount of $51,200,000 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**
2009	$3,390,000	4.125%
2010	3,510,000	5.000
2011	3,645,000	5.000
2012	3,790,000	4.000
2013	3,945,000	4.000
2014	4,110,000	4.000
2015	4,285,000	4.000
2016	4,475,000	5.000
2017	4,680,000	4.000
2018	4,890,000	4.000
2019	5,120,000	3.500
2020	5,360,000	3.500

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 levy and collect taxes to pay the principal of and interest on the Bonds, or questions the proceedings and authority pursuant to which the levy is made, 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 Resolution, 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 (b) a material adverse effect on the transactions contemplated by the Official Statement, dated May 10, 2005 (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 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. U.S. Bank National Association, as Registrar, pursuant to the 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 ABN AMRO 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 $51,352,121.50, representing $51,200,000.00 principal amount thereof plus a net premium of $5,167.51 and accrued interest of $146,953.99. The Treasurer will deposit and apply the proceeds of the sale of the Bonds as provided in Section 16 of the 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 May 10, 2005, 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 16 of the Resolution) in a manner and for purposes consistent with the voter approval obtained at the special bond election held in and for the County on November 4, 1997.

15. The Bonds are payable solely from a pledge of, and are secured by a first lien on, the Pledged Revenues, on a parity with the 1998 Bonds, the 2002 Bonds and the 2003 Bonds (each as defined in the Resolution) and any Additional Parity Bonds that may be issued from time to time pursuant to the Resolution, and other than as described herein, the Pledged Revenues have not been pledged or hypothecated in any manner or for any purpose, and there are no bonds, judgments, notes, certificate or indebtedness of any kind or character whatsoever outstanding payable from the Pledged Revenues other than the Bonds and $95,250,000 outstanding aggregate principal amount of the 1998 Bonds, the 2002 Bonds and the 2003 Bonds.

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 Resolution.

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Dated: May 26, 2005

PIMA COUNTY, ARIZONA

By: Sharon Bronson
Sharon Bronson
Chair, Board of Supervisors

By: Lori Godoshian
Lori Godoshian
Clerk, Board of Supervisors

NOTES/ACTION

AGENDA, BOARD OF SUPERVISORS' MEETING

BOARD OF SUPERVISORS' HEARING ROOM

130 W. CONGRESS, 1ST FLOOR

APRIL 5, 2005 9:00 A.M.

1. **ROLL CALL**

2. **INVOCATION**

3. **PLEDGE OF ALLEGIANCE**

4. **PAUSE 4 PAWS**

... **EXECUTIVE SESSIONS**

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 possible legal action with respect to a contract dispute regarding the Procurement Department.

B. Pursuant to A.R.S. §38-431.03 (A)(3) and (4), for legal advice and direction regarding possible settlement in U.S. Federal District Court, Case No. CIV04-103-TUC-DCB, Sewell v. Pima County.

C. Pursuant to A.R.S. §38-431.03 (A)(3), for legal advice and discussion regarding the Brandi Fenton Memorial Park Agreement and Declaration of Covenants, Conditions and Restrictions.

D. Pursuant to A.R.S. §38-431.03 (A)(3) and (4), for legal advice and direction regarding potential settlement of the matter pending in the U.S. Bankruptcy Court, Southern District of California, Case No. 03-03470, Leap Wireless International, Inc., et. al., v. Pima County.

NOTES/ACTION

E. Pursuant to A.R.S. §38-431.03 (A)(3) and (4), for legal advice and direction regarding potential settlement of the matter pending in the U.S. Bankruptcy Court, Southern District of New York, Case No. 02-13533, MCI Worldcom Network Services, Inc., v. Pima County.

F. Pursuant to A.R.S. §38-431.03 (A)(3) and (4), for legal advice and direction regarding potential settlement of the matter pending in the U.S. Bankruptcy Court, District of Delaware, Case No. 03-13711, Cable and Wireless USA, Inc., v. Pima County.

(**CLERK'S NOTE**: See Zoning Enforcement Board of Appeals.)

BOARD OF SUPERVISORS SITTING AS OTHER BOARDS

... **BOARD OF DEPOSIT**

Highest Scoring Proposal: Award of Contract, Requisition No. 68303, in an amount not to exceed $1,350,000.00, to Bank of America, National Association (Corporate Headquarters: Charlotte, NC), for banking services provided to Pima County as the County's "Servicing Bank." Contract is for an initial three year period with the option to renew for up to one additional two year period. Funding Source: Various Funds. Administering Department: Treasurer.

... **FLOOD CONTROL DISTRICT BOARD**

A. CONSERVATION EASEMENT

Conservation Easement between Pima County and the **Pima County Flood Control District**, for the acquisition of mitigation lands for Thornydale Road Improvements over Tax Parcel No. 224-46-0070. No Cost. (District 3)

B. HYDRO/MESO RIPARIAN HABITAT MITIGATION PLANS

1. Staff requests approval of the Hydro/Meso Riparian Habitat Mitigation Plan to construct a single family residence on property located at 11330 E. Edison Street. (District 4)

2. Staff requests approval of the Hydro/Meso Riparian Habitat Mitigation Plan to construct a single family residence on property located at 11639 E. Limberlost Road. (District 4)

3. Staff requests approval of the Hydro/Meso Riparian Habitat Mitigation Plan to construct a pool and spa for the existing single family residence on property located at 10985 E. Tanque Verde Road. (District 4)

4. Staff requests approval of the Hydro/Meso Riparian Habitat Mitigation Plan to construct a pool and spa for the existing single family residence on property located at 11011 E. Ft. Lowell Road. (District 4)

C. CONTRACT AND/OR AWARD

Highest Scoring Proposal: Award of Contract, Requisition No. 83663, in the amount of $1,500,000.00, to Hunter Contracting, Co. (Corporate Headquarters: Gilbert, AZ), for a Job Order Contract for Flood Control and Drainage Improvements. Contract is for a one year period with the option to extend for two additional one year periods. Funding Source: Flood Control Tax Levy Fund. Administering Department: Regional Flood Control District.

... **ZONING ENFORCEMENT BOARD OF APPEALS**

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. P04ZV00439, Larry C. Lowe and Roberta Schugmann Lowe. The Board may also during the course of the hearing and upon motion, enter into executive session.

NOTES/ACTION

APPEAL OF HEARING OFFICER'S DECISION

B. P04ZV00439, LARRY C. LOWE AND ROBERTA SCHUGMANN LOWE

In accordance with the Pima County Zoning Code Section 18.95.030(D), Larry C. Lowe and Roberta Schugmann Lowe, through their counsel Mark Rubin, Esq., hereby appeal the decision of the Hearing Officer in Case No. P04ZV00439, regarding a violation of Section 18.01.030(E) of the Pima County Zoning Code, structure (fence) without a permit, on property located at 11510 E. Camino Del Desierto. (District 4)

BOARD OF SUPERVISORS SITTING IN REGULAR SESSION

5. **CONSENT CALENDAR**: For consideration and approval

A. Call to the Public

B. Approval of Consent Calendar

6. **BOARD OF SUPERVISORS**

Presentation by Dennis Alvarez, District Engineer with the Arizona Department of Transportation, regarding the reconstruction project of I-10. (District 3)

7. **COUNTY ADMINISTRATOR**

A. Staff requests direction regarding priorities and policy considerations relating to the development of the Fiscal Year 2005/2006 Recommended Budget.

B. Discussion/direction to staff regarding the results of the Health Care Proposals and Negotiations for Plan Year 2005/2006.

8. **COUNTY ATTORNEY**

Settlement Agreement with the City of Tucson relating to occupancy of a City owned facility at 406 North Church Avenue, after expiration of a lease. The proposed settlement amount is $12,750.00. Community Services Grant Fund.

NOTES/ACTION

9. **DIVISION OF ELECTIONS**

Canvass of the Metropolitan Domestic Water Improvement District Special Election of March 8, 2005.

10. **FIRE DISTRICT: NORTHWEST FIRE DISTRICT**

A. Pursuant to A.R.S.§48-262.A.11, validation of the petitions presented for the proposed Northwest Fire District - Cortaro Ranch III Annexation. (District 1)

B. Pursuant to A.R.S.§48-262.A.11, validation of the petitions presented for the proposed Northwest Fire District - North Thornydale Annexation. (District 1)

11. **INDUSTRIAL DEVELOPMENT AUTHORITY**

RESOLUTION NO. 2005 - 72, of the Board of Supervisors of Pima County, approving the proceedings of the Industrial Development Authority of the County of Pima, regarding the issuance of its not to exceed $3,000,000.00 Education Revenue Bonds (Tucson Country Day School Project), Series 2005 and declaring an emergency.

UNFINISHED BUSINESS
(RM 3/15/05)

12. **CONTRACTS AND AWARDS - PROCUREMENT**

A. Low Bid: Award of County-wide Contract, Requisition No. 84935, in the amount of $350,000.00 to the lowest responsive bidder, TNI Partners Agency for the Tucson Citizen (Headquarters: McLean, VA) for the Publication of Legal Notices for all County departments. Contract is for a one-year period, as restricted by State statue. Funding Source: Various Department Funds. Administering Department: Procurement.

B. Low Bid: Award of Contract, Requisition No. 83617, in the amount of $16,216,153.56 to the lowest responsive bidder, The Ashton Company,

NOTES/ACTION

Inc., Contractors and Engineers, (Headquarters: Tucson, AZ) for the River Road: Campbell to Dodge; Alvernon Way: Dodge to Fort Lowell Road Project. Construction is to be complete within 420 working days from Notice to Proceed. The Department of Transportation requests that the Procurement Director's Change Order authority be increased for this project. Funding Source: Capital Improvement Bond Fund. Administering Department: Department of Transportation.

NEW BUSINESS

PUBLIC WORKS

13. **NATURAL RESOURCES, PARKS AND RECREACTION**

Staff requests approval of a fee increase for the Colossal Cave Mountain Park as follows:

	Present Entry Fee	Requested Entry Fee
Park Entrance Fee: (non groups)	$3.00 up to 6 people	$5.00 up to 6 people
	Colossal Cave Entrance Fee:	Colossal Cave Entrance Fee:
Under 6	Free	Free
7-12 years	$4.00	$5.00
Over 12	$7.50	$8.50
Park Entrance Fee: (School Groups)	Min. of 20 per school group - No Park Entrance Fee	Min. of 20 per school group - No Park Entrance Fee
	Colossal Cave Entrance Fee:	Colossal Cave Entrance Fee:
Under 6	Free	Free
7-12	$2.50	$3.00
Over 12	$4.25	$5.00
Park Entrance Fee: (Group tours)	Min. of 20 per group - No Park Entrance Fee	Min. of 20 per group - No Park Entrance Fee
	Colossal Cave Entrance Fee:	Colossal Cave Entrance Fee:
Under 6	Free	Free
7-12	$3.25	$4.00
Over 12	$6.75	$7.50

NOTES/ACTION

DEVELOPMENT SERVICES

14. FINAL PLATS WITH ASSURANCES

A. P1202-077, Golder Ranch Commercial Center, Lots 1-5. (District 1)

B. P1201-149, Avra Vista, Lots 1-64. (District 3)

C. P1203-117, Oasis Santa Rita, Lots 1-298 and Common Areas A, B and C. (District 4)

D. P1203-123, Las Campanas Block L, Lots 1-67. (District 4)

E. P1204-041, Co9-02-35, Saguaro Crest, Lots 1-18 and Common Area A. (District 5)

TRANSPORTATION

15. ACCEPTANCE OF PROJECT/ROADWAY FOR MAINTENANCE

P1203-058, Sonoran Ranch Villages, Lots 1-110 and Common Areas A and B. Developer: Richmond American Homes. (District 3)

WASTEWATER MANAGEMENT

16. PRETREATMENT SETTLEMENT AGREEMENT

Staff recommends approval of the following proposed pretreatment settlement agreement, Wastewater Management Enterprise Fund:

Jagdeep Dhillon, d.b.a. Dhillon Investments, L.L.C., a pending Arizona Limited Liability Company, d.b.a. Rodeway Inn, No. 2004-25. Proposed settlement amount is $1,000.00.

* * * HEARINGS * * *

FRANCHISES/LICENSES/PERMITS

LIQUOR LICENSES

17. 05-04-8786, Jason Barclay Morris, CVS Pharmacy No. 7859, 6370 N. Campbell Avenue, No. 120, Series 10, Beer and Wine Store License, New License.

18. 05-05-8787, Ronald Wayne Brown, Val's Canyon Cafe, 4955 N. Sabino Canyon Road, No. 115, Series 12, Restaurant License, New License.

*(**Clerk's Note**: Zoning Inspector's Report requires applicant to satisfy the requirements of Section 18.43.030(G) of the Pima County Zoning Code which requires a Type I Conditional Use Permit.)

*19. 05-07-8789, Lydia Diaz Sanchez, Madera Grill, 512 E. Whitehouse Canyon Road, Green Valley, Series 12, Restaurant License, New License.

20. 05-08-8790, Carlos Ortiz Gonzalez, Branding Iron North Bar and Grill, 2660 W. Ruthrauff Road, Series 06, Bar License, Interim Permit, Person Transfer.

PUBLIC WORKS

DEVELOPMENT SERVICES

UNFINISHED BUSINESS
(RM 3/15/05)

21. Co8-04-08, SUBDIVISION and DEVELOPMENT STREET STANDARDS MANUAL AND ASSOCIATED ZONING CODE TEXT AMENDMENTS TO CHAPTERS 18.69, 18.73, and 18.75
An ordinance of Pima County; relating to transportation and zoning; deleting the current Subdivision Street Standards Manual and adopting a New Subdivision and Development Street Standards Manual that includes, among other things, comprehensive street development design standards, parking lot design standards, and a modification process; amending Chapter 18.69 (Subdivision Standards) of the Pima County Code by, among other things incorporating by reference a New Subdivision and Development Street Standards Manual, deleting certain street development design standards from Chapter 18.69 and amending the review procedures in Section 18.69.060; amending Chapter 18.73, Landscaping, Buffering and Screening Standards by amending Section 18.73.040.C to prohibit the location of buffer yards on a residential lot, and to prohibit the location of a required buffer yard within an easement or right-of-way for a private or public street; amending Chapter 18.75, Off-street Parking and Loading Standards, by, among other

things, deleting certain off-street parking development standards, modification provisions, and off-street loading requirements. On motion, the Planning and Zoning Commission voted 5-0 (Commissioners Cuyugan, Membrila and Smith were absent) to recommend **APPROVAL WITH MODIFICATIONS**. Staff recommends **APPROVAL WITH MODIFICATIONS**. (All Districts)

If approved, pass and adopt:

ORDINANCE NO. 2005 - 35

NEW BUSINESS

REZONING TIME EXTENSION

22. Co9-97-41, WESTERN CONTINENTAL LIMITED PARTNERSHIP/SHINER - ORACLE ROAD REZONING
Request of Western Continental Limited Partnership, represented by GD&A Southwest, L.L.C., for a seven-year time extension, to June 16, 2010, for the above-referenced rezoning. The subject property is 2.34 acres, conditionally rezoned from GR-1 (Rural Residential) to CB-2 (General Business), located on the west side of Oracle Road, approximately 1/4 mile north of Pinal Street. The rezoning expired June 16, 2003. Staff recommends **APPROVAL WITH CONDITIONS**. (District 1)

COMPREHENSIVE PLAN AMENDMENT

23. Co7-05-01, PIMA COUNTY - REGIONAL AFFORDABLE HOUSING POLICY PLAN AMENDMENT
Proposal by Pima County, initiated for immediate review by the Pima County Board of Supervisors, to amend the Regional Plan Policies of the Pima County Comprehensive Plan to add and modify the provisions for affordable housing. On motion, the Planning and Zoning Commission voted 6-0 (Commissioners Smith and Membrila were absent) to recommend **APPROVAL**. Staff recommends **APPROVAL**. (All Districts)

NOTES/ACTION

24. REZONING ORDINANCE - Unadvertised Hearing

ORDINANCE NO. 2005 - **38**, Co9-04-11, Sherman - Los Reales Road Rezoning. Owner: Donald and Geraldine Sherman. (District 2)

25. REZONING RESOLUTIONS - Unadvertised Hearings

A. RESOLUTION NO. 2005 - **73**, Co9-01-38, Orta Fences, Inc. - Belvedere Avenue Rezoning. Owner: William and Nancy Orta. (District 2)

B. RESOLUTION NO. 2005 - **74**, Co9-89-08, Chuckly - Linda Vista Road Rezoning. Owner: Emery Chuckly. (District 1)

26. COMPREHENSIVE PLAN AMENDMENT RESOLUTIONS

A. RESOLUTION NO. 2005 - **75**, Co7-04-12, Cousemaker, et. al. - N. Trico Road. Owner: Janet Cousemaker and John and Dolores Tellez. (District 3)

B. RESOLUTION NO. 2005 - **76**, Co7-04-13, Avra Investments, L.L.C. - W. Lambert Lane Plan Amendment. Owners: Robert and David Cooper. (District 3)

27. STREET NAME CHANGE - Unadvertised Hearing

Present	Proposed
Unnamed easement/road Co14-05-004 (District 4)	Ravens Ridge Place

TRANSPORTATION

28. TRAFFIC RESOLUTION

RESOLUTION NO. 2005 - **77**, of the Board of Supervisors of Pima County, Arizona, for the temporary closure of Gates Pass Road in Pima County. Staff recommends **APPROVAL**. (District 5)

NOTES/ACTION

29. TRAFFIC ORDINANCES

A. ORDINANCE NO. 2005 - **39**, of the Board of Supervisors of Pima County, Arizona, establishing a gross weight rating limit for the Houghton Road Bridge over the Union Pacific Railroad in Pima County, Arizona. Staff recommends **APPROVAL**. (District 4)

B. ORDINANCE NO. 2005 - **40**, of the Board of Supervisors of Pima County, Arizona, designating Rudasill Road as a through street in Pima County, Arizona. Staff recommends **APPROVAL**. (District 1)

C. ORDINANCE NO. 2005 - **41**, of the Board of Supervisors of Pima County, Arizona, prohibiting pedestrians from crossing other than at a marked crosswalk on Tetakusim Road in Pima County, Arizona. Staff recommends **APPROVAL**. (District 5)

30. CALL TO THE PUBLIC

31. ADJOURNMENT

CLERK'S NOTE:

A. Public discussion and action may occur on any executive or regular agenda item; and,

B. Any backup material will be available for review twenty-four (24) hours before the meeting at the Clerk of the Board's Office.

