

SQUIRE
SANDERS

LEGAL
COUNSEL
WORLDWIDE

\$25,000,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2008

Closing: February 28, 2008

\$25,000,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2008

Closing: February 28, 2008

CLOSING DOCUMENT LIST

TERMS USED HEREIN

County	-	Pima County, Arizona
Bond Counsel	-	Squire, Sanders & Dempsey L.L.P.
Underwriter	-	Robert W. Baird & Co., Inc.
Bond Registrar and Paying Agent	-	U.S. Bank National Association
Financial Advisor	-	RBC Capital Markets

	<u>Item No.</u>
I. <u>COUNTY PROCEEDINGS AND RELATED DOCUMENTS:</u>	
1. Certified copy of Resolution No. 2007-341, passed, adopted and approved by the Board of Supervisors (the "Board") of the County on December 18, 2007, ordering the sale of the Bonds	1
2. Preliminary Official Statement, dated February 4, 2008, including a Notice Inviting Bids for the Purchase of Street and Highway Revenue Bonds	2
3. Copy of Resolution No. 2008-43, passed, adopted and approved by the Board on February 12, 2008, authorizing the issuance and sale of the Bonds	3
4. Official Statement, dated February 12, 2008	4
5. Bond Registrar, Transfer Agent and Paying Agent Agreement dated as of February 1, 2008, between the County and the Registrar	5
6. Continuing Disclosure Undertaking, dated February 28, 2008	6
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DISTRIBUTION OF TRANSCRIPTS

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

Pima County, Arizona	2
RBC Capital Markets	1
Squire, Sanders & Dempsey L.L.P.	1
Robert W. Baird & Co., Inc.	1
U.S. Bank National Association	1

Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona

County of Pima

ss

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

I further certify that the attached resolution entitled

RESOLUTION NO. 2007-341

(See attached copy)

is a true and correct copy of a resolution passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on the 18th day of December, 2007, at which a quorum was present, and that the original resolution is officially of record in my possession.

In Witness Whereof, I have hereunto set my hand and affixed the seal of the Board of Supervisors of Pima County, Arizona, this 20th day of February, 2008.

Lori Godoshian
Clerk

RESOLUTION NO. 2007- 341

A RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA ORDERING THE SALE OF NOT TO EXCEED \$25,000,000 PRINCIPAL AMOUNT OF PIMA COUNTY, ARIZONA, STREET AND HIGHWAY REVENUE BONDS.

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

Section 1. Pima County, Arizona, Street and Highway Revenue Bonds, in the principal amount of not to exceed \$25,000,000 (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 Director of Finance of the County, as described in Exhibit A, until the sale date and time specified therein, provided that the sale date and time for the Bonds will be postponed to a later date and time if, on the business day before the sale date, the Director of Finance of the County or his designee shall cause to be filed in the office of the Director of Finance his written statement that, in his opinion, the County would obtain a more favorable net interest cost for the Bonds by delaying the receipt of bids for the Bonds until a later date. The opinion of the Director of Finance of the County or his designee expressed in any such statement shall be conclusive for all purposes with respect to the receipt and opening of bids. If the receipt of electronic bids is postponed, notice of such postponement and of the rescheduled date and time for the receipt of bids shall be given in the manner determined by the Director of Finance of the County or his designee.

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

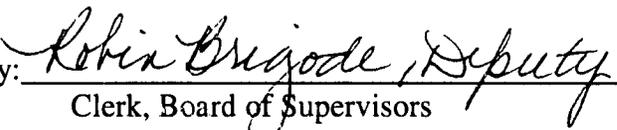
Section 3. The Clerk of the Board of Supervisors is authorized and directed to cause the Notice Inviting Bids to be completed, executed and transmitted to RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets, Financial Advisor to the County, and circulated so as to be made known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

PASSED, ADOPTED AND APPROVED, by the Board of Supervisors of Pima County, Arizona, on December 18, 2007.

PIMA COUNTY, ARIZONA

By: 
Chairman, Board of Supervisors

ATTEST:

By: 
Clerk, Board of Supervisors

APPROVED AS TO FORM:

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

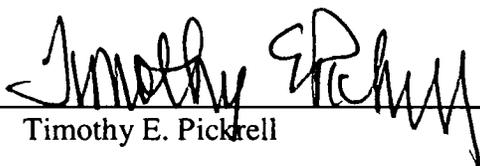
By: 
Timothy E. Pickrell

EXHIBIT A

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

**\$ _____
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2008**

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.), on _____, 2008, 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 Street and Highway User Revenue Bonds, Series 2008 (the “Street and Highway Revenue Bonds”), unless the County acting through the Director of Finance of the County or his designee postpones receipt of bids to a later date. A determination to postpone the sale date will be made and announced by ____ A.M., 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 Revenue Bonds to the bidder offering the best bid or reject all bids.

TIME FOR RECEIPT OF BIDS: Bids will be received to and including the hour of ____ A.M., 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., doing business under the name RBC Capital Markets (“RBC Capital Markets”), Financial Advisor, the County’s Financial Advisor, shall be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective buyer.