POSTED: Levels A & B, 1st and 5th Floors, Pima County Administration Building.

DATE POSTED: 3/30/05

TIME POSTED: 5:00 P.M.

NOTES/ACTION

CONSENT CALENDAR, APRIL 5, 2005

CONTRACTS AND AWARDS

1. **COMMUNITY DEVELOPMENT AND NEIGHBORHOOD CONSERVATION**

Chicanos Por La Causa, Tucson, Inc., Amendment No. 1, to provide infrastructure development in the public right-of-way for the Copper Vista I, 29 Unit Subdivision, extend contract term to 3/1/06 and reflect department name change, Bond Fund, no cost (11-39-C-134241-0304)

2. **COMMUNITY RESOURCES**

Altar Valley School District, Amendment No. 1, to provide for the after-school and summer elementary school-based recreation programs, General Fund, contract amount $15,445.00 (01-67-A-135178-0804)

3. **COMMUNITY SERVICES EMPLOYMENT AND TRAINING**

A-1. SER Jobs for Progress of Southern Arizona, Inc., Amendment No. 2, to provide workforce development services for adults and dislocated workers, extend contract term to 6/30/05 and amend scope of work, WIA, YO Grant and DOL Homeless Veteran Reintegration Program Funds, contract amount $30,000.00 (07-39-S-132800-0703)

A-2. SER Jobs for Progress of Southern Arizona, Inc., Amendment No. 1, to provide workforce development services at the One-Stop Centers, YO, WIA and H-1B Grant and General Funds, contract amount $20,000.00 decrease (11-69-S-134547-0704)

A-3. The Salvation Army, Amendment No. 1, to provide transitional housing, employment and training assistance and other necessary supportive services for homeless, HUD and SHP Grant Funds, contract amount $5,125.00 (07-69-S-134957-0704)

NOTES/ACTION

4. **COUNTY ADMINISTRATOR**

Arizona Heritage Alliance, Inc., to provide for protection, preservation of open space and wildlife and enhancement of the Arizona Heritage Fund, Contingency Fund, contract amount not to exceed $5,000.00 (28-30-A-135886-0305)

5. **COUNTY ATTORNEY**

A-1. RESOLUTION NO. 2005 - 68 , approving an Intergovernmental Agreement with the City of Tucson, to provide for truancy enforcement, intervention and assistance for families, Special Revenue Fund, contract amount $11,029.00 (01-02-T-135878-1003)

A-2. Gregory D. Stephens, Collision Research and Analysis, Inc., to provide expert litigation and witness services regarding Leuth, et. ux., v. Pima County, Case No. C20045832, Risk Management/Tort Fund, contract amount not to exceed $35,000.00 (07-02-S-135840-1204)

A-3. Gregory D. Stephens, Collision Research and Analysis, Inc., to provide expert litigation and witness services related to Gabriella Grijalva/Codi Colvin Claim, Risk Management/ Tort Fund, contract amount not to exceed $35,000.00 (07-02-S-135870-0105)

6. **FACILITIES MANAGEMENT**

Margaret Kelley, to provide a license agreement for the location of air quality monitoring systems at 1016 W. Prince Road, DEQ Grant Fund, contract amount $27,500.00 (12-13-K-135872-0505)

7. **FLEET SERVICES** - Ratification

Arizona Department of Corrections, Amendment No. 3, to provide fuel for the Southern Arizona Correctional Release Center and extend contract term to 1/31/07, contract amount $5,000.00 revenue (01-12-A-122533-0297)

NOTES/ACTION

8. **HEALTH DEPARTMENT**

A. RESOLUTION NO. 2005 - **69**, approving an Intergovernmental Agreement with the Three Points Fire District, to provide for the administration of prophylactic medications or immunizations, Preparedness and Response for Bio-Terrorism Grant Fund, contract amount not to exceed $3,000.00 (01-01-T-135873-0405)

A-1. RESOLUTION NO. 2005 - **70**, approving an Intergovernmental Agreement with the Mt. Lemmon Fire District, to provide for the administration of prophylactic medications or immunizations, Preparedness and Response for Bio-Terrorism Grant Fund, contract amount not to exceed $5,500.00 (01-01-M-135893-0405)

A-2. Arizona Department of Health Services, Amendment No. 5, to provide for participation in the Dental Sealant Program and amend scope of work, ADHS Grant Fund, contract amount $15,500.00 revenue (01-01-A-131909-1202)

9. **NATURAL RESOURCES, PARKS AND RECREATION**

Linwood Smith, Ph.D., of Environmental Planning Group, Amendment No. 3, to provide biological resources analysis and research services and extend contract term to 4/15/06, General Fund, contract amount $50,000.00 (07-05-S-132229-0403)

10. **PIMA HEALTH SYSTEM**

A. Cholla Pediatrics, P.C., Amendment No. 5, to provide pediatric primary care physician services, extend contract term to 4/30/06 and amend contractual language, PHCS Enterprise Fund, contract amount $250,000.00 (18-15-C-129169-0601)

A-1. Tucson Orthopedic Institute, P.C., Amendment No. 5, to provide orthopedic services and amend contractual language, PHCS Enterprise Fund, no cost (18-15-T-129210-0701)

NOTES/ACTION

A-2. Mary Herron, Amendment No. 6, to provide adult foster care services and amend contractual language, PHCS Enterprise Fund, no cost (11-15-H-129401-0801)

A-3. Cahill, Inc., d.b.a. Riverside Park, Amendment No. 7, to provide assisted living home services and amend contractual language, PHCS Enterprise Fund, no cost (11-15-R-129472-0801)

A-4. La Frontera Center, Inc., Amendment No. 4, to provide outpatient and residential behavioral health services, extend contract term to 5/31/06 and amend contractual language, PHCS Enterprise Fund, no cost (07-15-L-130542-0502)

A-5. UMC Home Health Services, Amendment No. 5, to provide home infusion therapy services, extend contract term to 4/30/06 and amend contractual language, PHCS Enterprise Fund, contract amount $2,000,000.00 (11-15-U-130599-0502)

A-6. Critical Care Systems, Inc., Amendment No. 4, to provide home infusion therapy services, extend contract term to 4/30/06 and amend contractual language, PHCS Enterprise Fund, no cost (07-15-I-130607-0502)

A-7. Alvernon Optical, Inc., Amendment No. 3, to provide vision care services, extend contract term to 6/30/06 and amend contractual language, PHCS Enterprise Fund, contract amount $200,000.00 (18-15-A-131012-0702)

A-8. Elizabeth Simoneau, M.D., P.L.L.C., Amendment No. 2, to provide gynecological services and amend contractual language, PHCS Enterprise Fund, no cost (18-15-S-131630-1202)

A-9. Beverly Reed Agnew, D.D.S., P.C., Amendment No. 2, to provide dental services, extend contract term to 4/30/06 and amend contractual language, PHCS Enterprise Fund, no cost (18-15-A-132215-0503)

NOTES/ACTION

A-10 Leslie Morato, C.I.S.W., P.L.L.C., Amendment No. 1, to provide behavioral health therapy services, extend contract term to 5/31/06 and amend contractual language, PHCS Enterprise Fund, no cost (07-15-M-132339-0603)

A-11 Rapid Sound, Inc., Amendment No. 2, to provide in-house x-ray and ultrasound services, extend contract term to 5/31/06 and amend contractual language, PHCS Enterprise Fund, no cost (07-15-R-132340-0503)

A-12 Deborah McKinney Doubrava, Psy. D., Amendment No. 1, to provide psychology services, extend contract term to 5/31/06 and amend contractual language, PHCS Enterprise Fund, no cost (18-15-D-132378-0603)

A-13 Ralph Green, D.D.S., P.C., Amendment No. 3, to provide mobile dental services, extend contract term to 5/31/06 and amend contractual language, PHCS Enterprise Fund, no cost (18-15-H-132379-0603)

A-14 Loren S. Wessel, D.P.M., P.C., d.b.a. Ajo Podiatry, Amendment No. 1, to provide podiatry services, extend contract term to 5/31/06 and amend contractual language, PHCS Enterprise Fund, no cost (07-15-W-132679-0603)

A-15 Alfredo Guevara, Jr., M.D., FACS, Amendment No. 3, to provide urology services and amend contractual language, PHCS Enterprise Fund, no cost (18-15-G-132688-0703)

A-16 Shawn G. Platt, D.O., P.L.L.C., d.b.a. Cornerstone Health and Family Practice, Amendment No. 2, to provide primary care physician services, extend contract term to 5/31/06 and amend contractual language, PHCS Enterprise Fund, contract amount $75,000.00 (18-15-C-132703-0603)

A-17 Westside Family Practice, P.C., Amendment No. 1, to provide primary care physician services, extend contract term to 5/31/06 and amend contractual language, PHCS Enterprise Fund, no cost (18-15-W-132775-0603)

A-18 Our Town Family Center, Inc., Amendment No. 1, to provide behavioral health counseling services, extend contract term to 5/31/06 and amend contractual language, PHCS Enterprise Fund, no cost (07-15-O-133757-0104)

A-19 To provide homecare services and amend contractual language, PHCS Enterprise Fund, no cost.

Vendor	Contract No.	Amendment
Nursing Service, Inc.	18-15-N-134378-0704	1
Community Provider of Enrichment Services, Inc.	18-15-C-134379-0704	2
Jelodon Corp., d.b.a. Health Core Nursing	18-15-H-134380-0704	1
Lutheran Social Ministry of the Southwest	18-15-L-134381-0704	1
Jewish Family and Children's Services of Southern Arizona, Inc.	18-15-J-134382-0704	1
Arizona Integrated Residential and Educational Services, Inc.	11-15-A-134403-0704	1
Creative Networks, L.L.C	11-15-C-134425-0704	2
Wisdom Access, Inc.	11-15-W-134429-0704	1
Arcadia Health Services, Inc., d.b.a. Arcadia Health Care	11-15-A-134430-0704	2
AccentCare At Home, Inc., d.b.a., AccentCare	11-15-A-134438-0704	1
Nursefinders, Inc.	11-15-N-134500-0704	1
University Medical Center Corp., d.b.a. UMC Home Health Services	11-15-U-134501-0704	1
Gentiva Health Services (USA), Inc. and Gentiva Certified Healthcare Corp., d.b.a. Gentiva Health Services	11-15-G-134502-0704	1
McLain Enterprises, Inc., d.b.a. Comfort Keepers	11-15-M-134842-0804	1
Dependable Nurses, Inc.	11-15-D-134886-0704	1
United Cerebral Palsy of Southern Arizona, Inc.	11-15-U-135098-1004	1

A-20 Soreo In Home Support Services, L.L.C., Amendment No. 1, to provide homecare services, amend contractual language and reflect vendor name change, PHCS Enterprise Fund, no cost (11-15-I-134426-0704)

A-21 Computerized Healthcare Management Services, L.L.C., d.b.a. Carestaf of Tucson, Amendment No. 1, to provide homecare services and amend contractual language, PHCS Enterprise Fund, contract amount $200,000.00 (11-15-C-134404-0704)

NOTES/ACTION

A-22 Maxim Healthcare Services, Inc., Amendment No. 1, to provide homecare services and amend contractual language, PHCS Enterprise Fund, contract amount $300,000.00 (11-15-M-134428-0704)

A-23 Bayada Nurses, Inc., Amendment No. 1, to provide homecare services and amend contractual language, PHCS Enterprise Fund, contract amount $250,000.00 (11-15-B-134512-0704)

A-24 University Medical Center Corporation, d.b.a. University Healthcare, Amendment No. 1, to provide primary care physician services and amend contractual language, PHCS Enterprise Fund, no cost (18-15-U-134837-0904)

A-25 Lantana Home and Community Services, Inc., d.b.a. Midvale House, Amendment No. 1, to provide assisted living home services and amend contractual language, PHCS Enterprise Fund, no cost (11-15-L-135204-1104)

A-26 Pima Heart Physicians, P.C., to provide cardiology, cardiac rehabilitation and laboratory services, PHCS Enterprise Fund, contract amount not to exceed $1,250,000.00/two year contract (18-15-P-135814-0505)

A-27 Oro Valley Hospital, L.L.C., d.b.a. Northwest Medical Center Oro Valley, to provide hospital services, PHCS Enterprise Fund, contract amount not to exceed $2,000,000.00 (18-15-O-135818-0105)

A-28 Robert W. Snyder, M.D., Ph.D., P.C., to provide ophthalmology (cornea specialty) services, PHCS Enterprise Fund, contract amount not to exceed $150,000.00/two year contract (18-15-S-135836-0405)

A-29 Old Pueblo Plastic Surgery, P.C., to provide plastic surgery services, PHCS Enterprise Fund, contract amount not to exceed $150,000.00/two year contract (18-15-O-135837-0505)

A-30 Carondelet Health Network, to provide hospital services, PHCS Enterprise Fund, contract amount not to exceed $25,000,000.00/two year contract (18-15-C-135843-0505)

A-31 Casa De Luz, L.L.C., d.b.a. Casa De Luz Hospice, to provide hospice services, PHCS Enterprise Fund, contract amount not to exceed $110,000.00/two year contract (18-15-C-135864-0405)

A-32 University Medical Center Corporation, to provide hospital services, PHCS Enterprise Fund, contract amount not to exceed $30,300,000.00 (18-15-U-135865-0405)

A-33 Sunalliance Healthcare Services, Inc., d.b.a. Pacific Mobile Diagnostics, to provide mobile radiology services, PHCS Enterprise Fund, contract amount not to exceed $150,000.00/two year contract (18-15-S-135887-0505)

A-34 Robert N. Hyland, M.D., to provide infectious disease services, PHCS Enterprise Fund, contract amount not to exceed $150,000.00/two year contract (18-15-H-135888-0605)

Award

B. Highest Scoring Proposal: Award of Contract, Requisition No. 001-2005, in the amount of $300,000.00 to the highest scoring proposal and the lowest cost, American Associated Druggists/United Drugs (Corporate Headquarters: Phoenix, AZ) for pharmacy benefit management services. The contract term is from April 1, 2005 through March 31, 2007, with the option to extend for three additional one year periods or portions thereof. The contract reimbursement ceiling is set at $300,000.00 based on current utilization for the two year period. Board of Supervisors Policy D29.7 and Arizona Revised Statute Section 11-291 allow for an initial term of two years. Funding Source: PHCS Enterprise Fund. Administering Department: Pima Health System.

NOTES/ACTION

11. **PROCUREMENT**

A. Corporate Express Office Products, Inc., Amendment No. 1, to provide office supplies services and extend contract term to 6/30/06, General Fund, contract amount $2,000,000.00 (11-68-C-134826-0704) County-wide Contract

A-1. Envirotech Industries, Int'l, Inc., Amendment No. 3, to provide loading, hauling and transport of waste passenger car tires to designated recycling centers, extend contract term to 6/9/06 and amend contractual language, Solid Waste Enterprise Fund, contract amount $215,000.00 (11-03-E-131019-0602) Environmental Services

A-2. Envirotech Industries, Int'l, Inc., Amendment No. 4, to provide recycling of waste passenger car tires and extend contract term to 6/9/06, Solid Waste Enterprise Fund, contract amount $260,000.00 (11-03-E-131020-0702) Environmental Services

A-3. Burns and Wald-Hopkins Architects, Inc., Amendment No. 5, to provide for the Community Performing Arts and Learning Center in Green Valley, extend contract term to 4/30/07 and amend scope of work, Capital Improvement Bond Fund, contract amount $577,818.00 (16-13-B-125697-0299) Facilities Management

A-4. Health Effects Group, Inc., Amendment No. 3, to provide industrial hygiene consulting services and extend contract term to 6/30/06, no cost (07-13-H-131024-0702) Facilities Management

A-5. Mitchell L. Payes, d.b.a. Occupational and Environmental Hygiene Associates, Amendment No. 3, to provide industrial hygiene consulting services and extend contract term to 6/30/06, General Fund, contract amount $10,000.00 (07-13-O-131025-0702) Facilities Management

NOTES/ACTION

A-6. Sprayfoam Southwest, Inc., Amendment No. 2, to provide roofing repair services and extend contract term to 3/3/06, General Fund, contract amount $100,000.00 (03-13-S-132248-0303) Facilities Management

A-7. The Durrant Group, Inc., Amendment No. 1, to provide design, construction administration and commissioning services for the Kino Public Health Center and amend contractual language, Bond Fund, contract amount $66,865.00 decrease (16-13-D-134354-0604) Facilities Management

A-8. Dependable Medical Equipment, Inc., Amendment No. 1, to provide therapeutic beds, mattress replacement systems and other bariatric equipment and amend contractual language, PHCS Enterprise Fund, contract amount $184,000.00 (11-15-D-134485-0504) Pima Health System

A-9. RS Engineering, Inc., Amendment No. 4, to provide roadway design engineering services needed for the Country Club Road: 36th Street to Irvington Road Improvement Project, extend contract term to 12/31/08 and amend contractual language, Capital Improvement Bond Fund, contract amount $75,000.00 (16-04-R-127842-0300) Transportation

A-10 Southwest Hazard Control, Inc., Amendment No. 5, to provide hazardous waste removal and clean-up services and extend contract term to 8/19/06, Capital Improvement Fund, no cost (07-04-S-129872-0801) Transportation

A-11 Tucson Electric Power Company, Amendment No. 1, to provide dusk to dawn lighting and amend scope of work, Special Revenue Fund, no cost (11-04-T-135060-0704) Transportation

A-12 Dar-Hill Corporation, Amendment No. 2, to provide miscellaneous sanitary sewage conveyance system repair services, WWM Enterprise Fund, contract amount $250,000.00 (03-03-D-133246-0903) Wastewater Management

Ratifications

B. Okland Construction Co., Inc., Change Order No. 20, to provide for the Pima County Jail Expansion Project and amend scope of work, Capital Improvement Bond Fund, contract amount $111,943.00 (03-13-O-130733-0402) Facilities Management

B-1. Corona Sierra, Inc., Change Order No. 2, to provide for the Kirk Bear Canyon Library Addition and Renovation and amend scope of work, Capital Improvement Bond Fund, contract amount $8,394.00 (03-13-C-134882-0704) Facilities Management

B-2. Desert Earth and Wood, L.L.C., Change Order No. 6, to provide for the Arivaca Health Clinic Office Expansion and amend scope of work, CDBG Grant Fund, contract amount $394.54 (03-13-D-134958-0804) Facilities Management

B-3. Barnett and Shore Contractors, L.L.C., Change Order No. 1, to provide for the demolition of the former Motor Vehicle Division site and amend scope of work, Capital Improvement Bond Fund, contract amount $744.98 (03-13-B-135715-0205) Facilities Management

Awards

C. Increase of Award, Requisition No. 67193: American Lung Association by the amount of $18,000.00 to $104,451.00 and Tucson Unified School District by the amount of $5,000.00 to $397,175.00 to expand the Tobacco Use Prevention Program. Funding Source: State Block Grant Fund. Administering Department: Health Department.