If any provision of this Notice Inviting Bids for the Purchase of 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 [_____ 1, 200_] [the date of initial delivery thereof], and 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 _____ 1, 20____, 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:

<u>Due July 1</u>	<u>Principal Amount</u>	<u>Due July 1</u>	<u>Principal Amount</u>
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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 December 18, 2007 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, 20____ 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, 20____ are subject to call for redemption on any date on or after July 1, 20____ at the election of the County, in whole or in part from maturities selected by the County and within any maturity by lot, by the payment of a redemption price equal to the principal amount of each Street and Highway Revenue Bond called for redemption, plus accrued interest to the date fixed for redemption, without premium.

NOTICE OF REDEMPTION: Notice of redemption will be given by mail to the registered owners of the 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 (1½ %) per annum. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest rates must be expressed in multiples of one-eighth (1/8th) or one-twentieth (1/20th) of one percent (1%). No

bid will be considered for less than par on the Street and Highway Revenue Bonds plus accrued interest to the delivery date, if any.

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 ____ 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. 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,

MATURITY DATES, PRINCIPAL AMOUNTS AND BOND YEAR LIFE

\$ _____
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2008

<u>Maturity Dates (July 1)</u>	<u>Principal Amounts</u>	<u>Bond Years</u>	<u>Cumulative Bond Years</u>
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Average Bond Life: _____ Years

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. These securities 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 securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 4, 2008

NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS: (See “Ratings” Herein)

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

\$25,000,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2008

Dated: February 15, 2008

Due: July 1, as shown below

The Street and Highway Revenue Bonds, Series 2008 (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 July 1, 2008. 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 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 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, on a parity with the outstanding street and highway revenue bonds of the County and any additional street and highway revenue bonds hereafter issued as provided herein. 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

<u>Due</u> <u>July 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Due</u> <u>July 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2009	\$ 150,000			2016	\$2,245,000		
2010	150,000			2017	2,360,000		
2011	150,000			2018	2,475,000		
2012	150,000			2019	2,600,000		
2013	1,940,000			2020	2,730,000		
2014	2,035,000			2021	2,865,000		
2015	2,140,000			2022	3,010,000		

(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 February 28, 2008.**

February __, 2008

SALE DATE AND TIME: TUESDAY, FEBRUARY 12, 2008, 10:00 A.M., M.S.T.

*Preliminary, subject to change.

**PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS**

Richard Elías, *Chairman*

Sharon Bronson

Ray Carroll

Ann Day

Ramón Valadez

COUNTY ADMINISTRATIVE OFFICIALS

ELECTED OFFICIALS

Bill Staples
County Assessor

Beth Ford
County Treasurer

Barbara La Wall
County Attorney

APPOINTED OFFICIALS

C. H. Huckelberry
County Administrator

Thomas Burke
Finance and Risk Management Director

FINANCIAL ADVISOR

RBC Capital Markets
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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\$25,000,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2008

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 2008 (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 uncoded, 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 December 18, 2007, and an authorizing Resolution adopted by the Board on February 12, 2008* (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 \$122,800,000 principal amount of authorized but unissued street and highway revenue bonds.

General Description

The Bonds will be dated February 15, 2008 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 February 15, 2008, payable semiannually on January 1 and July 1 (each an "Interest Payment Date"), commencing July 1, 2008.

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, 2018 are not subject to call for redemption prior to their respective maturity dates. The Bonds maturing on or after July 1, 2019 are subject to call for redemption on any date on or after July 1, 2018 at the election of the County, in whole or in part from maturities selected by the County and within any maturity by lot, by the payment of a redemption price equal to the principal amount of each Bond called for redemption plus accrued interest to the date fixed for redemption, without premium.

Notice of Redemption

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

Book-Entry-Only System

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

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

DTC, the world's largest securities 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 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, 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 Direct Participants, "Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are

on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2007 Bond certificates will be printed and delivered to DTC.

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

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

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

Registration and Transfer

The Bonds will be transferable only upon the Bond Register maintained by the Bond Registrar and only upon surrender of the Bond or Bonds to be transferred to the 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 secured by Street and Highway Revenues on a parity with the \$136,400,000 aggregate principal amount of outstanding street and highway revenue bonds of the County and any additional street and highway revenue bonds hereafter issued on a parity therewith. See "Additional Bonds" below and Appendix B – Pima County Financial Information – Street and Highway Revenue Bonded Debt Outstanding."

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 additional 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 \$122,800,000 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. Additional bonds may be authorized at future elections.

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 and parity 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") and deposited into the Arizona Highway User Revenue Fund: (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.

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. Only the portion of the motor vehicle license (in lieu) taxes deposited into the Arizona Highway User Revenue Fund constitutes Highway User Revenues.

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 statutory annual allocations are made, including \$10,000,000 to the State Department of Public Safety and \$1,000,000 to the State's Economic Strength Project Fund, 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 also to meet certain local revenue spending requirements.

The Arizona statutes provide the Highway User Tax Revenues may only be used for purposes prescribed in the State Constitution, and that cities and counties may not use Highway User Tax Revenues for the enforcement of traffic laws or the administration of traffic safety programs. If the Auditor General of Arizona reports to the State Treasurer after conducting a performance audit that a city or county has not used an amount of Highway User Tax Revenues as prescribed by law, the State Treasurer shall withhold its Highway User Tax Revenues until such city or county presents evidence satisfactory to the Auditor General showing that it has spent for such prescribed purposes at least a like amount from other general revenue sources.

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 Tax Revenues 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 State is expected to experience State General Fund deficits for fiscal years 2007-08 and 2008-09, primarily due to lower-than-projected revenues. The State Legislature and the Governor will need to address these expected State General Fund deficits during the current legislative session. Although no specific proposals have been enacted, legislative plans to eliminate such deficits in prior years have considered proposals making one-time transfers from the Highway User Revenue Fund to the State General Fund for reimbursement of prior Department of Public Safety costs, and transferring funding responsibility for certain costs of ADOT's Motor Vehicle Division from the State Highway Fund to the Highway User Revenue Fund. These and other proposals may be considered in the future. Unless and until any such proposals are enacted into law, the impact on the Highway User Revenue Fund and the amounts to be received by the County cannot be determined.

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)**

<u>Fiscal Year</u>	<u>Gasoline & Use Fuel Revenues</u>	<u>Registration & In Lieu Taxes</u>	<u>Motor Carrier Tax</u>	<u>License Fees & Other</u>	<u>Total Highway User Tax Revenues</u>
2006-07	\$707,984	\$571,285	\$45,226	\$57,979	\$1,382,474
2005-06	702,541	532,669	40,504	55,911	1,331,625
2004-05	675,652	482,354	37,980	49,567	1,245,553
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

Source: Arizona Department of Transportation, Administrative Services Division.

MOTOR VEHICLE REGISTRATIONS

<u>Fiscal Year</u>	<u>State of Arizona</u>		<u>Pima County</u>	
	<u>Total Number of Vehicle Registrations</u>	<u>Percentage Change</u>	<u>Total Number of Vehicle Registrations</u>	<u>Percentage Change</u>
2006-07	6,608,726	4.6%	905,793	6.1%
2005-06	6,318,402	6.3%	853,928	3.4%
2004-05	5,945,131	17.0%	825,806	12.5%
2003-04	5,079,849	4.9%	733,810	4.2%
2002-03	4,844,172	3.3%	704,394	2.4%
2001-02	4,690,865	1.1%	687,668	0.5%

Source: Arizona Department of Transportation, Motor Vehicle Division.

GALLONS OF MOTOR VEHICLE FUEL TAXED (a)

<u>Fiscal Year</u>	<u>State of Arizona</u>		<u>Pima County</u>	
	<u>Total Gallons Taxed</u>	<u>Percentage Change</u>	<u>Total Gallons Taxed</u>	<u>Percentage Change</u>
2006-07	3,694,579,366	2.62%	491,154,154	(3.99%)
2005-06	3,600,184,049	1.22%	510,772,029	(0.79%)
2004-05	3,556,759,467	3.69%	514,834,562	1.00%
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%

(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**

<u>Fiscal Year</u>	<u>Street & Highway Revenue Receipts</u>
2006-07	\$58,637,775
2005-06	56,936,526
2004-05	53,878,131
2003-04	51,334,009
2002-03	48,071,873
2001-02	47,071,345

Source: Pima County, Finance and Risk Management Department.

STREET AND HIGHWAY REVENUE BONDED DEBT OUTSTANDING

The following chart indicates the outstanding street and highway bonds of the County that will be outstanding after the issuance of the Street and Highway User Revenue Bonds, Series 2008 being issued concurrently with the Bonds under a separate Official Statement.

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Original Maturity Dates</u>	<u>Remaining Balance Outstanding (a)</u>
5-01-98	\$40,000,000	Street & Highway Improvements	7-1-99/08	\$ 4,000,000
1-01-02	55,000,000	Street & Highway Improvements	7-1-03/12	30,410,000
1-15-03	35,000,000	Street & Highway Improvements	7-1-04/18	29,790,000
5-01-05	51,200,000	Street & Highway Improvements	7-1-09/20	51,200,000
1-01-07	21,000,000	Street & Highway Improvements	7-1-09/22	21,000,000
Total Street and Highway Revenue Bonds Outstanding				\$136,400,000
Plus: The Bonds offered Herein				25,000,000*
Total Street and Highway Revenue Bonds to be Outstanding				<u>\$161,400,000*</u>