C-1. Highest Scoring Proposal: Award of Contract as sole provider of these services, Requisition No. 50649, in the amount of $715,036.00 to the respondent submitting the highest scoring proposal, Employers Dental Services (Headquarters: Tucson, AZ), for Group Pre-Paid Dental Plan Benefits to be offered to eligible County employees. The requested award of

contract is for a one-year period and includes four annual renewals at the sole discretion of the County. Funding Source: General Fund. Administering Department: Human Resources.

C-2. Highest Scoring Proposal: Award of Contract, Requisition No. 50650, in the amount of $107,104.00, for the administration of claims for third party dental plan administration services, to the respondent submitting the highest scoring proposal, CompuSys, Inc. of Arizona (Corporate Headquarters: Phoenix, AZ). Contract is for a one-year period with the option to extend for four additional one-year periods. Funding Source: General Fund. Administering Department: Human Resources.

C-3. Sole Source: Award of County-wide Contract, Requisition No. 85094, in the amount of $450,000.00, to Tucson Newspapers, Inc. (Corporate Headquarters: Tucson, AZ) for as-needed non-legal advertising to be provided to all requesting County departments. Contract is for a one year period with the option to extend for four additional one year periods. Funding Source: Various Department Funds. Administering Department: Procurement.

C-4. Sole Source: Award of Contract, Requisition No. 85063, in the amount of $225,060.00, to Stewart and Stevenson Power, Inc. (Headquarters: Phoenix, AZ) for equipment, parts, freight and labor to furnish and install one (1) refurbished Waukesha Model L7042G natural gas engine. Funding Source: WWM Operating Fund. Administering Department: Wastewater Management.

12. **SHERIFF**

Arizona Board of Regents, University of Arizona, Amendment No. 2, to provide for reimbursement for linking the Sheriff's Department to the COPLINK System and extend contract term to 9/30/05, Federal Fund, no cost (11-11-A-132911-0703)

NOTES/ACTION

13. BOARD OF SUPERVISORS

Approval of the Board of Supervisors' Meeting Schedule for the period of May through August 2005.

14. DIVISION OF ELECTIONS

Pursuant to A.R.S. §16-821B, approval of Precinct Committeemen Appointments:

APPOINTMENTS	PRECINCT	PARTY
Euchner, David J.	016	LBT
Skroch, Matthew M.	019	DEM
Stupel, Sonja	029	DEM
Spangler, Sandra J.	030	DEM
Furrer, Jeremy S.	031	REP
Hunten, Leslie L.	038	DEM
Robinson, Marilyn E.	074	DEM
Rothschild, Jonathan	078	DEM
De La Torre, Laura E.	084	DEM
Plunkett, Timothy J.	095	REP
Maas, Dan	097	REP
Bramley, Vincent D.	107	DEM
Scott, Shirley C.	124	DEM
Berard, Michael E.	147	REP
Carlson, Leslie A.	154	DEM
Dunbar, Richard	164	REP
Dupray, Michelle M.	164	DEM
Bacal, Eva K.	170	DEM
Borth, Janie S.	176	DEM
Hatfield, Linda L.	178	DEM
Day, Jacqueline	185	DEM
Lovejoy, Holly K.	185	DEM
Blackwell, Jean Ann	194	DEM
Miller, Dean J.	194	DEM
Likness, David M.	202	DEM
Switzer, Carole S.	211	DEM
Collins, Sharon C.	221	REP
Tyler, Raymond L.	224	DEM
Essig, Arlene	243	DEM
Bridegroom, Blanca A.	257	REP
Parker, Deborah A.	260	REP
Aldrich, Thomas M.	270	DEM
Ely III, Robert V.	273	REP
Rhoades, David R.	289	REP
Huffman, Jon S.	310	REP
Pawlowski, Vincent M.	315	DEM
Elsner, Michael C.	319	DEM
Shacter, Francine	330	DEM
Bieniecki, Henry S.	331	DEM
Rigg, Patricia S.	332	DEM
Simpson, Amanda R.	346	DEM
Strang, Richard	346	REP
Steffens, Charles A.	392	DEM

NOTES/ACTION

15. BOARDS, COMMISSIONS AND/OR COMMITTEES

A. Board of Adjustment

Appointment of Jo Coudray to replace Joe Murray. Term Expiration: 4/30/09. (District 3)

B. Metropolitan Education Commission

Appointment of Nancy Young-Wright, School Board Member - Arizona School Board Association, to replace Margaret Hildebrand. Term expiration: 12/31/08. (Committee recommendation)

C. Neighborhood Reinvestment Oversight Committee

Appointment of Elvia Lopez. Term expiration: 12/31/08. (District 5)

D. Outside Agency Citizen Review Committee

Appointment of Yoram Levy, Ex-Officio to replace Elly Town. No Term expiration date. (County Administrator appointment)

16. SPECIAL EVENT LIQUOR LICENSES APPROVED PURSUANT TO RESOLUTION NO. 2002-273

A. Anne Holland Brinkley, St. Philips in the Hills Episcopal Church Preservation and Endowment Foundation, 4440 N. Campbell Avenue, Tucson, April 16, 2005.

B. Felipe Carlos Jácome, Alzheimer's Association-Desert S.W. Chapter, Hacienda del Sol Guest Ranch, 5601 N. Hacienda del Sol Road, Tucson, April 10, 2005.

C. Scott Howard Gardner, Handi-Dogs, Inc., Tucson Expo Center, 3750 E. Irvington Road, Tucson, March 12, 2005.

D. Andrew S. Heideman, Rotary Club of Green Valley, 1111 Via Alcoiris, Green Valley, March 23, 2005.

E. Richard G. Rich, Congregation Bet Shalom, 3881 E. River Road, Tucson, April 2, 2005.

F. James Lesley Lancaster, AMVETS Post 770, Tucson Estates Plaza, Lots 28, 29 and 30, 3015, 3017 and 3019 S. Kinney Road, Tucson, March 26, 2005.

G. William Shields Brinkley, St. Philips Choir, St. Philips in the Hills Episcopal Church, 4440 N. Campbell Avenue, Tucson, May 1, 2005.

H. Scott Howard Gardner, Handi-Dogs, Inc., Tucson Expo Center, 3750 E. Irvington Road, Tucson, March 18, 2005.

I. Scott Howard Gardner, Handi-Dogs, Inc., Tucson Expo Center, 3750 E. Irvington Road, Tucson, March 26, 2005.

J. David S. Richter, American Parkinson Disease Association, Arizona Chapter, St. Philips Plaza, 4280 N. Campbell Avenue, Tucson, April 30, 2005.

K. Martin Camacho, Catholic Foundation for the Diocese of Tucson, Westin La Paloma Resort and Spa, 3800 E. Sunrise Drive, Tucson, May 6, 2005.

L. Ronald Joseph Gill, Corpus Christi Parish, Corpus Christi Catholic Church, 300 N. Tanque Verde Loop, Tucson, April 17, 2005.

FINANCE AND INFORMATION SERVICES

17. DUPLICATE WARRANTS - FOR RATIFICATION

Congdon, Sarah	$	884.87
Dykstra, Roel	$	1,482.83
Sawyer, Thomas or Colistia	$	12.45

NOTES/ACTION

PUBLIC WORKS

18. REAL PROPERTY

A. Conservation Easement and Amendment No. 1 to the Memorandum of Agreement with United States Fish and Wildlife Services

1. Conservation Easement between **Pima County** and the Pima County Flood Control District, for the acquisition of mitigation lands for Thornydale Road Improvements over Tax Parcel No. 224-46-0070. No Cost. (District 3)

2. Amendment No. 1, to the Memorandum of Agreement with United States Fish and Wildlife Services for the acquisition of mitigation lands for Thornydale Road improvements over Tax Parcel 224-46-0070, in Section 18, T12S, R13E. No Cost. (District 3)

B. Condemnation

RESOLUTION NO. 2005 - **71**, of the Pima County Board of Supervisors authorizing the Pima County Attorney to condemn for real property and real property interests where necessary for Natural Resources, Parks and Recreation's expansion of Curtis Park, in Section 16, T13S, R13E. (District 3)

WASTEWATER MANAGEMENT DEPARTMENT

19. BILLS OF SALE

A. G-2003-128, Rancho Vistoso Neighborhood 5, Parcel N, Lots 1-27. Owner: Sunterra at Vistoso, L.L.C.

B. G-2003-058, Walnut Property, Lots 1-54. Owner: KB Home.

C. G-2003-030, Heritage Highlands VII, Lots 1147-1298. Owner: US Home Corporation.

NOTES/ACTION

D. G-2003-081, Star Valley Block 15, Phase 1 (only), Lots 1-277, 367-371, 375-392 and 428-484. Owner: US Home Corporation.

E. G-2003-089, Star Valley, Block 10, Phase 2 (only), Lots 55-78, 135-142, 154-162, 174-182, 194-202 and 214-222. Owner: US Home Corporation.

F. G-2002-104, Eagle Point Estates, off-site public sewer. Owner: Buddy Investments, L.L.C.

G. G-2003-050, Tres Rios, Lots 1-50. Owner: F. Joseph Reilly II.

H. G-2003-141, Rancho Vistoso, Neighborhood 11, Parcel AG, Lots 1-32. Owner: Pathway Developments, Inc.

I. G-2004-016, Gladden Farms, Block 3, Lots 1-81. Owner: Gladden Forest, L.L.C.

J. G-2003-098, Ina Corporate Center Condominiums, Units 1-64. Owner: Michael J. Hanson.

K. G-2002-166, Westview Estates, Lots 1-14. Owner: Builders Land Holdings, L.L.C.

20. RATIFY AND/OR APPROVE

Minutes: February 8, 2005,
Zoning Enforcement Board of Appeals
Minutes of March 15, 2005

Warrants: March, 2005

NOTES/ACTION

ADDENDUM, BOARD OF SUPERVISORS' MEETING

BOARD OF SUPERVISORS' HEARING ROOM

130 W. CONGRESS, 1ST FLOOR

APRIL 5, 2005 9:00 A.M.

1. **PRESENTATIONS**

A. Presentation to the Board of Supervisors for the Marvin M. Black Excellence in Partnering Award 2005 and the AGC Build America Merit Award, from Sundt Construction Company, in recognition of the excellence in team partnering and construction.

B. Presentation by Bill Katzel on the "Platinum Challenge and the Conservation of Fantasy Island." Discussion/Action. (District 3)

*(**CLERK'S NOTE**: Should be taken in conjunction with Regular Agenda Item No. 6.)

*2. **COUNTY ADMINISTRATOR**

Widening of Interstate 10 between Prince Road and 29th Street by the Arizona Department of Transportation. Discussion/Direction/Action.

3. **CONTRACTS AND AWARDS**

A. COMMUNITY SERVICES, EMPLOYMENT AND TRAINING

JEM Management, Inc., Amendment No. 3, to provide consultation and marketing services, WIA and US DOL-H1B Grant Funds, contract amount $5,000.00 (07-39-J-132243-0403)

B. COUNTY ADMINISTRATOR

Tucson Regional Economic Opportunity, Inc., to provide for economic development activities, Contingency Fund, contract amount $118,708.00 (28-30-T-135920-0405)

C. NATURAL RESOURCES, PARKS AND RECREATION

1. BRANDI FENTON MEMORIAL PARK

a. Brandi Michelle Fenton Foundation, Inc., to provide goods, services or cash contributions for the development, design and construction of the Brandi Fenton Memorial Park, contract amount not to exceed $1,500,000.00 revenue (11-05-F-135912-0405)

b. Declaration of Covenants, Conditions and Restrictions Running with the Land

Declaration to confirm the park will be named and referred to exclusively as either the "Brandi Fenton Memorial Park" or "Brandi Fenton Memorial Park at Binghampton Historic District."

2. American Bicycle Association Foundation, to provide a lease agreement for the Winston Reynolds-Manzanita District Park to conduct and promote motocross bicycle racing for a five year period, contract amount $1,000.00 revenue (04-05-A-234995-0904)

3. Tucson Audubon Society, to establish and operate a Nature Store within the premises of the main Administration Building at the Roy P. Drachman Agua Caliente Regional Park, contract amount $4,800.00 revenue/two year contract (11-05-T-135921-0205)

D. WASTEWATER MANAGEMENT

RESOLUTION NO. 2005 - 78, for the following:

1. Approving an Intergovernmental Agreement with the Town of Marana, to provide for the funding and construction of a

sanitary sewer system for the Honea Heights Colonia, contract amount $188,240.00 revenue (01-03-M-134898-0405)

2. Approving a grant agreement with the United States Department of Agriculture, Rural Utilities Service, to provide for the construction of a sanitary sewer system for the Honea Heights Colonia, Water and Waste System Grant Fund, contract amount $990,000.00 revenue (01-03-A-135899-0405)

4. **FINANCE DEPARTMENT**

A. RESOLUTION NO. 2005 - **79**, of the Board of Supervisors of Pima County, Arizona, ordering the sale of not to exceed $65,000,000.00 principal amount of Pima County, Arizona, General Obligation Bonds, Series 2005.

B. RESOLUTION NO. 2005 - **80**, of the Board of Supervisors of Pima County, Arizona, ordering the sale of not to exceed $51,200,000.00 principal amount of Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005.

C. RESOLUTION NO. 2005 - **81**, of the Board of Supervisors of Pima County, Arizona, providing for the financing of certain sewer system improvements and facilities through a loan agreement with the Water Infrastructure Finance Authority of Arizona; approving and directing the execution and delivery of an amendment to an existing loan agreement or a new loan agreement and the delivery of other documents and agreements in connection therewith; providing for other related matters; and declaring an emergency.

5. **BOARDS, COMMISSIONS AND/OR COMMITTEES**

A. Board of Adjustment

Appointment of Rebecca McLean to fill unexpired term of Carol Klamerus. Term expiration: 8/31/05. (District 5)

NOTES/ACTION

B. State Board of Equalization

Reappointment of Andria K. Burke. Term expiration: 12/31/08. (District 1)

CLERK'S NOTE:

A. Public discussion and action may occur on any executive or regular agenda item, and;

B. Any backup material will be available for review twenty-four (24) hours before the meeting at the Clerk of the Board's Office.

POSTED: Levels A & B, 1st and 5th Floors, Pima County Administration Building.

DATE POSTED: 4/1/05

TIME POSTED: 1:00 P.M.

NOTES/ACTION

AGENDA, BOARD OF SUPERVISORS' MEETING

BOARD OF SUPERVISORS' HEARING ROOM

130 W. CONGRESS, 1ST FLOOR

MAY 10, 2005 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, related to filing a lawsuit, in the event that negotiations fail, regarding the collection of sewer connection fees from the developer and/or the property owner of Country Club Terrace, pursuant to Pima County Code Chapter 13.20.

BOARD OF SUPERVISORS SITTING AS OTHER BOARDS

... **FLOOD CONTROL DISTRICT BOARD**

CONTRACTS AND AWARDS

A. Low Bid: Award of Contract, Requisition No. 85055, in the amount of $184,442.93 to the lowest responsive bidder, SunWestern Contractors for Industry, Inc., (Headquarters: Tucson, AZ), for the Silvercroft Wash Pedestrian Bridge Project. Construction is to be complete within 100 working days from the Notice to Proceed. Funding Source: Bond Fund. Administering Department: Regional Flood Control District

B. Low Bid: Award of Contract, Requisition No. 85603, in the amount of $518,290.50 to Falcone Bros. and Associates, Inc., (Headquarters: Tucson, AZ) for the Massingale Retention Basin Spillway Repairs. This procurement was conducted as an Emergency Procurement. The spillway is in a state of disrepair and a threat to the public safety if not remedied before onset of the monsoon in July. Contract is for a six-month period with sixty working days for project completion from issuance of Notice to Proceed. Funding Source: Capital Improvement Fund. Administering Department: Regional Flood Control District.

BOARD OF SUPERVISORS SITTING IN REGULAR SESSION

5. **CONSENT CALENDAR**: For consideration and approval

A. Call to the Public

B. Approval of Consent Calendar

6. **COUNTY ADMINISTRATOR**

A. Classification and Compensation

Development Services requests approval to create the following classifications. There will be no budget impact in the creation of these classifications.

Class Code	Class Title	Grade Code	O/T CODE
2661	Addressing Official	50 ($39,565-$62,307)	1 E*
2662	Addressing Specialist	39 ($30,758-$47,949)	6 E*

*E = Exempt, not paid overtime

NOTES/ACTION

B. Revisions to Merit System Rules and Personnel Policies

Staff requests approval of the revisions to the following Merit System Rules and Personnel Policies:

1. Merit System Rule 1 (Definitions)
adds definition of Trainee.

2. Merit System Rule 5 (Examinations)
adds the requirement of having an EEO Representative attend and monitor oral board interview panels.

3. Merit System Rule 9 (Classification System)
adds requiring County Administrator approval for retroactive compensation actions.

4. Merit System Rule 10 (Probation)
extends the probation period from six (6) months to one year to be consistent with the provisions of the Office of Personnel Management and parity with the City of Tucson.

5. Merit System Rule 11 (Terminations)
adds allowing for oral notice of resignation, clarifies break in service as it pertains to the Uniformed Services Employment and Reemployment Rights Act (USERRA), adds failure to pass a required background check or maintain a required license or certification as grounds for termination.

6. Merit System Rule 15 (Employee Performance Appraisal)
clarifies when an employee on probation shall receive a performance appraisal.

7. Personnel Policy 7-102 (Premium Pay)
changes policy so that eligible employees receive 11 1/2 times their regular rate of pay for working either an actual or an observed holiday for consistency.

8. Personnel Policy 7-103 (Civic Duty Leave and Uniformed Services Leave) clarifies that a termination action for the purpose of military service under USERRA does not constitute a break in service of County employment.

9. Personnel Policy 7-104 (Attendance) adds definition of work breaks and requirements of smoke breaks.

10. Personnel Policy 7-105 (Annual Leave) changes annual leave policy by allowing eligible employees to use accrued annual leave after six (6) months of continuous service, deletes requirement that a donor of annual leave shall not have given notice of resignation less than thirty one (31) days prior to his/her donation of annual leave or has been scheduled for termination.

11. Personnel Policy 7-108 (Leaves of Absence Without Pay) adds requirement that employees who become eligible for and receive long term disability insurance coverage shall immediately resign their employment from the County, adds that employees in uniformed service will continue to receive credit toward seniority while serving in the military on active duty.

12. Personnel Policy 7-117 (Pay Plan) adds that an employee who demotes for any reason will receive reduced pay, corrects and changes definition of "position" to "classification" under Reclassification, adds salary matrix placement requirement, establishes compensation effective dates.

13. Personnel Policy 7-119 (Rules of Conduct) adds additional prohibited conduct of a fiduciary nature.

14. Personnel Policy 7-123 (Termination) adds allowing receipt of oral notice of resignation, adds allowance for employees

who have completed six (6) months of initial hire probation or six (6) months under the Trainee Program to receive payment of their accrued annual leave upon termination of employment.

PUBLIC WORKS

DEVELOPMENT SERVICES

CLARIFICATION OF REZONING CONDITIONS

7. Co9-04-05, JCAD REAL PROPERTIES MANAGEMENT LLC - SWAN ROAD REZONING
Staff requests clarification of the rezoning conditions adopted at the Board of Supervisors meeting of February 1, 2005 regarding the request of JCAD Real Properties Management LLC, represented by Tierra Right of Way, for a rezoning of approximately 19 acres from CR-3 (Single Residence) to CI-2 (Heavy Industrial) located east of Swan Road and north of the Los Reales Road. (District 2).

TRANSPORTATION

8. GRANT APPLICATION

RESOLUTION NO. 2005 - **92**, of the Pima County Board of Supervisors, authorizing the Pima County Department of Transportation to apply to the Governor's Office of Highway Safety for grant monies to fund the Pima County Teen Driver Safety Awareness Program in the amount of $79,800.00 revenue; authorizing the Chair of the Board of Supervisors to execute any necessary documents to accept the grant funds for Pima County. (All Districts)

NOTES/ACTION

* * HEARINGS * * *

FRANCHISES/LICENSES/PERMITS

LIQUOR LICENSE

9. 05-12-8794, Thomas Peter Firth, Hacienda Gift Shop, 5601 N. Hacienda Del Sol Road, Series 10, Beer and Wine Store License, New License.

FIREWORKS PERMITS

10. Lynne Coté, Mountain View High School, 3901 W. Linda Vista, Tucson, May 18, 2005 at approximately 9:00 p.m.

11. Alan Raso, Westward Look Resort, 245 E. Ina Road, Tucson, May 29, 2005 at approximately 9:00 p.m.

PUBLIC WORKS
DEVELOPMENT SERVICES

UNFINISHED BUSINESS
(RM 3/8/05)

TIME EXTENSION/MODIFICATION OF SUBDIVISION PLAT WAIVER CONDITIONS

*(**CLERK'S NOTE**: The Board of Supervisors closed this public hearing at their meeting of March 8, 2005.)

*12. PPW01-01, SALLE/LLOYD BUSH Request of George Petropoulos, et. al., represented by Christopher Brozek, for a modification of Condition No. 12 of a subdivision plat waiver approved by the Pima County Board of Supervisors on January 14, 2003 and modified on March 9, 2004. Condition No. 12 requires, in part, that conditions of the subdivision plat waiver be satisfied within 24 months of the date of the subdivision waiver. The applicant requests an additional 6 month time extension. The subject site is 11.65 acres, zoned CR-1 and is located at the southwest corner of the intersection of Lloyd Bush Drive and Salle Road, approximately 1/2 mile north of Ironwood Hill Drive. Staff recommends **APPROVAL WITH CONDITIONS.** (District 5)

NOTES/ACTION

NEW BUSINESS

SUBDIVISION PLAT WAIVER

13. PPW05-03, CANOA RANCH RESORT A HOTEL CONDOMINIUM - CAMINO DEL SOL
Request of Fairfield CR Investments, represented by The WLB Group, Inc., to waive the requirements of a subdivision plat in accordance with Section 18.69.080 of the Pima County Zoning Code which allows a waiver of any or all code standards for a subdivision which is not subject to or which has received an order of exemption from the public report requirements administered by the Arizona Department of Real Estate. The subject property is approximately 14.83 acres, conditionally approved rezoning from RH (Rural Homestead Zone) to CB-2 (General Business Zone) in 2001 (Co9-01-01). The proposal is in Green Valley, east of Camino del Sol, south of Canoa Ranch Road and west of I-19. Staff recommends **APPROVAL WITH CONDITIONS.** (District 4)

14. REZONING ORDINANCE - Unadvertised Hearing

ORDINANCE NO. 2005 - **47**, Co9-62-84, Valley View Acres Rezoning. Owner: Eugene and Edilia Pesqueira. (District 3)

15. **CALL TO THE PUBLIC**

16. **ADJOURNMENT**

POSTED: Levels A & B, 1st and 5th Floors, Pima County Administration Building.

DATE POSTED: 5/4/05

TIME POSTED: 5:00 P.M.

NOTES/ACTION

CONSENT CALENDAR, MAY 10, 2005

CONTRACTS AND AWARDS

1. **COMMUNITY RESOURCES**

A. Community Extension Program, Inc., Amendment No. 1, to provide for the after school and summer elementary school based recreation programs, General Fund, contract amount $3,000.00 (11-67-C-135075-0804)

A-1. Altar Valley School District, Amendment No. 2, to provide for the after school and summer elementary school based recreation programs, General Fund, contract amount $16,491.20 (01-67-A-135178-0804)

2. **COUNTY ATTORNEY**

A. Mesch, Clark and Rothschild, P.C., to provide legal representation relating to a claim filed by David Hyman, Risk Management/Tort Fund, contract amount not to exceed $50,000.00 (17-02-M-136023-0305)

A-1. Mesch, Clark and Rothschild, P.C., to provide legal representation relating to Superior Court Case No. C20045152, Young v. Pima County, General Fund, contract amount not to exceed $50,000.00 (17-02-M-136024-0904)

A-2. Slutes, Sakrison and Hill, P.C., to provide legal representation relating to a claim filed by Barbara Kanuck, Risk Management/Tort Fund, contract amount not to exceed $50,000.00 (17-02-S-136025-1004)

A-3. John Buehler, Ph.D., to provide expert testimony relating to the alleged economics loss of Zbignew Osmolski in Osmolski v. Pima County, Case No. CV 04-236-TUC-JMR, Risk Management/Tort Fund, contract amount not to exceed $100,000.00 (29-02-B-136033-0305)

NOTES/ACTION

3. **HEALTH DEPARTMENT**

A. Arizona Department of Health Services, Amendment No. 1, to provide for the HIV Prevention Program and amend contractual language, Federal Grant Fund, no cost (01-01-A-134875-0404)

A-1. COPE Behavioral Services, Inc., to provide for the 2005 Women's Conference, Contingency Fund, contract amount not to exceed $5,000.00 (28-01-C-136020-0605)

4. **PIMA HEALTH SYSTEM**

A. Tucson Eye Physicians, P.L.L.C., Amendment No. 3, to provide ophthalmology and eye surgery services, extend contract term to 7/31/06 and amend contractual language, PHCS Enterprise Fund, no cost (18-15-T-130913-0702)

A-1. Information and Referral Service, Inc., Amendment No. 1, to provide emergency alert system services, extend contract term to 6/30/06, reflect vendor name change and amend contractual language, PHCS Enterprise Fund, contract amount $100,000.00 (07-15-I-132712-0703)

A-2. Ann B. Lettes, M.D., Amendment No. 2, to provide behavioral health/psychiatry services, extend contract term to 6/30/06 and amend contractual language, PHCS Enterprise Fund, no cost (18-15-L-132885-0703)

A-3. Pima Council on Aging, Amendment No. 2, to provide for case management, housekeeping/chore, personal care and respite services, Federal Fund, contract amount $139,000.00 decrease (07-15-P-134996-0704)

A-4. TMC Healthcare, to provide hospital services, PHCS Enterprise Fund, contract amount not to exceed $25,000,000.00/two year contract (18-15-T-136017-0505)

A-5. John R. Klein, M.D., P.C., to provide orthopaedic surgery services, PHCS Enterprise Fund, contract amount not to exceed $200,000.00/two year contract (18-15-K-136026-0505)

5. **PROCUREMENT**

A. Valley Transportation Group, d.b.a. North American, Amendment No. 2, to provide as-needed moving services and request assignment of all rights, duties and obligations to Firebird Moving and Storage, Inc., Various Department Funds, no cost (11-13-V-133703-1103) Facilities Management

A-1. Wilson Electric, d.b.a. Netsian Technologies Group, Amendment No. 1, to provide electronics services and extend contract term to 10/5/05, General Fund, no cost (11-13-N-134175-0404) Facilities Management

A-2. Corona Sierra, Inc., Amendment No. 3, to provide for the Kirk Bear Canyon Library Addition and Renovation Project and extend contract term to 12/18/05, Capital Improvement Bond Fund, no cost (03-13-C-134882-0704) Facilities Management

A-3. Primavera Foundation, Inc., Amendment No. 3, to provide temporary unskilled staffing and transportation services, Solid Waste Enterprise Fund, contract amount $48,000.00 (11-03-P-130737-0602) Environmental Quality

A-4. PCL Civil Constructors, Inc., Amendment No. 4, to provide for the Randolph Park Water Reclamation Project and amend contractual language, WWM Enterprise Fund, contract amount $80,000.00 decrease (16-03-P-131234-0702) Wastewater Management

Ratification

B. Corona Sierra, Inc., Change Order No. 4, to provide for the Kirk Bear Canyon Library

Addition and Renovation Project and amend scope of work, Capital Improvement Bond Fund, contract amount $6,045.00 (03-13-C-134882-0704) Facilities Management

Awards

C. Award of Contract for Requisition No. 84700 to DMJM Design (Headquarters: Los Angeles, CA) in association with GLHN Architects and Engineers (Headquarters: Tucson, AZ) for architectural services for the Pima County Justice City Court Complex. Total cost for all services not to exceed $7,730,000.00. Funding Source: Capital Improvement Bond Fund. Administering Department: Facilities Management.

C-1. Cooperative Procurement: Award of Purchase Order, Requisition No. 85807, in the amount of $589,228.00 to the Arizona Counter-Drug Procurement Program (Headquarters: Phoenix, AZ) for (2) Lenco armored vehicles for the Pima County Sheriff's Department. Funding Source: Other Special Revenue Grant Fund (Homeland Security). Administering Department: Sheriff.

C-2. Award of Contract for Requisition No. 84540, to Hunter Contracting Company (Headquarters: Gilbert, AZ) for construction manager at risk for Craycroft Road/River Road to Sunrise Drive Project. The estimated cost for these services, including construction, is approximately $17,000,000.00. Funding Source: Capital Improvement Bond Fund. Administering Department: Transportation.

6. **DIVISION OF ELECTIONS**

Pursuant to A.R.S. §16-821B, approval of Precinct Committeemen Resignation/Appointments:

RESIGNATION	PRECINCT	PARTY
Curtis, Frances M.	286	DEM

APPOINTMENTS	PRECINCT	PARTY
Conger, Bryant D.	017	REP

Butler, Thorin S.	071	DEM
Robertson, Leon S.	142	DEM
Broce, Maritza J.	156	DEM
Limmer, Justin B.	187	REP
Wilson, Lana L.	187	DEM
Colbert, Michael R.	190	DEM
Spivey Sr., Timothy E.	195	REP
Sepich, Elzbieta J.	205	DEM
Dalessandro, Andrea D.	206	DEM
Slagter, Henry C.	207	DEM
Adams, Miriam I.	216	DEM
Bluestein, Marlene	260	DEM
Toth, James J.	260	DEM
Duncan, Becky S.	275	DEM
Holloway, Murdock E.	275	DEM
Machado, Lourdes D.	275	DEM
Winger, Elodie V.	280	DEM
Osterloh, Mark D.	303	DEM
Beamer, Daniel H.	317	DEM
MacDonald, Neil A.	342	DEM
Foss, Kristiana	369	DEM
Ransom, Larry	379	REP

7. **BOARD, COMMISSION AND/OR COMMITTEE**

Aviation Review Committee

A. Appointment of Mike Dorso, Federal Aviation Administration, to replace Gary F. Fay. Term expiration: 10/31/08. (Organizational recommendation)

B. Reappointments of Bernard Martin, Arizona Pilot Association; Suzanne C. McLean, Tucson Airport Authority; and Patricia Thomas, Development Services. Term expirations: 10/31/08. (Organizational recommendation)

PUBLIC WORKS

8. **DEVELOPMENT SERVICES**

Public Non-Motorized Trail Easement

Public non-motorized trail easement from the Mount Zion Lutheran Church for a 30 foot strip located in Lot 25 of Section 31, T14S, R13E, adjacent to the

Ajo Highway. Pima County shall maintain, repair, replace or reconstruct the trail and vegetation; and erect signs within this easement. (District 5)

9. **REAL PROPERTY**

Abandonment and Quit Claim Deed

A. RESOLUTION NO. 2005- **91**, of the Pima County Board of Supervisors, providing for the vacation of a portion of right-of-way for Drexel Road lying within Section 9, T15S, R13E, A-05-01. (District 5)

B. Quit Claim Deed to Iglesia De Cristo De Tucson Corporation, an Arizona non-profit Corporation, for a portion of Drexel Road. No revenue. (District 5)

WASTEWATER MANAGEMENT DEPARTMENT

10. BILLS OF SALE

A. G-2003-124, Santa Rita Ranch, Block 1, Lots 1-41. Owner: Scotia Joint Venture.

B. G-2003-081, Star Valley, Block 15, Phase 2 (only), Lots 278-366, 372-374 and 393-427. Owner: USH/SVA Star Valley, L.L.C.

C. G-2003-135, Ace Pumping, Co. Off-Site Public Sewer, 8973 S. Eisenhower Road. Owner: Ace Pumping, Co.

D. G-2004-011, Innovation Park Drive (Phase 2), Public Manhole No. 1, HCS's and concrete cap over existing public sewer. Owner: Vistoso Partners, L.L.C.

E. G-2003-010, Via Rancho Del Lago, Blocks 21-27 and 33. Owner: Vail Valley Joint Venture.

F. G-2002-128, Shurgard Self Storage (Oracle Road). Owner: Shurgard Storage Centers, Inc.

NOTES/ACTION

11. **PROCLAMATION**

Proclaiming the week of May 15, 2005 to be:

"PUBLIC WORKS WEEK"

12. **RATIFY AND/OR APPROVE**

Minutes: March 15, 2005
March 31, 2005

Zoning Enforcement Board of Appeals
Minutes of April 5, 2005

NOTES/ACTION

ADDENDUM, BOARD OF SUPERVISORS' MEETING

BOARD OF SUPERVISORS' HEARING ROOM

130 W. CONGRESS, 1ST FLOOR

MAY 10, 2005 9:00 A.M.

... **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) (4) and (7), for legal advice and direction regarding the following:

1. Possible acquisition at a public auction to be held on Saturday, May 21, 2005, of certain real property owned by the Catholic Diocese of Tucson, Tax Parcel No. 114-26-3410.

2. If acquisition is authorized, set the maximum bid amount for purchase.

3. If acquisition is authorized, direction to staff to execute the appropriate documentation for the bidding/purchase process.

BOARD OF SUPERVISORS SITTING IN REGULAR SESSION

1. **BOARD OF SUPERVISORS**

Establishment of an interdepartmental task force to deal with distressed and dangerous properties and slums in unincorporated Pima County by, among other things, enhancement and coordination of existing enforcement procedures, reviewing existing ordinances and making recommendations regarding the development of new ordinances and procedures. Discussion/Action. (District 3)

NOTES/ACTION

2. **COUNTY ADMINISTRATOR**

A. Approval of a Concept Plan for future Canoa Ranch acquisitions. Discussion/Direction.

B. Correction for the Record

(CLERK'S NOTE: This item should be taken in conjunction with Regular Agenda Item No. 6B.)

Revisions to Merit System Rules and Personnel Policies

7. Personnel Policy 7-102 (Premium Pay) changes policy so that eligible employees receive ~~11 1/2~~ **1 1/2** times their regular rate of pay for working either an actual or an observed holiday for consistency.

3. **FINANCE**

(CLERK'S NOTE: Due to bid submittals, this item should be heard after 10:00 a.m.)

A. RESOLUTION NO. 2005 - **93**, providing for the issuance and sale of $65,000,000.00 principal amount of Pima County, Arizona, General Obligations Bonds, Series 2005; providing for the annual levy of a tax for the payment of the bonds; providing terms, covenants and conditions concerning the bonds; accepting a bid for the purchase of the bonds; appointing an initial registrar and paying agent for the bonds; and declaring an emergency.

B. RESOLUTION NO. 2005 - **94**, providing for the issuance and sale of $51,200,000.00 principal amount of Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005; providing for the payment of the bonds; providing terms, covenants and conditions concerning the bonds; accepting a bid for the purchase of the bonds; appointing an initial registrar and paying agent for the bonds; and declaring an emergency.

NOTES/ACTION

4. **INSTITUTIONAL HEALTH**

RESOLUTION NO. 2005 - **95**, of the Board of Supervisors of Pima County, Arizona, approving and authorizing the donation of surplus dental equipment to Catholic Community Services of Southern Arizona, Inc.

5. **CONTRACTS AND AWARDS**

COMMUNITY SERVICES, EMPLOYMENT AND TRAINING

A. Arizona Department of Economic Security, Community Service Administration, Amendment No. 10, to provide additional assistance to clients to become economically self-sufficient, DES Fund, contract amount $295,607.00 revenue (01-39-A-129382-0701)

A-1. Metropolitan Education Commission, Amendment No. 2, to provide coordinated activities to target at-risk students to succeed academically, General Fund, contract amount $1,500.00 (11-39-M-133445-0703)

PUBLIC WORKS

6. **DEVELOPMENT SERVICES**

Co23-97-1, VAIL VALLEY RANCH SPECIFIC PLAN
Staff requests direction to initiate a Substantial Change to the Vail Valley Ranch Specific Plan and forward for the next Planning and Zoning Commission Meeting.