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

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

Fiscal Year	Street & Highway Revenues Pledged (1)	Outstanding Debt Service (2)	Series 2008 Bonds* Dated: February 15, 2008		Total Debt Service Requirements*	Debt Service Coverage* (1)/(4)
			Principal	Interest (3)		
2006-07	\$58,637,775	\$17,144,913			\$17,144,913	3.42
2007-08		17,404,250		\$ 472,222	17,876,472	3.28
2008-09		17,398,138	\$ 150,000	1,250,000	18,798,138	3.12
2009-10		17,411,644	150,000	1,242,500	18,804,144	3.12
2010-11		17,415,575	150,000	1,235,000	18,800,575	3.12
2011-12		17,416,988	150,000	1,227,500	18,794,488	3.12
2012-13		10,995,963	1,940,000	1,220,000	14,155,963	
2013-14		11,014,150	2,035,000	1,123,000	14,172,150	
2014-15		11,037,813	2,140,000	1,021,250	14,199,063	
2015-16		11,081,150	2,245,000	914,250	14,240,400	
2016-17		11,080,325	2,360,000	802,000	14,242,325	
2017-18		11,126,088	2,475,000	684,000	14,285,088	
2018-19		7,678,625	2,600,000	560,250	10,838,875	
2019-20		7,758,625	2,730,000	430,250	10,918,875	
2020-21			2,865,000	293,750	5,382,688	
2021-22			3,010,000	150,500	5,421,675	

- (1) As reported by the Arizona Department of Transportation and the County for fiscal year 2006-07.
- (2) Does not include a loan currently outstanding in the aggregate principal amount of \$3.7 million that the County received in 2006 from the HELP Program of ADOT.
- (3) The first interest payment date is July 1, 2008. Interest is estimated at a 5.00% 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 and 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 MATTERS

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) Bond Counsel expresses no opinion as to any other tax consequences regarding the Bonds.

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

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

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

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

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

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

In May 2007, the United States Supreme Court agreed to review a Kentucky state court decision on the issue of whether the United States Constitution precludes states from giving more favorable tax treatment to state and local government bonds issued within that state than the tax treatment given bonds issued outside that state. Written briefs have been submitted, and oral arguments were presented to the Court in November 2007. The outcome of this or any other court case cannot be predicted, but that outcome could prompt attempts to change the treatment for Arizona income tax purposes of obligations such as the Bonds, including whether interest on the Bonds is exempt from Arizona state income tax, although any such attempts could be affected by current provisions of the Arizona State Constitution stating that public debts, as evidenced by bonds of Arizona, its counties, municipalities or other subdivisions, shall be exempt from taxation.

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

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

Original Issue Discount and Original Issue Premium

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

Certain of the Bonds ("Premium Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price (the principal amount)³ at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the

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

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

LITIGATION

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

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

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("S&P") have assigned the Bonds unsecured ratings of "A1" and "AA", 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, 2009 (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 – 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 has 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 excerpts of the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. The County has not requested or obtained the consent of the Office of the Arizona Auditor General to include such excerpts in the Official Statement and the Office of the Arizona Auditor General has performed no procedures subsequent to rendering their opinion on such Comprehensive Annual Financial Report.

FINANCIAL ADVISOR

RBC Capital Markets is employed as the Financial Advisor to the County in connection with the issuance of the Bonds. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds. RBC Capital Markets is the name under which RBC Dain Rauscher Inc., a broker-dealer, conducts investment banking business.

ADDITIONAL INFORMATION

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

CONCLUDING STATEMENT

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

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

By: _____
Chairman, Board of Supervisors

By: _____
County Administrator

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 2006 population of 1,003,235. Approximately 55% 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
2007 Estimate (a)	1,003,235	541,132	6,500,194
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, 2007.

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 "District") from 1979 to 1987; as Deputy Director of the Department from 1976 to 1979; and as the Department's Manager of Field Engineering from 1974 to 1976. He was self employed as a civil engineering and land surveying consultant for one year. From 1972 to 1973, Mr. Huckelberry was employed as a Research and Development Engineer for the Shell Oil Company. He holds both a Bachelor of Science Degree in Mining Engineering and a Master of Science Degree in Civil Engineering from the University of Arizona and is a registered professional engineer and land surveyor as well as a member of numerous professional organizations.

Mr. Thomas Burke was appointed Finance and Risk Management Director in January 2005 and had served as Deputy Director of Finance from May 2004. Prior to his move to Finance, Mr. Burke served as Deputy Director of Pima County's Department of Natural Resources, Parks and Recreation from 2003 to 2004. From 2000 to 2003, he was a Deputy County Attorney representing various Pima County departments including the County Assessor, County Treasurer and Public Works departments. From 1989 to 1998, Mr. Burke served as the Manager of Pima

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

Transportation

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

Economy

The economy of the County is based largely on a variety of service industries, trade, and government employment. Figures from the Arizona Department of Economic Security indicate that 390,500 persons were employed, on average (not including the agricultural industry), in the County in 2007. 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 2003-2007

<u>Industry</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Goods Producing					
Natural Resources and Mining	1,200	1,30	1,400	1,600	2,000
Construction	22,900	24,000	25,700	28,100	27,700
Manufacturing	28,700	28,400	28,300	28,800	29,000
Service Producing					
Trade, Transportation and Utilities	55,100	57,900	59,500	61,800	63,800
Information	7,600	7,60	7,200	7,000	6,000
Financial Activities	15,500	15,900	16,500	17,300	17,200
Professional and Business Services	41,200	43,400	45,900	49,100	51,400
Education and Health Services	45,700	47,800	50,500	52,800	55,400
Leisure and Hospitality	37,200	39,100	39,800	40,700	43,200
Other Services	14,600	14,700	14,700	15,900	16,800
Government	75,700	76,900	77,100	76,800	78,000
Total Wage & Salary Employment	<u>345,400</u>	<u>357,000</u>	<u>366,700</u>	<u>379,900</u>	<u>390,500</u>

Source: Arizona Department of Economic Security.