7. **WASTEWATER MANAGEMENT**

A. Report on the Wastewater Management Department's current year finances, proposed FY 2005-06 budgeted expenses and ongoing Rate Study; and direction regarding the following:

NOTES/ACTION

1. Analysis of Capital Projects: Increased Capacity vs. Rehabilitation of the Conveyance and Treatment System.

2. Analysis of Cost of Service: Administrative Fees vs. Variable Fee Based on Usage.

3. Analysis of Winter Averaging: Residential vs. Commercial/Industrial Rates.

B. Wastewater Management Advisory Committee

Staff recommends expansion of the membership of the Wastewater Management Advisory Committee by adding a representative from each of the following organizations:

1. American Public Works Association - Southern Arizona Chapter;

2. Southern Arizona Home Builders Association;

3. Sierra Club.

POSTED: Levels A & B, 1st and 5th Floors, Pima County Administration Building.

DATE POSTED: 5/6/05

TIME POSTED: 11:00 A.M.

TAX COMPLIANCE CERTIFICATE
OF ISSUER

Pertaining to

$51,200,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY USER BONDS, SERIES 2005

Dated as of May 26, 2005

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 a Resolution adopted by the Board of Supervisors of the Issuer on May 10, 2005 (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 Interest Fund and Redemption Funds that are properly allocable to the Issue.

"Bond Insurance" means the policy of municipal bond insurance pertaining to the Issue issued by the Bond Insurer.

"Bond Insurer" means MBIA Insurance Corporation.

"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 various street and highway improvements located within Pima County, Arizona, pursuant to the authorization granted by the qualified electors of the Issuer voting at a bond election held on November 4, 1997, and includes Issuance Costs of the Issue and 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.

"Underwriter" means ABN AMRO 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 pay costs of the Project.

2.30. Dates. The Sale Date is May 10, 2005 and the Issuance Date is May 26, 2005.

2.40. Issue Price. The Issue Price is set forth in Attachment B and is computed as follows:

Par Amount	$51,200,000.00
Net original issue premium (discount)	427,755.00
Pre-Issuance Accrued Interest	146,953.99
Issue Price	$51,774,708.99

2.50. Sale Proceeds, Net Proceeds and Net Sale Proceeds. The Sale Proceeds, Net Proceeds and Net Sale Proceeds are as follows:

Issue Price	$51,774,708.99
Pre-Issuance Accrued Interest	(146,953.99)
Sale Proceeds	$51,627,755.00
Deposit to Reserve Fund	(0.00)
Net Proceeds	$51,627,755.00
Minor Portion	(100,000.00)
Net Sale Proceeds	$51,527,755.00

2.60. Disposition of Sale Proceeds and Pre-Issuance Accrued Interest. Pre-Issuance Accrued Interest will be deposited in the Bond Fund. The Sale Proceeds will be applied as follows:

To pay costs of the Project and Issuance Costs	$51,200,000.00
To pay Underwriter's Discount[1]	422,587.49
Deposit to Bond Fund	5,167.51
Total Sale Proceeds	$51,627,755.00

2.70. Higher Yielding Investments. Gross Proceeds will not be invested in Higher Yielding Investments except for (A) the Minor Portion to the extent provided in 3.70 and (B) 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.

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 and Premium. The aggregate amount received as Pre-Issuance Accrued Interest and $5,167.51, representing premium on the Issue, and deposited in the Bond Fund, together with the investment earnings thereon, will be used to pay Debt Service within one year from the Issuance Date, such period being the Temporary Period for those amounts.

(B) Underwriter's Discount and Bond Insurance. Sale Proceeds in the amount of $422,587.49 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 $209,600.00 on the Issuance Date to pay the premium for the Bond Insurance, which constitutes a Qualified Guarantee. See 5.20 and Attachments B and C.

[1] Includes the $209,600.00 paid by the Underwriter to the Bond Insurer for the premium on the Bond Insurance.

(C) Payment of Issuance Costs and Project Costs.

(1) Sale Proceeds of the Issue in the amount of $51,200,000.00 will be used to pay Issuance Costs and a portion of the costs of the Project. Sale Proceeds in the amount of $128,380.00 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 $51,071,620.00 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 a substantial binding obligation to a third party to expend at least 5% of the Net Sale Proceeds of the Issue on the Project; and

(c) Completion of the Project and the allocation of the Net Sale Proceeds of the Issue to expenditures with respect to the Project will proceed with due diligence.

Any Sale Proceeds of the Issue 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.

(2) A Reimbursement Allocation will be made on or about this date in the financial records of the Issuer kept with respect to the Issue showing that $7,818,641.73 of the Sale Proceeds of the Issue have been returned to the fund or account of the Issuer from which such amount was originally and temporarily advanced to finance Capital Expenditures comprising a portion of the Project paid before this date. This date is not more than (A) 18 months after the later of the date such Capital Expenditures were paid or the date on which the property resulting from such Capital Expenditures and comprising part of the Project was Placed in Service or (B) three years from the date the Capital Expenditures were paid.

3.20. Investment Proceeds. Any Investment Proceeds of the Issue 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.

3.30. 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.

3.40. 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. Except for money referred to in 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.

3.50. 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.

3.60. 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 was or will be 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 or deemed financed by the Issue, principal or interest on an issue paid from unexpected excess Sale Proceeds or Investment Proceeds, and 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), or

(F) to reimburse any expenditures made prior to the Issuance Date except those that qualify as a Reimbursement of Prior Capital Expenditures.

No portion of the Issue is being issued solely for the purpose of investing Proceeds in Higher Yielding Investments.

3.70. Minor Portion. The Minor Portion of $100,000.00 may be invested in Higher Yielding Investments.

3.80. No Other Replacement Proceeds. That portion of the Issue that is to be used to finance or refinance 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. Consistently 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 bond 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 secured by any interest in property used or to be used for a Private Business Use or payments in respect of such property, or will be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a Private Business Use.

(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 payments (or borrowed money) that are being or will be used for any Private Business Use 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, 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 will not enter into, any Hedge with respect to the Issue, or any portion thereof, unless it first receives the written opinion of the bond counsel approving the Issue that such Hedge will not adversely affect the exclusion from gross income of interest on the Issue for federal income tax purposes.

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 and the representations of the Bond Insurer in the Bond Insurer's Certificate attached hereto as Attachment C. To the best of the knowledge, information, and belief of the undersigned, all expectations stated in this Certificate and in Attachments B and C 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 or C. The certifications and representations made in this Certificate and in Attachments B and C 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 or C 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.

The date of this Certificate is May 26, 2005.

PIMA COUNTY, ARIZONA

By: _____
Thomas Burke
Finance Director

List of Attachments

Attachment A – Definitions for Tax Compliance Certificate

Attachment A-1 – Rebate Instructions

Attachment B – Underwriter's Certificate

Attachment C – Bond Insurer's Certificate

Attachment A

Definitions for Tax Compliance Certificate

The following terms, as used in this 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.

"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 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 or with the application of the definition of Placed in Service) under general federal income tax principles.

"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.

"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) of the Code, 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.

"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 original issue premium, but excluding any 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, 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 was sold to the public.

(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).

"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 the portion thereof, if any, deposited in a reasonably required reserve or replacement fund for the issue and 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.

"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.

"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.

"Proceeds" means any Sale Proceeds, Investment Proceeds, and Transferred Proceeds of an issue. "Proceeds" does not include Replacement Proceeds.

"Qualified Administrative Costs" means reasonable direct administrative costs (other than carrying costs) such as separately stated brokerage or selling commissions, but not 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 are not Qualified Administrative Costs.

"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).

"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.

"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 Prior Capital Expenditures, other than Preliminary Expenditures, that meets each of the following requirements: (a) is evidenced on the books or records of the Issuer maintained with respect to the issue, (b) the allocation entry identifies either actual prior Capital Expenditures, or the fund or account from which the prior Capital Expenditures were paid, and (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.

"Reimbursement of Prior Capital Expenditures" means a Reimbursement Allocation of Proceeds of the Issue to a Capital Expenditure paid prior to the Issuance Date of such Issue, that satisfies the following requirements: (a) the Capital Expenditure was paid after March 1, 1992; (b) prior to, or within 60 days after, payment of the Capital Expenditure (except Preliminary Expenditures), the Issuer adopted an official intent for the Capital Expenditure that satisfies Regulations §1.150-2(e); and (c) except for Preliminary Expenditures, the Reimbursement Allocation 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) of the Code.

"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 of the Code, 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 all payments and receipts with respect to a Qualified Hedge, if any, 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

$51,200,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2005

INSTRUCTIONS FOR COMPLIANCE WITH REBATE REQUIREMENTS OF SECTION 148(f) OF THE CODE.

The Issuer covenanted in the operative documents in the Resolution (as defined in the Tax Compliance Certificate to which this Attachment A-1 is attached) 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.

PART I: GENERAL

SECTION 1.01. REBATE GENERALLY.

The Rebate Amount[1] 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.[2]

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.[3]

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1. Capitalized terms that are not defined in these Instructions are defined in Attachment A to the Tax Compliance Certificate of the Issuer.

2. Amounts earned on the Bona Fide Debt Service Fund for the Issue are not taken into account in determining the Rebate Amount since none of the obligations of the Issue are Private Activity Bonds, the rates of interest on the Issue do not vary and the average maturity of the Issue is at least 5 years.

3. 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.

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.

SECTION 1.02. SPECIAL DEFINITIONS.

For purposes of these Instructions, the following terms shall have the following meanings.

"Available Construction Proceeds" means an amount equal to (a) the sum of (i) the Issue Price of the issue, (ii) Investment Proceeds on that Issue Price, (iii) earnings on any reasonably required reserve or replacement fund allocated 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) allocated 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 allocated to the issue. Available Construction Proceeds do not include Investment Proceeds or earnings on a reasonably required reserve or replacement fund allocated 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 Projects financed by the issue is substantially completed. If the issue consists of a New Money Portion and a Refunding Portion and the New Money Portion is a Construction Issue, this definition shall be applied by substituting "New Money Portion" for "issue" each place the latter term appears. If the issue or the New Money Portion, as applicable, is not a Construction Issue, and the Issuer makes the 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 and a Nonconstruction Portion.

"Bond Counsel's Opinion" 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 the 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 the issue unless the Issuer selects another date on which to end a Bond Year in the manner permitted by the Code.

"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 5 years after the Issuance Date of the issue. Subsequent Computation Dates shall be not later than 5 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.

"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 percent of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property which is or is to be owned by a Governmental Unit or a 501(c)(3) Organization. If an election has been made in the Issuer's Tax Compliance Certificate to bifurcate an issue or the New Money Portion, the Construction Portion (i.e., that portion of the issue or the New Money Portion which satisfies the 75 percent test stated in the preceding sentence and which finances 100% of the Construction Expenditures) is treated as the Construction Issue and the balance of the issue or the New Money Portion is treated as the Nonconstruction Portion.

"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 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).

"Multipurpose Issue" means an issue that consists of a Refunding Portion and a New Money Portion.

"Payment" means payments actually or constructively made to acquire Nonpurpose Investments, as specified in Regulations §1.148-3(d)(1)i) through (v).

"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.

"Reasonable Retainage" means an amount, 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 Analyst" means an independent individual, firm or entity experienced in the computation of the Rebate Amount pursuant to Section 148(f) of the Code.

"Receipt" means amounts actually or constructively received from Nonpurpose Investments as specified in Regulations §1.148-3(d)(2)(i) through (iii).

"Variable Yield Issue" means any issue that is not a Fixed Yield Issue.

"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.

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[4] 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.

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 the lesser of 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.

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4. For purposes of these Instructions, references to "Refunding Issue" include the Refunding Portion of a Multipurpose 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. And,

(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. 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 an administrative cost that is not a Qualified Administrative Cost to the extent that the present value (computed using the taxable discount rate used by the parties to compute the commission or, if not readily ascertainable, a reasonable taxable discount rate) of the commission, as of the date the contract is purchased, exceeds the present value of annual payments equal to 0.05 percent of the weighted average amount reasonably expected to be invested each year during the term of such contract.

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 26, 2005

Attachment B
To Tax Compliance Certificate of

$51,200,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2005

Dated May 26, 2005

UNDERWRITER'S CERTIFICATE

ABN AMRO 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), plus any Pre-Issuance Accrued Interest, which is not more than the fair market value of each maturity as of May 10, 2005, 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 plus any Pre-Issuance Accrued Interest (the "Issue Price"). The aggregate Issue Price of the Issue, which includes aggregate Pre-Issuance Accrued Interest of $146,953.99, is $51,774,708.99.

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 $51,627,755.00.

(B) The weighted average maturity of the Issue is 9.920 years.

(C) The Yield on the Issue, calculated in accordance with Section 148(h) of the Code and Treasury Regulations §1.148-4, is 3.9856732%. That is the Yield that, when used in computing the present worth of all payments of principal and interest to be paid on the Issue, computed on the basis of a 360 day year and semi-annual compounding, produces an amount equal to the aggregate Issue Price of the Issue as stated in paragraph (1), less the premium paid for the Bond Insurance and computed with the adjustment stated in paragraph 4.

(D) The Underwriter's discount or compensation is $422,587.49, $209,600.00 of which will be used to pay the premium for the Bond Insurance.

(E) The CUSIP Number assigned to the final maturity of the Issue is 721882 BX5.

3. Bond Insurance. The amount and time of payment of the premium for the Bond Insurance insuring all of the obligations of the Issue are stated in the Issuer's Tax Compliance Certificate. Based on that information and the Underwriter's knowledge and experience and, as to (B) below, based on an estimate by the Underwriter of the Yields at which such obligations would have sold in the absence of the Bond Insurance:

(A) The premium paid for the Bond Insurance does not exceed a reasonable charge for the transfer of credit risk, taking into account charges by bond insurers in similar transactions with which the Underwriter is familiar.

(B) The present value of the premium paid for the Bond Insurance is less than the present value of the interest reasonably expected to be saved on the Issue as a result of the Bond Insurance, for which purpose present value is computed by using the yield-to-maturity of the Issue (taking into account the premium paid for the Bond Insurance) as the discount rate.

4. Premium Bonds. The bonds of the Issue maturing in the year 2016 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.

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.

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 26, 2005

ABN AMRO Financial Services, Inc.

By: Judy Sendel

Title: V.P.

320750.1

Attachment C

MBIA

Capital Strength. Triple-A Performance.

MBIA Insurance Corporation
113 King Street, Armonk, NY 10504
Tel 914-273-4545
www.mbia.com

TAX CERTIFICATE

Pima County, Arizona
130 West Congress, 10th Floor
Tucson, Arizona 85701

RE: $51,200,000 Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005 (the "Obligations")

Ladies and Gentlemen:

In connection with the issuance of the above-referenced obligations (the "Obligations"), MBIA Insurance Corporation (the "Insurer") is issuing a financial guaranty insurance policy (the "Policy") securing the payment of principal and interest on the Obligations.

This is to advise you that:

1. The Policy is an unconditional obligation of the Insurer to pay scheduled payments of principal and interest on the Obligations in the event of a failure to do so by the Pima County, Arizona (the "Issuer");

2. The insurance premium in the amount of $209,600 for the Policy, represents the charge for a transfer of credit risk and was determined in arm's length negotiations and is required to be paid as a condition to the issuance of the Policy;

3. No portion of such premium represents an indirect payment of costs related to the issuance of the Obligations other than for the transfer of credit risk;

4. The Insurer does not reasonably expect that it will be called upon to make any payment under the Policy; and

5. To the extent the Insurer is called upon to make any payment under the Policy, the Insurer reasonably expects to pursue all available legal remedies to secure reimbursement for such payment.

Dated: May 26, 2005

MBIA Insurance Corporation

Assistant Secretary

MBIA

CERTIFICATE OF MBIA INSURANCE CORPORATION

I, Stephanie Taylor Ciavarello, Assistant Secretary of MBIA Insurance Corporation, do hereby certify that the information concerning MBIA Insurance Corporation and its policies as set forth in the Official Statement, dated May 10, 2005 under the caption "Municipal Bond Insurance", regarding $51,200,000 Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005, is accurate.

IN WITNESS WHEREOF, I hereunto set my hand and deliver this Certificate on this 26th day of May, 2005.

Stephanie T. Ciavarello

Assistant Secretary

$51,200,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2005

CERTIFICATE OF REGISTRAR AND PAYING AGENT

U.S. Bank National Association (the "Bank"), as bond registrar and paying agent pursuant to a Bond Registrar, Transfer Agent and Paying Agent Agreement, dated as of May 1, 2005 (the "Bond Registrar and Paying Agent Agreement"), between Pima County, Arizona (the "County") and the Bank, entered into in connection with the $51,200,000 Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005 (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 best 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, indenture or other 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	Assistant 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.

Dated: May 26, 2005.

U.S. BANK NATIONAL ASSOCIATION

By: _____
Deborah M. Scherer
Assistant Vice President

Exhibit A

U.S. BANK NATIONAL ASSOCIATION
ASSISTANT SECRETARY CERTIFICATE

I, Jeanne M. Escobedo, an Assistant Secretary of U.S. Bank National Association hereby certify that the following is a true and exact extract from the Bylaws of U.S. Bank National Association, a national banking association organized under the laws of the United States.

ARTICLE VI.
CONVEYANCES, CONTRACTS, ETC.

All transfers and conveyances of real estate, mortgages, and transfers, endorsements or assignments of stock, bonds, notes, debentures or other negotiable instruments, securities or personal property shall be signed by any elected or appointed officer.

All checks, drafts, certificates of deposit and all funds of the Association held in its own or in a fiduciary capacity may be paid out by an order, draft or check bearing the manual or facsimile signature of any elected or appointed officer of the Association.

All mortgage satisfactions, releases, all types of loan agreements, all routine transactional documents of the Association, and all other instruments not specifically provided for, whether to be executed in a fiduciary capacity or otherwise, may be signed on behalf of the Association by any elected or appointed officer thereof.

The Secretary or any Assistant Secretary of the Association or other proper officer may execute and certify that required action or authority has been given or has taken place by resolution of the Board under this Bylaw without the necessity of further action by the Board.