The average unemployment rate for the County in 2007 was 3.7%. The average annual unemployment rate for 2006 and 2005 was 4.0% and 4.4%, respectively. The table below shows comparative unemployment rates for the County, the State and the United States.

TABLE 3

**Pima County
Comparative Employment Statistics**

Calendar Year	Pima County		Unemployment Rate		
	Average Employment	Average Unemployment	Pima County	Arizona	U.S.
2007	440,561	17,048	3.7%	3.8%	4.5%
2006	430,994	18,072	4.0%	4.1%	4.6%
2005	418,847	19,415	4.4%	4.6%	5.1%
2004	417,589	20,101	4.6%	4.9%	5.5%
2003	404,564	22,666	5.3%	5.7%	6.0%

Source: Arizona Department of Economic Security.

TABLE 4

**Pima County
Major Employers**

Company	Type of Business	Approximate Number of Full- Time Equivalents
Raytheon Missile Systems	Missile Manufacturing	11,184
University of Arizona	Education	10,354
State of Arizona	Government	9,927
Davis-Monthan Airforce Base	Military	8,233
Pima County	Government	8,131
Tucson Unified School District	Education	7,419
City of Tucson	Government	5,848
Wal-Mart Stores Inc.	Retail	5,625
Phelps Dodge Mining Company	Mining	4,900
Carondelet Health Network	Health Care	4,319
Tohono O'Odham Nation	Tribal Government	3,825
TMC Health Care	Health Care	3,474
University Medical Center Corp.	Health Care	3,094
U.S. Border Patrol	Government	2,763
Sunnyside Unified School District	Education	2,690
Pima Community College	Education	2,211
Amphitheater Public Schools	Education	2,187
Pascua Yaqui Tribe	Tribal Government	2,184
CheckMate Professional Employer	Services (Business)	2,131
Citi	Services (Business)	2,000

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2007).

Services

From 2003 to 2007, the goods producing and service producing industries in the County (excluding Government employees) expanded by 42,800 jobs or 15.9%. The average annual employment in the service-providing industry in 2007 was 331,800. 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 78,000 in 2007. This sector expanded by 2,300 jobs from 2003 to 2007. 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 2007 was 29,000, representing 7.4% of the County's total wage and salary employment base. Manufacturing employment during 2006 and 2005 averaged 28,800 and 28,300, 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 2007 Employment
Raytheon Missile Systems	Missile Manufacturing	11,184
International Business Machines Corp.	Computer Systems	1,750
Honeywell Aerospace	Aircraft Electronic Systems	750
Texas Instruments	Operation Amplifiers	625
Bombardier Aerospace	Aircraft Maintenance	614
Ventana Medical Systems Inc.	Medical Equipment	580

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2007).

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.

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, conventioners and other visitors. The Metropolitan Tucson Convention and Visitors Bureau estimates that over 758 convention bookings with 239,953 convention delegates visited the Tucson area in fiscal year 2006-07. In the Tucson area, there are 183 hotels and resorts with over 15,442 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 \$1.5 billion was spent in the County in 2006. 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 2002 and 2007.

**Total Tourist Expenditures
(\$ in billions)**

<u>Year</u>	<u>Pima County</u>	<u>State of Arizona</u>
2007*	810	7,130
2006	1,530	10,400
2005	1,440	9,680
2004	1,280	8,520
2003	1,190	7,810
2002	1,160	7,440

* Data collected through June, 2007.

Source: Arizona Hospitality Research & Resources Center.

Education

The University of Arizona (the "University") provides approximately 14,466 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 2007 were estimated at 37,217 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 2006-07 was estimated at 74,077 students.

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

Wholesale and Retail Trade

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

The retail sales figures set forth below are based on the sales tax collections within the County excluding penalties, late charges and nontaxable items. The sales tax rate levied by the State on retail sales within the County is 5.6%. In addition, cities and towns within Pima County generally levy a 2% to 4% sales tax. On July 1, 2006, the Regional Transportation Authority began levying a 0.5% sales tax.

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

TABLE 6

Pima County Retail Sales (a)

<u>Year</u>	<u>Amount</u>	<u>% Change</u>
2007 (b)	\$7,182,034,887	N/A
2006	7,740,869,293	7.49%
2005	7,201,701,654	9.21%
2004	6,594,312,765	6.08%
2003	6,216,097,166	3.39%
2002	6,012,022,946	1.13%

(a) Excludes Food Sales and Gas Tax.