I further certify that Robert L. Von Hess, Vice President, Deborah M. Scherer, Assistant Vice President and Mary J. Ambriz-Reyes, Assistant Vice President are duly appointed and qualified officers of the Association authorized to act under Article VI of the Bylaws of the Association and that such authority is in full force and effect as of the date hereof and has not been modified, amended or revoked.

IN WITNESS WHEREOF, I have set my hand this September 17, 2004.

(No corporate seal)

Jeanne M. Escobedo, Assistant Secretary

S:/affidavit/sec-certs/VonHessSchererAmbriz-Reye.doc

$51,200,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2005

CERTIFICATE OF FINANCIAL ADVISOR

The undersigned authorized representative of RBC Dain Rauscher Inc., as Financial Advisor to Pima County, Arizona, hereby certifies, in connection with the $51,200,000 Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005 (the "Bonds"), that for purposes of completing Form 8038-G to be filed with the Internal Revenue Service, the yield on the Bonds is 3.9856732%, the net interest cost of the Bonds is 3.9829842%, and the weighted average maturity of the Bonds is 9.920 years.

Dated: May 26, 2005.

RBC DAIN RAUSCHER INC.

By: Kurt Freund
Kurt M. Freund
Managing Director/Manager

$51,200,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2005

CERTIFICATE AS TO SATISFACTION OF DEBT SERVICE COVERAGE REQUIREMENT

The undersigned Finance 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 (the "Bonds"), authorized by Resolution No. 1998-101, adopted by the Board of Supervisors of the County on May 19, 1998 (the "1998 Bond Resolution"), as supplemented by Resolution No. 2002-6 adopted by the Board of Supervisors of the County on January 8, 2002 (the "2002 Resolution"), Resolution No. 2003-17, adopted by the Board of Supervisors of the County on January 21, 2003 (the "2003 Resolution"), and Resolution No. 2005-99, adopted by the Board of Supervisors of the County on May 10, 2005 (the "2005 Resolution"):

1. For the purpose of demonstrating compliance with the provisions of Section 11-378, Arizona Revised Statutes, fifty per cent (50%) of the revenues received by the County from highway user taxes, including motor vehicle fuel taxes, and all other taxes, fees, charges or other monies returned to the County pursuant to Title 28, Chapter 18, Article 2, and Section 42-1484, Arizona Revised Statutes, in the year preceding this date, exceeds the maximum principal and interest requirements on the Bonds, the Street and Highway Revenue Bonds, Series 1998 (the "1998 Bonds"), authorized by the 1998 Bond Resolution, the Street and Highway Revenue Bonds, Series 2002 (the "2002 Bonds") authorized by the 2002 Resolution and the Street and Highway Revenue Bonds, Series 2003 (the "2003 Bonds") authorized by the 2003 Resolution.

2. For the purpose of demonstrating compliance with Section 13 of the 1998 Bond Resolution, (a) the amount of Pledged Revenues (as defined in the 1998 Bond Resolution) received by the County in the twelve (12) month period immediately preceding the date hereof equals not less than two times the maximum annual debt service on the 1998 Bonds, the 2002 Bonds, the 2003 Bonds and the Bonds, (b) all payments and deposits with respect to the 1998 Bonds, the 2002 Bonds and the 2003 Bonds outstanding on the date hereof, are current, and (iii) no obligation payable from the Pledged Revenues is in default as to either principal or interest.

3. The undersigned is the duly-named designee of the chief administrative officer of the County for purposes of delivering this certificate pursuant to Section 13 of the 1998 Bond Resolution.

Dated: May 26, 2005.

PIMA COUNTY, ARIZONA

By: _____
Tom Burke
Finance Director

$51,200,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2005

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 $51,200,000 in aggregate principal amount of Pima County, Arizona Street and Highway Revenue Bonds, Series 2005 (the "Bonds"), issued by the County pursuant to Resolution No. 2005-99, passed, adopted and approved by the Board of Supervisors of the County on May 10, 2005 (the "Resolution"), authorizing and providing for the issuance and ordering the sale of the Bonds, the County has received from ABN AMRO Financial Services, Inc. (the "Underwriter"), the sum of $51,352,121.50 (representing $50,328,121.50 received on the date hereof and a $1,024,000.00 good faith deposit previously received), representing the total purchase price of the Bonds, including accrued interest thereon to the date hereof in the amount of $146,953.99.

I do further certify that the proceeds from the sale of the Bonds have been apportioned and applied in the following manner.

(a) $152,121.50, consisting of $146,953.99, representing accrued interest on the Bonds, and $5,167.51 of premium, has been deposited in the Bond Fund established pursuant to the Resolution.

(b) $51,200,000.00, representing the remaining proceeds from the sale of the Bonds will be set aside in the account established by the Resolution for such proceeds of the Bonds.

Dated: May 26, 2005.

PIMA COUNTY, ARIZONA

Beth Ford, County Treasurer

By: Beth Ford

$51,200,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2005

PAYING AGENT'S RECEIPT FOR INSURANCE POLICY

U.S. Bank National Association (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, 2005, between the Bank and Pima County, Arizona (the "County"), in connection with the County's issuance and sale of $51,200,000 in aggregate principal amount of its Street and Highway Revenue Bonds, Series 2005, hereby acknowledges receipt of Financial Guaranty Insurance Policy No. 46271, issued by MBIA Insurance Corporation.

Dated: May 26, 2005.

U.S. BANK NATIONAL ASSOCIATION

By: _____
Deborah M. Scherer
Assistant Vice President

$51,200,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2005

UNDERWRITER'S RECEIPT FOR BONDS

Receipt of the Pima County, Arizona Street and Highway Revenue Bonds, Series 2005 (the "Bonds"), in the aggregate principal amount of $51,200,000 is hereby acknowledged as of the date hereof on behalf of the undersigned, ABN AMRO Financial Services, Inc., as underwriter of the Bonds.

The Bonds are dated May 1, 2005, are in denominations of $5,000 or integral multiples thereof, mature on July 1 in the years 2009 through and including 2020, 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
2009	$3,390,000	4.125%
2010	3,510,000	5.000
2011	3,645,000	5.000
2012	3,790,000	4.000
2013	3,945,000	4.000
2014	4,110,000	4.000
2015	4,285,000	4.000
2016	4,475,000	5.000
2017	4,680,000	4.000
2018	4,890,000	4.000
2019	5,120,000	3.500
2020	5,360,000	3.500

Dated: May 26, 2005.

ABN AMRO FINANCIAL SERVICES, INC.

By: Judy Seidel
Name: JUDY SEIDEL
Its: V.P.

SQUIRE, SANDERS & DEMPSEY L.L.P.

Two Renaissance Square
40 North Central Avenue, Suite 2700
Phoenix, Arizona 85004-4498

Office: +1.602.528.4000
Fax: +1.602.253.8129

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

May 26, 2005

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 $51,200,000 aggregate principal amount of bonds designated the Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005 (the "*Bonds*"). The Bonds are issued pursuant to Title 11, Chapter 2, Article 12 of the Arizona Revised Statutes, and under the provisions of an authorizing resolution adopted by the Board of Supervisors of the County on May 10, 2005 (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 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 Pledged Revenues (as defined in the Bond Resolution), consisting of revenues derived by the County from taxes, fees, charges and other monies collected by the State of Arizona and returned to the County for street and highway purposes pursuant to law. Such pledge is authorized by law. The Bonds and the payment of principal thereof and interest thereon are not secured by an obligation or pledge of any moneys raised by taxation other than the Pledged 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. The County has pledged, in the Bond Resolution, to comply with any requirements imposed by law for eligibility to receive its share of such funds.

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, a portion of the interest on the Bonds earned by corporations may be subject to the federal corporate alternative minimum tax, and the interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

Respectfully submitted,

Squire, Sanders & Dempsey L.L.P.

SQUIRE, SANDERS & DEMPSEY L.L.P.

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

SQUIRE, SANDERS & DEMPSEY L.L.P.

Two Renaissance Square
40 North Central Avenue, Suite 2700
Phoenix, Arizona 85004-4498

Office: +1.602.528.4000
Fax: +1.602.253.8129

May 26, 2005

MBIA Insurance Corporation
Armonk, 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 Street and Highway Revenue Bonds, Series 2005, in the aggregate principal amount of $51,200,000.

Please consider this letter as our advice to you that you are entitled to rely upon that opinion as issuer of the financial guaranty insurance policy relating to the Bonds.

Respectfully submitted,

Squire, Sanders + Dempsey LLP

MBIA Insurance Corporation
113 King Street, Armonk, NY 10504
Tel 914-273-4545
www.mbia.com

MBIA

Capital Strength. Triple-A Performance.

May 26, 2005

Pima County, Arizona
130 West Congress, 10th Floor
Tucson, Arizona 85701

ABN AMRO, Incorporated
181 W. Madison St.
Suite 3200
Chicago, Illinois 60602

$51,200,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2005

Ladies and Gentlemen:

I am Deputy General Counsel of the MBIA Insurance Corporation, a New York corporation (the "Corporation"), and have acted as counsel to the Corporation in connection with the issuance of Financial Guaranty Insurance Policy No. 46271 (the "Policy") relating to $51,200,000 Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005.

In so acting, I have examined a copy of the Policy and such other relevant documents as I have deemed necessary.

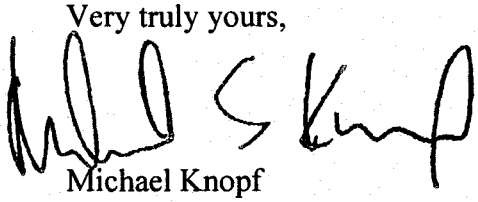
Based upon the foregoing, I am of the following opinion:

1. The Corporation is a stock insurance corporation, duly incorporated and validly existing under the laws of the State of New York and is licensed and authorized to issue the Policy under the laws of the State of New York.

MBIA

2. The Policy has been duly executed and is a valid and binding obligation of the Corporation enforceable in accordance with its terms except that the enforcement of the Policy may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, receivership and other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,



Michael Knopf
Deputy General Counsel

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

SQUIRE, SANDERS & DEMPSEY L.L.P.

Two Renaissance Square
40 North Central Avenue, Suite 2700
Phoenix, Arizona 85004-4498

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Fax: +1.602.253.8129

Direct Dial: +1.602.528.4031
tpickrell@ssd.com

May 26, 2005

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Internal Revenue Service Center
Ogden, Utah 84201

Re: $51,200,000 Pima County, Arizona
Street and Highway Revenue Bonds, Series 2005

Ladies and Gentlemen:

On behalf of Pima County, Arizona, enclosed is Form 8038-G, Information Return for Tax-Exempt Governmental Obligations, for the above-referenced financing.

Very truly yours,

Timothy E. Pickrell

TEP/mn
Enclosure

CINCINNATI • CLEVELAND • COLUMBUS • HOUSTON • LOS ANGELES • MIAMI • NEW YORK • PALO ALTO • PHOENIX • SAN FRANCISCO
TAMPA • TYSONS CORNER • WASHINGTON DC • RIO DE JANEIRO | BRATISLAVA • BRUSSELS • BUDAPEST • LONDON • MADRID • MILAN
MOSCOW • PRAGUE | BEIJING • HONG KONG • SHANGHAI • TOKYO | ASSOCIATED OFFICES: BUCHAREST • DUBLIN • KYIV

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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, 10th 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: 5/26/05

7 Name of issue: Street and Highway Revenue Bonds, Series 2005

8 CUSIP number: 721882 BX5

9 Name and title of officer or legal representative whom the IRS may call for more information: Tom Burke, Finance 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	51,627,755.00
14	☐ Public safety	14	
15	☐ Environment (including sewage bonds)	15	
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, 2020	$51,627,755.00	$51,200,000.00	9.920 years	3.9856732 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	146,953.99
23	Issue price of entire issue (enter amount from line 21, column (b))			23	51,627,755.00
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	341,367.49		
25	Proceeds used for credit enhancement	25	209,600.00		
26	Proceeds allocated to reasonably required reserve or replacement fund	26			
27	Proceeds used to currently refund prior issues	27			
28	Proceeds used to advance refund prior issues	28			
29	Total (add lines 24 through 28)			29	550,967.49
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	51,076,787.51

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 ▶ _____ years

32 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ _____ years

33 Enter the last date on which the refunded bonds will be called ▶ _____

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	
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	
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	

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 — Signature of issuer's authorized representative — Date: 5/26/05

Tom Burke, Finance Director — Type or print name and title

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 26 day of May, 2005, an envelope containing a Form 8038-G, Information Return for Tax-Exempt Governmental Obligations, with respect to the $51,200,000 Pima County, Arizona, Refunding Street and Highway Revenue Bonds, Series 2005, postage prepaid, certified mail (certified number 7003 2260 0003 0819 1424), return receipt requested, addressed as follows:

Internal Revenue Service Center
Ogden, Utah 84201

Timothy E. Pickrell

SUBSCRIBED AND SWORN to before me this 26th day of May, 2005

Notary Public

My Commission Expires:

Notary Public State of Arizona
Maricopa County
Mirna Nemr
Expires August 13, 2005

7003 2260 0003 0819 1424

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

Postage	$ .60
Certified Fee	2.30
Return Reciept Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$ 4.65

USPS
Postmark Here
MAY 26 2005
PHOENIX, AZ GMF
85036

Sent To Internal Revenue Service Center

Street, Apt. No.; or PO Box No.

City, State, ZIP+4 Ogden, Utah 84201

PS Form 3800, June 2002 See Reverse for Instructions

SQUIRE, SANDERS & DEMPSEY L.L.P.

Two Renaissance Square
40 North Central Avenue, Suite 2700
Phoenix, Arizona 85004-4498

Office: +1.602.528.4000
Fax: +1.602.253.8129

Direct Dial: +1.602.528.4031
tpickrell@ssd.com

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

May 26, 2005

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Arizona Department of Revenue
Econometrics Section
1600 West Monroe Street, 9th Floor
Phoenix, Arizona 85007

Re: 51,200,000 Pima County, Arizona
Street and Highway Revenue Bonds, Series 2005

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.

Very truly yours,

Timothy E. Pickrell

TEP/mn
Enclosure

CINCINNATI • CLEVELAND • COLUMBUS • HOUSTON • LOS ANGELES • MIAMI • NEW YORK • PALO ALTO • PHOENIX • SAN FRANCISCO
TAMPA • TYSONS CORNER • WASHINGTON DC • RIO DE JANEIRO | BRATISLAVA • BRUSSELS • BUDAPEST • LONDON • MADRID • MILAN
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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: Street and Highway Revenue Bonds, Series 2005	
3. Dated Date: May 1, 2005 Closing Date: May 26, 2005	4. Par amount: $51,200,000
5. Overall Interest rate (~~TIC~~ OR NIC): 3.9883931	6. Type of Bond or Security: Revenue
7. Repayment sources: street and highway user taxes and fees collected by the State of Arizona and returned to the County.	
8. Total amount outstanding: $146,450,000.00	9. Total amount outstanding of senior or subordinate bonds: $1,980,000 (subordinate loan)
10. Original issue price: a. Par Amount (Principal Amount) $51,200,000.00	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 (-) (1,188,353.90)	
c. Premium Amount (+) 1,616,108.90	b. Debt limit percentage: N/A
d. Original Issue Price (=) $51,627,755.00	c. Total debt limit: N/A
e. Underwriter Compensation (Discount) (-) (422,587.49)	12. Available debt limit: N/A
f. Net Proceeds (=) $51,205,167.51	13. Total amount authorized: $350,000,000
14. Remaining authorized amount: $168,800,000.00	15. If voter authorized, Election dates: November 4, 1997

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 26, 2005
Date

Title, address and phone number

Timothy E. Pickrell., Esq.
Bond Counsel
Squire, Sanders & Dempsey L.L.P.
40 North Central Avenue, #2700
Phoenix, Arizona 85004
(602) 528-4031

Trustee name, address and phone number

U.S. Bank National Association
Bond Registrar and Paying Agent
Corporate Trust Services
101 North First Ave., Suite 1600
Phoenix, Arizona 85003
(602) 257-5431

Political Subdivision Contact Name, address, phone number

Pima County Finance Department
Pima County, Arizona
130 West Congress, 10th Floor
Tucson, Arizona 85701
(520) 740-3030

Submit this form with attachments within 60 days of issuance to:

Arizona Department of Revenue
Attention Econometrics Section
1600 W Monroe
Phoenix AZ 85007

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 STREET AND HIGHWAY REVENUE BONDS, SERIES 2005

Par Amount: $51,200,000

Date Closed: May 26, 2005

Maturity Date	Par Amount (Principal Amount) 10a	Coupon Rate	Yield	Original Issue Price	Premium or Discount 10b or 10c
2009	$3,390,000	4.125%	3.040%	$3,530,583.30	$140,583.30
2010	3,510,000	5.000	3.150	3,813,474.60	303,474.60
2011	3,645,000	5.000	3.300	3,984,568.20	339,568.20
2012	3,790,000	4.000	3.480	3,912,871.80	122,871.80
2013	3,945,000	4.000	3.600	4,054,868.25	109,868.25
2014	4,110,000	4.000	3.700	4,204,365.60	94,365.60
2015	4,285,000	4.000	3.780	4,363,372.65	78,372.65
2016	4,475,000	5.000	3.850	4,902,004.50	427,004.50
2017	4,680,000	4.000	4.110	4,631,140.80	(48,859.20)
2018	4,890,000	4.000	4.200	4,792,053.30	(97,946.70)
2019	5,120,000	3.500	4.400	4,639,590.40	(480,409.60)
2020	5,360,000	3.500	4.460	4,798,861.60	(561,138.40)
Total	$51,200,000			$51,627,755.00	$427,755.00
10e Underwriter's Discount and/or Placement Agent Fee, if any				422,587.49	
10f Net Proceeds (as shown on issuance form)				$51,205,167.51	

ATTACHMENT TO
REPORT OF BOND AND SECURITY ISSUANCE

Name of Issue: PIMA COUNTY, ARIZONA STREET AND HIGHWAY REVENUE BONDS SERIES 2005

COSTS OF ISSUANCE

Bond Counsel	$33,160.00
Financial Advisor	46,020.00
Moody's Investors Service	13,000.00
Standard & Poor's	20,700.00
Bond Registrar/Paying Agent	500.00
Printing of Official Statement	10,000.00
Miscellaneous	5,000.00
Total:	$128,380.00