(b) Data collected through November, 2007.

Source: Arizona Department of Revenue.

Financial Institutions

The following table illustrates bank deposits with participating banks within the County.

TABLE 7

Pima County Bank Deposits

<u>Year</u>	<u>Amount</u>
2007 (a)	\$11,643,000,000
2006	11,151,000,000
2005	10,250,000,000
2004	8,941,000,000
2003	8,091,000,000
2002	7,391,000,000

(a) Data collected through June 30, 2007.

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 \$2.200 billion, \$1.605 billion, and \$1.296 billion in 2006, 2005, and 2004, respectively. The direct impact of the copper industry within the County was nearly \$632 million in 2006, \$580 million in 2005 and \$421 million in 2004. Employment in the mining industry within the County was approximately 1,600 in 2006, 1,400 in 2005 and 1,300 in 2004.

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**

<u>Year</u>	<u>Receipts</u>
2006	\$78,083,000
2005	84,452,000
2004	80,103,000
2003	68,694,000
2002	51,983,000

Source: *Arizona Agricultural Statistics Bulletin*, September 2007.

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
2007 (a)	\$ 255,670,000	\$ 89,708,000	\$ 1,035,000	\$ 23,119,000	\$ 369,532,000
2006	1,562,755,000	199,629,000	16,736,000	129,928,000	1,909,048,000
2005	2,180,381,000	315,946,000	8,546,000	150,686,000	2,655,559,000
2004	1,680,800,000	284,275,000	16,206,000	117,220,000	2,098,501,000
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

(a) Through June 30, 2007.

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

TABLE 10**Pima County
New Housing Starts**

Year	Total Housing Units Permitted
2007 (a)	1,458
2006	9,082
2005	12,272
2004	11,452
2003	9,635
2002	8,915

(a) Through June 30, 2007.

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

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

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 2006-07 fiscal year was \$438,128,545. The County's expenditures for the 2006-07 fiscal year were under the limit. The County's 2007-08 fiscal year expenditure limitation is \$464,592,697.

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 2003-04 through 2007-08 for each class of property are set forth below.

Property Tax Assessment Ratios 2003-04 through 2007-08

Classification (a)	2003-04	2004-05	2005-06	2006-07	2007-08
Mining, Utility, Commercial and Industrial (b)(c)	25%	25%	25%	24.5%	24%
Agriculture and Vacant Land (c)	16%	16%	16%	16%	16%
Owner Occupied Residential	10%	10%	10%	10%	10%
Leased or Rented Residential	10%	10%	10%	10%	10%
Railroad, Private Car Company And Airline Flight Property (d)	20%	21%	21%	22%	(d)

- (a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body’s total valuation.
- (b) The first \$61,146 of full cash value of commercial, industrial and agricultural personal property is exempt from tax for fiscal year 2007-08. This amount is indexed annually for inflation. Any portion of the full cash value in excess of those amounts will be assessed at 24% or 16% as applicable.
- (c) Effective January 1, 2007, the assessment ratio for Mining, Utility, Commercial and Industrial property was decreased to 24%. Additionally, this rate will be decreased by one percent annually through 2010, resulting in an assessment ratio of 20% from and after December 31, 2010.
- (d) This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial, and military reuse zone properties and agricultural personal property to (ii) the total full cash (market) value of such properties.

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

Delinquent Tax Procedures

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

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

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

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

Property Valuations

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

Valuations for Fiscal Year 2007-08

Estimated Actual Valuation*	\$66,494,590,856
Net Secondary Assessed Valuation	8,220,395,835
Net Primary Assessed Valuation	7,353,331,088

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

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

Net Secondary Assessed Valuation Comparisons and Trends

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

Net Secondary Assessed Value and Estimated Actual Cash Value Comparison

<u>Fiscal Year</u>	<u>Net Secondary Assessed Valuation</u>	<u>Estimated Actual Valuation*</u>	<u>Net Secondary Assessed Valuation as a Percentage of the Estimated Actual Valuation</u>
2007-08	\$8,220,395,835	\$66,494,590,856	12.36%
2006-07	6,869,955,457	59,890,228,997	11.47%
2005-06	6,050,950,040	47,971,147,096	12.61%
2004-05	5,620,156,274	43,778,402,824	12.84%
2003-04	5,221,270,997	43,733,555,507	11.94%
2002-03	4,835,561,219	36,999,609,652	13.07%

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

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

Net Secondary Assessed Valuation Comparisons

<u>Fiscal Year</u>	<u>City of Tucson</u>	<u>Percent Change</u>	<u>Pima County</u>	<u>Percent Change</u>	<u>State of Arizona</u>	<u>Percent Change</u>
2007-08	\$3,484,462,013	15.52%	\$8,220,395,835	19.66%	\$71,837,099,233	31.96%
2006-07	3,016,230,759	10.77%	6,869,955,457	13.54%	54,436,547,031	11.25%
2005-06	2,722,915,853	6.44%	6,050,950,040	7.67%	48,931,946,145	10.05%
2004-05	2,558,231,181	5.40%	5,620,156,274	7.64%	44,461,738,026	8.87%
2003-04	2,427,120,926	6.98%	5,221,270,997	7.98%	40,839,898,348	10.96%
2002-03	2,268,733,334	6.09%	4,835,561,219	7.66%	36,805,206,912	6.76%