EXHIBIT A

$51,200,000
PIMA COUNTY, ARIZONA
Street and Highway Revenue Bonds
Series 2005

Principal and Interest Payments

Dated: 5/1/2005 **Delivery:** 5/26/2005

Date	Principal (a)	Coupon	Interest (b)	Total Debt Service	Fiscal Year Debt Service	CUSIP # (721882)
1/1/2006			$1,410,758.33	$1,410,758.33		
7/1/2006			1,058,068.75	1,058,068.75	$2,468,827.08	
1/1/2007			1,058,068.75	1,058,068.75		
7/1/2007			1,058,068.75	1,058,068.75	2,116,137.50	
1/1/2008			1,058,068.75	1,058,068.75		
7/1/2008			1,058,068.75	1,058,068.75	2,116,137.50	
1/1/2009			1,058,068.75	1,058,068.75		
7/1/2009	$3,390,000.00	4.125%	1,058,068.75	4,448,068.75	5,506,137.50	BL 1
1/1/2010			988,150.00	988,150.00		
7/1/2010	3,510,000.00	5.000%	988,150.00	4,498,150.00	5,486,300.00	BM 9
1/1/2011			900,400.00	900,400.00		
7/1/2011	3,645,000.00	5.000%	900,400.00	4,545,400.00	5,445,800.00	BN 7
1/1/2012			809,275.00	809,275.00		
7/1/2012	3,790,000.00	4.000%	809,275.00	4,599,275.00	5,408,550.00	BP 2
1/1/2013			733,475.00	733,475.00		
7/1/2013	3,945,000.00	4.000%	733,475.00	4,678,475.00	5,411,950.00	BQ 0
1/1/2014			654,575.00	654,575.00		
7/1/2014	4,110,000.00	4.000%	654,575.00	4,764,575.00	5,419,150.00	BR 8
1/1/2015			572,375.00	572,375.00		
7/1/2015	4,285,000.00	4.000%	572,375.00	4,857,375.00	5,429,750.00	BS 6
1/1/2016			486,675.00	486,675.00		
7/1/2016	4,475,000.00	5.000%	486,675.00	4,961,675.00	5,448,350.00	BT 4
1/1/2017			374,800.00	374,800.00		
7/1/2017	4,680,000.00	4.000%	374,800.00	5,054,800.00	5,429,600.00	BU 1
1/1/2018			281,200.00	281,200.00		
7/1/2018	4,890,000.00	4.000%	281,200.00	5,171,200.00	5,452,400.00	BV 9
1/1/2019			183,400.00	183,400.00		
7/1/2019	5,120,000.00	3.500%	183,400.00	5,303,400.00	5,486,800.00	BW 7
1/1/2020			93,800.00	93,800.00		
7/1/2020	5,360,000.00	3.500%	93,800.00	5,453,800.00	5,547,600.00	BX 5
Total	$51,200,000.00		$20,973,489.58	$72,173,489.58	$72,173,489.58	

(a) The bonds maturing on or after July 1, 2016 are subject to redemption prior to maturity on or after July 1, 2015 at Par.
(b) Does not include accrued interest from 5/01/05 to 5/26/05 in the amount of $146,956.99 or the net premium of $5,167.51.

-Prepared By-
RBC Dain Rauscher Inc.
5/17/2005

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, 10th 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: 5/26/05
7	Name of issue: Street and Highway Revenue Bonds, Series 2005		8 CUSIP number: 721882 BX5
9	Name and title of officer or legal representative whom the IRS may call for more information: Tom Burke, Finance 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	51,627,755.00
14	☐ Public safety	14	
15	☐ Environment (including sewage bonds)	15	
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, 2020	$51,627,755.00	$51,200,000.00	9.920 years	3.9856732 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	146,953.99
23	Issue price of entire issue (enter amount from line 21, column (b))			23	51,627,755.00
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	341,367.49		
25	Proceeds used for credit enhancement	25	209,600.00		
26	Proceeds allocated to reasonably required reserve or replacement fund	26			
27	Proceeds used to currently refund prior issues	27			
28	Proceeds used to advance refund prior issues	28			
29	Total (add lines 24 through 28)			29	550,967.49
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	51,076,787.51

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 ▶ _____ years

32 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ _____ years

33 Enter the last date on which the refunded bonds will be called ▶ _____

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	
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	
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	

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 — 5/26/05

▶ Signature of issuer's authorized representative — Date

▶ Tom Burke, Finance Director — Type or print name and title

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 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, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of tax aspects, see "TAX EXEMPTION" herein.

$51,200,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2005

Dated: May 1, 2005 **Due: July 1, as shown below**

The Street and Highway Revenue Bonds, Series 2005 (the "Bonds") are being issued by Pima County, Arizona (the "County") in accordance with applicable State of Arizona law. The Bonds are issued in the form of fully registered bonds in denominations of $5,000 and integral multiples thereof and will bear interest from the date of the Bonds to the date of maturity or prior redemption of each of the Bonds. Interest on the Bonds is payable semiannually on each January 1 and July 1 (each an "Interest Payment Date"), commencing January 1, 2006. Interest 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 books (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, or by wire transfer 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 owning an aggregate principal amount of at least $1,000,000. Principal of and any premium on the Bonds will be payable at the designated corporate trust office of U.S. Bank National Association, or any successor thereto, as registrar and paying agent.

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

The Bonds are being issued (i) to make various street and highway improvements within the County and (ii) to pay costs relating to the issuance of the Bonds. Principal of and interest on the Bonds is payable solely from the portion of taxes, fees, charges and other moneys collected by the State of Arizona and returned to the County for street and highway purposes pursuant to Title 28, chapter 18, Article 2, Arizona Revised Statutes. See "SECURITY AND SOURCES OF PAYMENT" herein.

The Bonds do not constitute a debt, general obligation or pledge of the full faith and credit of the County nor is the County obligated to levy or collect any form of ad valorem taxes with respect to the Bonds.

The County initially intends to utilize the book-entry-only system of The Depository Trust Company ("DTC"), although the County and DTC each reserve the right to discontinue that system at any time. Utilization of the book-entry-only system will affect the method and timing of payment and the method of transfer of beneficial interests in the Bonds. So long as the book-entry-only system is in effect, the County will issue a single fully-registered bond for each maturity registered in the name of Cede & Co., as nominee of DTC, and will make all payments of principal and interest to Cede & Co. DTC will be responsible for distributing the principal and interest payments to its direct and indirect participants which will, in turn, be responsible for distribution to the purchasers of beneficial interests in the Bonds pursuant to this offering (the "Beneficial Owners"). So long as the book-entry-only system is in effect and Cede & Co., as nominee of DTC, is the registered owner of the Bonds, all references herein to owners of the Bonds and provisions for consents by owners of the Bonds will refer to and be solicited from Cede & Co. and not the Beneficial Owners.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued simultaneously with the delivery of the Bonds by MBIA Insurance Corporation.

MBIA

Maturity Schedule

Due July 1	Principal Amount	Interest Rate	Yield	Due July 1	Principal Amount	Interest Rate	Yield
2009	$3,390,000	4.125%	3.040%	2015	$4,285,000	4.000%	3.780%
2010	3,510,000	5.000	3.150	2016	4,475,000	5.000	3.850 *
2011	3,645,000	5.000	3.300	2017	4,680,000	4.000	4.110
2012	3,790,000	4.000	3.480	2018	4,890,000	4.000	4.200
2013	3,945,000	4.000	3.600	2019	5,120,000	3.500	4.400
2014	4,110,000	4.000	3.700	2020	5,360,000	3.500	4.460

(Accrued Interest to be Added)

* Priced to the July 1, 2015 par call.

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 are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if issued by the County, and subject to the approving opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel. 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 26, 2005.

May 10, 2005

$51,200,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2005

CERTIFICATE OF MAILING

I hereby certify and declare that I caused to be mailed by certified mail, return receipt requested, the Report of Bond and Security Issuance for the above-captioned bond issue addressed to the Arizona Department of Revenue, Econometrics Section, 1600 West Monroe Street, 9th Floor, Phoenix, Arizona 85007, on May 26, 2005.

Timothy E. Pickrell

SUBSCRIBED AND SWORN to before me this 26 day of May, 2005.

Mirna Nemr
Notary Public

My Commission Expires:

Notary Public State of Arizona
Maricopa County
Mirna Nemr
Expires August 13, 2005

320616.2

7003 1680 0004 4394 2346

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
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OFFICIAL

Postage	$ 3.85
Certified Fee	2.30
Return Reciept Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$ 7.90

047J82008003

$00.000

05/26/2005

Mailed From 85004

US POSTAGE

Sent To Arizona Dept. of Revenue

Street, Apt. No.; or PO Box No. 1600 W. Monroe, 9th Fl.

City, State, ZIP+4 Phoenix AZ 85007

PS Form 3800, June 2002 See Reverse for Instructions

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC'), TO THE REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED 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.

SPECIMEN

PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2005

Number:
R-1

Denomination:
$3,390,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
4.125%	July 1, 2006	May 1, 2005	721882 BL1

Registered Owner: CEDE & CO.

Principal Amount: THREE MILLION THREE HUNDRED NINETY THOUSAND AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County), for value received, hereby promises to pay, solely from the sources hereinafter described, 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, from such sources, 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 herein.

Interest is payable on January 1 and July 1 of each year, commencing January 1, 2006, 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 will be paid by check payable to the order of and mailed by the Paying Agent (as herein defined) to the registered owner at the address shown on the registration books maintained by the Registrar (as herein defined) at the close of business on the record date as explained herein 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 bonds. The

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PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2005

Number:
R-2

Denomination:
$3,510,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
5.000%	July 1, 2010	May 1, 2005	721882 BM9

Registered Owner: CEDE & CO.

Principal Amount: THREE MILLION FIVE HUNDRED TEN THOUSAND AND NO/100 DOLLARS

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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 herein.

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SPECIMEN

PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2005

Number:
R-3

Denomination:
$3,645,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
5.000%	July 1, [illegible]	May 1, 2005	721882 BN7

Registered Owner: CEDE & CO.

Principal Amount: THREE MILLION SIX HUNDRED FORTY-FIVE THOUSAND AND NO/100 DOLLARS

PIMA COUNTY, ARIZONA (the "County), for value received, hereby promises to pay, solely from the sources hereinafter described, 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, from such sources, interest on the unpaid principal amount at the interest rate shown above.

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Principal, interest and any premium are payable in lawful money of the United States of America. Interest will be paid by check payable to the order of and mailed by the Paying Agent (as herein defined) to the registered owner at the address shown on the registration books maintained by the Registrar (as herein defined) at the close of business on the record date as explained herein 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 bonds. The

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PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2005

Number:
R-4

Denomination:
$3,790,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
4.000%	July 1, 2012	May 1, 2005	721882 BP2

Registered Owner: CEDE & CO.

Principal Amount: THREE MILLION SEVEN HUNDRED NINETY THOUSAND AND NO/100 DOLLARS.

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PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2005

Number:
R-5

Denomination:
$3,945,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
4.000%	July 1, 2015	May 1, 2005	721882 BQ0

Registered Owner: CEDE & CO.

Principal Amount: THREE MILLION NINE HUNDRED FORTY-FIVE THOUSAND AND NO/100 DOLLARS

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SPECIMEN

PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2005

Number:
R-6

Denomination:
$4,110,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
4.000%	July 1, 2014	May 1, 2005	721882 BR8

Registered Owner: CEDE & CO.

Principal Amount: FOUR MILLION ONE HUNDRED TEN THOUSAND AND NO/100 DOLLARS

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PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2005

SPECIMEN

Number:			Denomination:
R-7			$4,285,000
Interest Rate	Maturity Date	Original Issue Date	CUSIP
4.000%	July 1, 2015	May 1, 2005	721882 BS6

Registered Owner: CEDE & CO.

Principal Amount: FOUR MILLION TWO HUNDRED EIGHTY-FIVE THOUSAND AND NO/100 DOLLARS

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SPECIMEN

PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2005

Number:
R-8

Denomination:
$4,475,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
5.000%	July 1, 2016	May 1, 2005	721882 BT4

Registered Owner: CEDE & CO.

Principal Amount: FOUR MILLION FOUR HUNDRED SEVENTY-FIVE THOUSAND AND NO/100 DOLLARS

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SPECIMEN

PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2005

Number:
R-9

Denomination:
$4,680,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
4.000%	July 1, 2017	May 1, 2005	721882 BU1

Registered Owner: CEDE & CO.

Principal Amount: FOUR MILLION SIX HUNDRED EIGHTY THOUSAND AND NO/100 DOLLARS

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PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2005

Number:
R-10

Denomination:
$4,890,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
4.000%	July 1, 2018	May 1, 2005	721882 BV9

Registered Owner: CEDE & CO.

Principal Amount: FOUR MILLION EIGHT HUNDRED NINETY THOUSAND AND NO/100 DOLLARS

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SPECIMEN

PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2005

Number:
R-11

Denomination:
$5,120,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
3.500%	July 1, 2019	May 1, 2005	721882 BW7

Registered Owner: CEDE & CO.

Principal Amount: FIVE MILLION ONE HUNDRED TWENTY THOUSAND AND NO/100 DOLLARS

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SPECIMEN

PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2005

Number:
R-12

Denomination:
$5,360,000

Interest Rate	Maturity Date	Original Issue Date	CUSIP
3.500%	July 1, 2020	May 1, 2005	721882 BX5

Registered Owner: CEDE & CO.

Principal Amount: FIVE MILLION THREE HUNDRED SIXTY THOUSAND AND NO/100 DOLLARS

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Principal, interest and any premium are payable in lawful money of the United States of America. Interest will be paid by check payable to the order of and mailed by the Paying Agent (as herein defined) to the registered owner at the address shown on the registration books maintained by the Registrar (as herein defined) at the close of business on the record date as explained herein 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 bonds. 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 designated office of U.S. Bank National Association.

This bond is one of an issue of bonds in the total principal amount of $51,200,000 of like tenor except as to maturity date, rate of interest and number, issued by the County to provide funds to make those certain street and highway improvements approved by a majority Vote of qualified electors voting at elections duly called and held in and for the County on November 4, 1997 pursuant to resolutions of the Board of Supervisors of the County duly adopted prior to the issuance hereof and pursuant to the Constitution and laws of the State of Arizona.

This bond is issued under the laws of Arizona, including specifically Title 11, Chapter 2, Article 12 of the Arizona Revised Statutes (the "Act"), and Resolutions adopted by the Board of Supervisors of the County on May 19, 1998, January 8, 2002, January 21, 2003 and May 10, 2005 (collectively, the "Bond Resolution"). Reference is hereby made to the Act and the Bond Resolution referred to above for the provisions thereof, including the provisions with respect to the rights, obligations, duties and immunities of the County and the owners of bonds issued thereunder, to all of which the registered owner of this bond, by acceptance of this bond, assents.

The bonds and interest thereon shall be payable solely from the revenues received by the County from highway user taxes, including motor vehicle fuel taxes, and all other taxes, fees, charges or other monies returned to the County pursuant to Title 28, Chapter 18, Article 2 and Section 42-6106 of the Arizona Revised Statutes (the "Pledged Revenues") on a parity of lien with certain outstanding bonds of the County and such additional bonds or obligations as may hereafter be issued on a parity therewith. The 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 bonds or interest or redemption premiums thereon be enforceable out of any funds other than the Pledged Revenues nor shall any owner of any bond have the right to compel any exercise of the taxing power of the County to make such payment. The County may issue additional bonds or obligations payable from the Pledged Revenues, on a parity with the bonds, upon satisfaction of the conditions set forth in the Act and the Bond Resolution.

Bonds maturing on or before July 1, 2015 are not subject to call for redemption prior to their respective maturity dates. The Bonds maturing on or after July 1, 2016 are subject to call for redemption on any date on or after July 1, 2015 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 will be given by mail to the registered owners of the bonds at the address shown on the bond register maintained by the Registrar not less than 30 days nor more than 60 days prior to the specified redemption date.

The initial Registrar and Paying Agent is U.S. Bank National Association (the "Registrar" and the "Paying Agent," as applicable). The Registrar or Paying Agent may be changed by the County without notice and the County may serve in such capacities.

SPECIMEN

This bond is transferable by the registered owner in person or by attorney duly authorized in writing at the designated office of the 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 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 authorizing resolution. The County has chosen the 15th day of the month preceding an interest payment date as the record date for this issue 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 15 days before a selection of bonds to be redeemed. 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 Registrar for a like aggregate principal amount of Bonds of the same maturity in authorized denominations upon the terms set forth in the resolution authorizing issuance of the Bonds.

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.

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 issue 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 Chair of its Board of Supervisors and attested by the Clerk of its Board of Supervisors, which signatures may be facsimile signatures.

SPECIMEN

This bond is not valid or binding upon the County without the manually affixed signature of an authorized signatory of the Registrar.

PIMA COUNTY, ARIZONA

_____

Chair, Board of Supervisors

ATTEST:

_____

Clerk, Board of Supervisors

SPECIMEN

AUTHENTICATION CERTIFICATE

This bond is one of the Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005, described in the Bond Resolution mentioned herein.

Date of Authentication: _____

U.S. BANK NATIONAL ASSOCIATION,
as Registrar

By: _____
Authorized Representative

SPECIMEN

STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at U.S. Bank National Association, Phoenix, Arizona.

The Insurer, in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to U.S. Bank National Association or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that 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 guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

$51,200,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2005

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

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As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

MBIA INSURANCE CORPORATION

SPECIMEN

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.

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	UNIF GIFT/TRANS MIN ACT--
TEN ENT —	as tenants by the entireties	_____ Custodian _____
JT TEN —	as joint tenants with right of survivorship and not as tenants in common	(Cust) (Minor) Under Uniform Gifts/Transfers to Minors Act _____ (State)

Additional abbreviations may also be used though not in list above.

SPECIMEN

Moody's Investors Service

99 Church Street
New York, NY

May 26, 2005

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504

To Whom It May Concern:

Moody's Investors Service has assigned the rating of Aaa (MBIA Insurance Corporation Insured - Policy No. **46271**) to the **$51,200,000.00, Pima County, Arizona - Street and Highway Revenue Bonds, Series 2005**, dated May 1, 2005 which sold on May 10, 2005. The rating is based upon an insurance policy provided by MBIA Insurance Corporation.