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

Net Secondary Assessed Valuations of Major Taxpayers

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

<u>Taxpayer (a)</u>	<u>Estimated 2007-08 Net Secondary Assessed Valuation</u>	<u>As Percent of County's 2007-08 Net Secondary Assessed Valuation</u>
Unisource Energy Corporation	\$150,728,479	1.83%
Qwest Corporation	94,511,916	1.15%
Phelps Dodge Sierrita Inc.	93,651,525	1.14%
Southwest Gas	62,918,000	0.77%
Raytheon	58,986,547	0.72%
Arizona Portland Cement Co.	23,468,354	0.29%
DND Neffson Co.	19,554,750	0.24%
Trico Electric Co-Op Inc.	17,164,573	0.21%
SCG Tucson Property LLC (Westin Hotel)	15,959,030	0.19%
Starr Pass Resort Developments LLC	<u>15,100,130</u>	<u>0.18%</u>
	<u>\$552,043,304</u>	<u>6.72%</u>

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

Source: Pima County Assessor's office.

Record of Real and Secured Personal Property Taxes Levied and Collected

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

<u>Fiscal Year</u>	<u>Real and Secured Personal Property Tax Levy</u>	<u>Fiscal Year Collections (a)</u>		<u>Total Collections (b)</u>	
		<u>Amount</u>	<u>Percent of Tax Levy</u>	<u>Amount</u>	<u>Percent of Tax Levy</u>
2007-08	\$362,534,617	(c)	(c)	\$ 69,307,855	19.12%
2006-07	330,240,186	\$318,519,807	96.45%	324,767,662	98.34%
2005-06	302,126,724	292,019,235	96.65%	301,662,819	99.85%
2004-05	281,171,502	271,480,760	96.55%	280,658,166	99.82%
2003-04	260,569,500	250,928,829	96.30%	260,557,397	100.00%
2002-03	241,415,870	231,618,482	95.94%	241,378,589	99.98%
2001-02	228,476,979	218,191,563	95.50%	228,624,507	100.06%

- (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 October 31, 2007 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
2007-08	\$3.6020	\$1.4654	\$5.0674
2006-07	3.8420	1.4986	5.3406
2005-06	4.0720	1.3891	5.4611
2004-05	4.0720	1.4247	5.4967
2003-04	4.0720	1.4261	5.4981

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

Debt Limitation

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

Net Secondary Assessed Valuation (FY 2007-08)	\$8,220,395,835
15% Constitutional Limitation	1,233,059,375
Net Direct General Obligation Bonds Outstanding	389,590,000*
Unused 15% Limitation	<u>\$ 843,469,375</u>

*Preliminary, subject to change.

General Obligation Bonded Debt to be Outstanding

The following chart lists the outstanding general obligation bonded debt of the County that will be outstanding after the issuance of the Bonds.

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Original Purpose</u>	<u>Maturity Dates</u>	<u>Average Int. Rates</u>	<u>Remaining Balance Outstanding</u>
05-01-98	\$42,420,000	Various Improvements	7-1-99/13	4.620%	\$ 14,050,000
10-01-99	50,000,000	Various Improvements	7-1-00/10	5.040%	11,115,000
08-01-00	50,000,000	Various Improvements	7-1-01/14	4.760%	21,000,000
07-01-01	17,835,000	Refunding	7-1-03/09	4.410%	4,465,000
01-01-02	20,000,000	Various Improvements	7-1-02/16	4.000%	8,500,000
01-15-03	50,000,000	Various Improvements	7-1-03/17	3.900%	37,100,000
06-01-04	65,000,000	Various Improvements	7-1-05/19	4.207%	50,430,000
05-01-05	65,000,000	Various Improvements	7-1-06/20	4.016%	52,315,000
01-01-07	95,000,000	Various Improvements	7-1-07/21	4.028%	90,615,000
Total General Obligation Bonded Debt Outstanding					\$289,590,000
Plus: The General Obligation Bonds, Series 2008 (a)					100,000,000*
Total General Obligation Bonded Debt to be Outstanding					<u>\$389,590,000*</u>

(a) The General Obligation Bonds, Series 2008 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 General Obligations Bonds, Series 2008, being issued concurrently with the Bonds under a separate official statement.