Should you have any questions regarding the above, please do not hesitate to contact the assigned analyst, Margaret Kessler at (212) 553-7884.

Sincerely yours,

Margaret Kessler

Margaret L. Kessler
Vice President/Senior Analyst

MLK / DC

The McGraw-Hill Companies

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Vincent S. Orgo
Administrative Officer
55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2074
vincent_orgo@standardandpoors.com

Steven G. Zimmermann
Managing Director
One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5004
steve_zimmermann@standardandpoors.com

reference no.: 40160770

May 25, 2005

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
Attention: Mr. Adam Carta, Assistant Vice President

Re: ***$51,200,000 Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005, dated: May 1, 2005, due: July 1, 2009-2020, (POLICY #46271)***

Dear Mr. Carta:

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.

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Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

Vincent S Orgo

By: Vincent S. Orgo
Administrative Officer

kl

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Steven J. Murphy
Managing Director
55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2066
steve_murphy@standardandpoors.com

Steven G. Zimmermann
Managing Director
One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5004
steve_zimmermann@standardandpoors.com

reference no.: 713149

April 22, 2005

Pima County
Finance Department
130 West Congress Street, 10th Floor
Tucson, AZ 85701
Attention: Mr. Thomas Burke, Director of Finance

Re: ***US$51,200,000 Pima County, Arizona, State & Highway Revenue Bonds, Series 2005, dated: May 1, 2005, due: July 1, 2020***

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.

By: Steven J. Murphy
Managing Director

cm
enclosures
cc: Mr. Kurt M. Freund, Managing Director
RBC Dain Rauscher

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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.

STANDARD & POOR'S

PUBLIC FINANCE

Publication date: 21-Apr-2005
Reprinted from RatingsDirect

Summary: Pima Cnty, AZ

Primary Credit Analyst(s): Jonathan Jacobson, New York (1) 212-438-2027; jonathan_jacobson@standardandpoors.com
Secondary Credit Analyst(s): Edward R McGlade, New York (1) 212-438-2061; edward_mcglade@standardandpoors.com

Credit Profile:

US$51.2 mil st & hwy rev bnds ser 2005
dtd 05/01/2005 due 07/01/2020

AA+

Sale date 03-MAY-2005

AFFIRMED

$60.465 mil Pima Cnty Gas Tax (ECIC)
AAA/A+ (SPUR)

$20.000 mil Pima Cnty Gas Tax (FSA)
AAA/A+ (SPUR)

$35.000 mil Pima Cnty Gas Tax (MBIA)
AAA/A+ (SPUR)

OUTLOOK
STABLE

Rationale

Standard & Poor's Ratings Services assigned its 'A+' rating to Pima County, Ariz.'s street and highway revenue bonds, series 2005, and affirmed its 'A+' underlying rating (SPUR) on the county's outstanding parity debt.

The 'A+' rating reflects the county's:

- Continued strong coverage of debt service by pledged revenues;
- Good growth in pledged revenues, benefiting from strong population growth trends and ongoing development; and
- Expanding and diversifying economic base.

Ongoing capital needs offset these credit strengths.

The bonds are secured by the highway user tax revenues collected by the state and distributed monthly to local agencies based on a statutory formula. Revenues include fuel taxes, vehicle registration fees, and license fees. Pledged revenues continue to demonstrate solid growth, rising by an average of 9% annually since fiscal 1995 to $51.3 million in fiscal 2004. Revenues have increased in nine of the past 10 years. Actual fiscal 2004 pledged revenues provide a strong 3.04x coverage of future maximum annual debt service, including this issue and all outstanding bonds. Arizona statutes require coverage of at least 2.0x by the preceding year's pledged revenues to issue additional debt.

Pima County (GO rating 'AA-') encompasses 9,240 square miles in southern Arizona, including the City of Tucson. It is the state's second most populous county, with an estimated 2004 population of 931,210. Population has increased by 10% since 2000 and by 40% since 1990. Although there remains some risk that future annexations and incorporations may reduce unincorporated population growth in Pima County, the historical trend of strong population growth in unincorporated areas of the county is expected to continue. Arizona distributes 19% of highway user tax revenues to its counties on a monthly basis, allocating 72% based on point of sale, and the remainder based on population in unincorporated areas. The most recent U.S. Census is used as the basis for population apportionments.

This issuance is the fourth series of highway user tax revenue bonds issued by the county under a $350 million authorization approved by voters in 1997. Proceeds will finance various roadway improvement projects, including connections and widening of corridor roads. With this series, the county has $146.5 million in street and highway revenue debt outstanding, with final

maturity in 2018. The county has $168 million authorized unissued debt remaining, and plans to sell an additional $30 million-$50 million in early 2007. The county's five-year, $200 million capital plan is not expected to significantly diminish coverage of parity highway user tax revenue bond debt service as revenue growth is expected to continue.

Outlook

The outlook reflects the expectation that strong debt service coverage levels will be maintained as the county implements its ongoing capital improvement plan.

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search.

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Moody's Investors Service

One Front Street, Suite 1900
San Francisco, CA 94111

Tel: 415.274.1700

May 01, 2005

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 28, 2005, Moody's Rating Committee reviewed and assigned a rating of A1 to Pima County, Arizona's Street and Highway Revenue Bonds, Series 2005.

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, including annual 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, Helen Cregger, at 212-553-4559.

Sincerely,

Kenneth B. Kurtz
Managing Director

KBK:HC/lm

cc: Ms. Megan Wienand
Analyst
RBC Dain Rauscher Inc.
2398 East Camelback Road
Suite 700
Phoenix, AZ 85016

ATTN: Megan Wienand
RBC Dain Rauscher Inc.

MOODY'S ASSIGNS A1 TO PIMA COUNTY, ARIZONA'S $51.2M STREET AND HIGHWAY REVENUE BONDS, SERIES 2005

RATING AFFECTS $146.5M IN OUTSTANDING OBLIGATIONS, INCLUSIVE OF THE CURRENT ISSUANCE

Pima (County of) AZ
County
Arizona

Moody's Rating

Issue	Rating
Street and Highway Revenue Bonds, Series 2005	A1
Sale Amount $51,200,000	
Expected Sale Date 05/01/05	
Rating Description Street and Highway Revenue Bonds	

NEW YORK, April 28, 2005 -- Moody's Investors Service has assigned an A1 rating to Pima County's $51.2 million Street and Highway User Revenue Bonds, Series 2005. Concurrently, Moody's is affirming the A1 rating on close to $95.3 million in previously outstanding parity obligations. The rating reflects the underlying economic strength of the county as well as the ample level of support provided by the pledged revenues. Proceeds of this issue will fund transportation capital projects countywide.

Pledged revenues consist of the county's share of street and highway user revenues from the state, which primarily consist of fuel taxes and registration/in lieu taxes (54% and 39% of statewide revenues in 2005 respectively). In fiscal 2004, the county received $51.3 million in street and highway revenue from the state, or 3.04 times coverage of projected maximum debt service. Although revenue growth has been strong averaging 8.0% annually over the past decade, revenues fell slightly in fiscal 2002 (down 0.8%), and annual 2.1% in fiscal 2003 and 6.8% in fiscal 2004 remains below historical levels. This decline reflects a drop in tourism as a result of the events of 9/11 and a still sluggish national economy as well as the county's smaller percentage of the statewide population as reflected in the 2000 census. Legal covenants are strong, requiring at least 2 times coverage for additional debt issuance. No additional borrowing is anticipated at the current time.

STABILIZED FINANCIAL POSITION FOLLOWING PROPERTY TAX INCREASE ALTHOUGH DECLINES IN RESERVES ARE ANTICIPATED.

The county's fiscal position markedly improved beginning in fiscal 2000 as a result of tax increases instituted to eliminate accumulated deficits in a number of funds including its hospital fund. Previously, in fiscal 1998 and 1999, the county drew on its existing $30 million line of credit, utilized available cash in sub-accounts of the Pima Health Care System Enterprise Fund and borrowed from other county funds, including the wastewater fund to meet cash flow needs. These measures were sufficient to meet cash deficits across all funds in fiscal 1999 totaling $56 million, including the deficit for Kino Hospital (the county hospital). Significantly, in fiscal 2000, the county took several steps in order to improve its fiscal position, which resulted in reducing its total cash deficits (across all funds) for the first time since fiscal 1993. The most significant of these measures was an increase in the property tax rate of $38.68 per $1,000 of assessed valuation. Beginning in fiscal 2001, ending General Fund balances have averaged 8.7%, with fiscal 2004 results reflecting a General Fund balance approaching $32.7 million (8.7% of

revenues), exceeding both budgeted projections and the county's targeted 5% General Fund balance.

Officials report that although revenues in a number of categories are expected to exceed budgeted figures in fiscal 2005, an anticipated reduction in unreserved, undesignated General fund balance from $25.6 million in fiscal 2004 to $19 million in fiscal 2005 reflects a $3 million transfer from the General Fund to the Stadium District Fund along with the elimination of an anticipated $3 million transfer from the public health system to the General Fund. Expenditures in certain categories, particularly indigent legal defense, also exceeded budgeted projections. Despite anticipated weakening in reserves in fiscal 2005 to a recent historical low, Moody's expects the county's generally strong budgetary oversight to continue. Officials report that, assuming stable hospital operations, the county will begin to rebuild reserve levels to historical norms; an important factor in future credit evaluations.

The county has also improved results in other operating funds. An accumulated undesignated deficit in the Stadium District fund ($5.18 million in fiscal 2004) is expected to be eliminated over the next two fiscal years. Significantly, officials expect approval of an increase in the county hotel bed tax from 2% to 6%, matching the tax rate in the City of Tucson (GO rated Aa3). One percent of this increase, which is expected to generate approximately $1.4 million in additional revenue, will be dedicated to supporting stadium operations, eliminating the fund's annual operating deficit. In the wastewater fund, the county experienced a sewer line rupture in fiscal 2003 that resulted in $13 million in unanticipated expenditures and possible fines from the Arizona Department of Environmental Quality. To meet these expenditure requirements, the Wastewater Management Fund borrowed $10.8 million from the General Fund in fiscal 2003, ending the year with a deficit balance of $35.5 million. The Wastewater Fund, however, repaid this amount to the General Fund in fiscal 2004. To manage the cash deficit, the county implemented an additional 4% rate increase in sewer user fees and a 6% increase in sewer connection fees effective July 1, 2004. County officials also report that they are examining additional rate increases of between 6%-8% for user fees and 10%-15% for connection fees going forward.

REVISED PLAN FOR HEALTH CARE SYSTEM EXPECTED TO HELP REDUCE UNCERTAINTY AND FINANCIAL RISK FOR COUNTY ALTHOUGH RISKS REMAIN.

Moody's believes that the Pima County Health Care System, which represents approximately 30% of the county's discretionary spending, remains an ongoing credit factor for the county, although the county has made significant changes in its plan for the county hospital in order to reduce and stabilize operating subsidies to that institution. In July 2003, the county had originally initiated the process of converting the hospital to a psychiatric facility, but in part because of community objections, has now revised these plans. Under a 25-year lease beginning June 15, 2004, University Physicians Inc. (UPI), a nonprofit organization affiliated with the medical center of the University of Arizona, assumed full responsibility for operation of the hospital, including outpatient clinics. The service delivery contract is expected to help reduce budgeting uncertainty and financial risk to the county while improving the profitability of the hospital through the introduction of sub specialist care and expanded surgical and inpatient services. The hospital's goal is to restore daily medical and surgical patient counts over the next five years to about 150, slightly below the hospital's licensed 180-bed capacity.

Under the contract, Pima County will subsidize operating costs exceeding revenues up to scheduled service fee levels beginning at $25.8 million in fiscal 2005, with subsidies declining by approximately $5 million annually for

the first four years and by $1 million thereafter through year ten, at which time the service fees would terminate. The $25.8 million subsidy payment is included in the county's 2005 budget, and represents a decline from a $31 million transfer in fiscal 2004. In addition to the service fees, the county has agreed to provide approximately $500,000 annually over the next two years in capital construction support, including construction of a new public health center included in the current issuance as well as additional inpatient psychiatric facilities outside the hospital.

Initial results appear positive, with visits to the internal medicine, obstetrics and ophthalmology clinics increasing over the prior year. Fifty one new physicians have been recruited or are in the process of being recruited to work at the hospital. UPI has introduced new services as well including inpatient dialysis, an MRI unit and 16 slice CT scanner, and has expanded surgical services in general surgery, urology, gynecology and orthopedic practices. While the recently approved lease holds the promise of defining and limiting the county's exposure to the financial risks associated with the hospital, risks remain in the degree to which increases in clinical and surgical patients will truly offset losses incurred from unprofitable services and uninsured patients. Exit clauses provided under the lease agreement represent another area of uncertainty. UPI, for example, may terminate the lease and return hospital operations to the county if it loses more than $10 million in a single year, inclusive of the service fee. Moody's believes that the county's lease agreement with UPI represents a positive, strategic plan that helps reduce financial exposure and uncertainty for the county. Future credit evaluations, however, and possible credit strengthening, will depend upon the county and UPI's ability to meet strategic operational goals while restraining county operating subsidies to anticipated levels.

ANCHORED BY TUCSON, THE COUNTY'S ECONOMIC GROWTH IS EXPECTED TO CONTINUE THOUGH AT A SLOWER RATE THAN IN RECENT YEARS

Moody's believes that the county, anchored by the City of Tucson, will continue to experience assessed valuation growth as southern Arizona's major employment center, providing strong credit support for the county's current rating level. Major employment sectors include manufacturing, government, and services. Unemployment for the last decade has remained below state and national levels, and December 2004 unemployment of 3.0% continues this trend despite earlier reductions in tourism. The largest private sector employer, Raytheon (senior unsecured rating Baa3 - 10,300 employees), has refocused its business strategy but reportedly plans to concentrate on profitable divisions that include its Tucson-based missiles unit. The University of Arizona (rated A1 - 10,348 employees) and significant school district, local and state government sectors (30,000 employees) provide a stable economic core. The military also continues to play an important role with the presence of Davis-Monthan Air Force Base (8,727 employees). Full valuation, which currently approaches $43.8 billion, has demonstrated strong annual growth averaging 7.2% over the past five years.

DEBT BURDEN EXPECTED TO REMAIN MODERATE

Moody's expects that the county's overall debt burden of 3.3% will remain stable given an aggressive repayment schedule, expectations for continued tax base growth and conservative debt management practices. The county's retirement schedule is aggressive, with approximately 78.7% of general obligation and HURF debt retired in ten years and all currently outstanding COP debt retired in 15 years.

KEY STATISTICS:

2004 Population (estimate): 931,210

Full valuation: $43.8 billion

Full value per capita: $47,012

Overall debt burden: 3.3%

Payout of GO and HURF principal (10 years): 78.7%

Coverage of MADS by 2004 pledged revenues: 3.04 times

Average annual growth in pledged revenues (1994-2004): 8.0%

Fiscal 2004 General Fund balance: $32.7 million (8.7% of General Fund revenues)

ANALYSTS:
Helen Cregger, Analyst, Public Finance Group, Moody's Investors Service
Matthew Jones, Backup Analyst, Public Finance Group, Moody's Investors Service

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EXHIBIT A

$51,200,000
PIMA COUNTY, ARIZONA
Street and Highway Revenue Bonds
Series 2005

Principal and Interest Payments

Dated: **5/1/2005** **Delivery: 5/26/2005**

Date	Principal (a)	Coupon	Interest (b)	Total Debt Service	Fiscal Year Debt Service	CUSIP # (721882)
1/1/2006			$1,410,758.33	$1,410,758.33		
7/1/2006			1,058,068.75	1,058,068.75	$2,468,827.08	
1/1/2007			1,058,068.75	1,058,068.75		
7/1/2007			1,058,068.75	1,058,068.75	2,116,137.50	
1/1/2008			1,058,068.75	1,058,068.75		
7/1/2008			1,058,068.75	1,058,068.75	2,116,137.50	
1/1/2009			1,058,068.75	1,058,068.75		
7/1/2009	$3,390,000.00	4.125%	1,058,068.75	4,448,068.75	5,506,137.50	BL 1
1/1/2010			988,150.00	988,150.00		
7/1/2010	3,510,000.00	5.000%	988,150.00	4,498,150.00	5,486,300.00	BM 9
1/1/2011			900,400.00	900,400.00		
7/1/2011	3,645,000.00	5.000%	900,400.00	4,545,400.00	5,445,800.00	BN 7
1/1/2012			809,275.00	809,275.00		
7/1/2012	3,790,000.00	4.000%	809,275.00	4,599,275.00	5,408,550.00	BP 2
1/1/2013			733,475.00	733,475.00		
7/1/2013	3,945,000.00	4.000%	733,475.00	4,678,475.00	5,411,950.00	BQ 0
1/1/2014			654,575.00	654,575.00		
7/1/2014	4,110,000.00	4.000%	654,575.00	4,764,575.00	5,419,150.00	BR 8
1/1/2015			572,375.00	572,375.00		
7/1/2015	4,285,000.00	4.000%	572,375.00	4,857,375.00	5,429,750.00	BS 6
1/1/2016			486,675.00	486,675.00		
7/1/2016	4,475,000.00	5.000%	486,675.00	4,961,675.00	5,448,350.00	BT 4
1/1/2017			374,800.00	374,800.00		
7/1/2017	4,680,000.00	4.000%	374,800.00	5,054,800.00	5,429,600.00	BU 1
1/1/2018			281,200.00	281,200.00		
7/1/2018	4,890,000.00	4.000%	281,200.00	5,171,200.00	5,452,400.00	BV 9
1/1/2019			183,400.00	183,400.00		
7/1/2019	5,120,000.00	3.500%	183,400.00	5,303,400.00	5,486,800.00	BW 7
1/1/2020			93,800.00	93,800.00		
7/1/2020	5,360,000.00	3.500%	93,800.00	5,453,800.00	5,547,600.00	BX 5
Total	$51,200,000.00		$20,973,489.58	$72,173,489.58	$72,173,489.58	

(a) The bonds maturing on or after July 1, 2016 are subject to redemption prior to maturity on or after July 1, 2015 at Par.
(b) Does not include accrued interest from 5/01/05 to 5/26/05 in the amount of $146,956.99 or the net premium of $5,167.51.

-Prepared By-
RBC Dain Rauscher Inc.
5/17/2005