<u>Fiscal Year</u> <u>June 30</u>	<u>Existing General Obligation Bonded Debt Outstanding</u>		<u>Series 2008 Bonds (a)</u> <u>Dated: February 15, 2008*</u>		<u>Total Debt Service Requirement*</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal*</u>	<u>Interest (a)*</u>	
2008	\$31,255,000	\$12,342,680	\$10,000,000	\$1,888,889	\$55,486,569
2009	25,660,000	10,939,280	8,000,000	4,500,000	49,099,280
2010	25,080,000	9,782,230	3,500,000	4,100,000	42,462,230
2011	22,740,000	8,657,200	3,500,000	3,925,000	38,822,200
2012	23,355,000	7,637,850	3,750,000	3,750,000	38,492,850
2013	24,005,000	6,593,800	4,000,000	3,562,500	38,161,300
2014	22,360,000	5,527,200	4,250,000	3,362,500	35,499,700
2015	20,015,000	4,533,675	4,500,000	3,150,000	32,198,675
2016	20,355,000	3,648,806	4,750,000	2,925,000	31,678,806
2017	20,940,000	2,775,300	5,000,000	2,687,500	31,402,800
2018	17,660,000	1,903,100	5,500,000	2,437,500	27,500,600
2019	18,535,000	1,238,088	7,500,000	2,162,500	29,435,588
2020	13,785,000	554,750	8,000,000	1,787,500	24,127,250
2021	3,845,000	115,350	12,750,000	1,387,500	18,097,850
2022			15,000,000	750,000	15,750,000

(a) The General Obligation Bonds, Series 2008 are being issued concurrently with the sale of the Bonds under a separate Official Statement. The first interest payment date is July 1, 2008. Interest is estimated at an average annual rate of 5.00%

*Preliminary, subject to change.

Net Direct and Overlapping General Obligation Bonded Debt

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

Jurisdiction	2007-08 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	\$71,837,099,233	None	100%	None	\$0.0000
Pima County *	8,220,395,835	\$389,590,000	100%	\$389,590,000	4.8228 (b)
Pima County Flood Control District (c)	7,412,190,230	1,470,000	100%	1,470,000	0.3446
Elementary School Districts	284,785,948	2,340,000	100%	2,340,000	2.3491 (d)
Unified School Districts	6,573,518,237	545,975,000	100%	545,975,000	6.5805 (d)
Cities and Towns	3,935,967,898	283,300,610	100%	283,300,610	0.7446 (d)
Pima County Community College District	8,220,395,835	51,155,000	100%	51,155,000	1.1845
Total				<u>\$1,273,830,61</u>	

*Preliminary, subject to change.

Jurisdiction	2007-08 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding (a)(f)	Combined Tax Rate Per \$100 Assessed Valuation (e)
State of Arizona	\$71,837,099,233	None	None
Pima County	8,220,395,835	\$389,590,000	\$4.8228
Pima County Flood Control District (c)	7,412,190,230	1,470,000	0.3446
Pima County Community College District	8,220,395,835	51,155,000	1.1845
Elementary School Districts:			
San Fernando ESD #35	879,854	None	3.7900
Empire ESD #37	5,792,332	None	7.5703
Continental ESD #39	312,815,492	2,340,000	1.8970
Redington ESD #44	1,387,480	None	4.8952
Altar Valley ESD #51	30,747,110	None	5.8086
Unified School Districts:			
Tucson USD #1	3,436,034,593	302,460,000	7.0500
Marana USD #6	750,524,308	60,085,000	5.7887
Flowing Wells USD #8	211,004,208	9,590,000	6.5674
Amphitheater USD #10	1,491,531,478	48,260,000	5.8221
Sunnyside USD #12	427,585,731	36,515,000	8.1490
Tanque Verde USD #13	203,700,324	3,330,000	5.1033
Ajo USD #15	16,569,664	None	4.8627
Catalina Foothills USD #16	634,764,455	38,885,000	6.3942
Vail USD #20	414,650,850	25,575,000	6.5941
Sahuarita USD #30	267,293,853	21,275,000	6.1807
Indian Oasis USD #40	1,059,349	None	0.0000
Cities and Towns:			
City of Tucson	3,484,462,013	283,300,610	1.1321
City of South Tucson	23,236,307	None	0.2258
Town of Marana	413,365,306	None	0.0000
Town of Oro Valley	582,267,868	None	0.0000
Town of Sahuarita	172,808,844	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 \$0.3975 tax rate of the Free Library District, the \$0.1000 tax rate of the Central Arizona Project and the \$0.0383 tax rate of the Fire District Assistance Tax.
- (c) The boundaries of the Pima County Flood Control District are coterminous with those of Pima County; however, the Flood Control District only levies taxes on real property.
- (d) The tax rate shown is a weighted average based on each jurisdiction's proportionate amount of secondary assessed valuation.
- (e) The combined tax rate includes the tax rate for debt service payments, which is based on the secondary assessed valuation of the entity, and the tax rate for all other purposes such as maintenance and operation and capital outlay, which is based on the primary assessed valuation of the municipality or school district.
- (f) The following table lists general obligation bonds authorized but unissued for the County and jurisdictions within the County after the issuance of the County's Bonds.

<u>Jurisdiction (g)</u>	<u>Authorized But Unissued General Obligation Bonds</u>
Pima County	\$378,681,000
Tucson Unified School District No. 1	131,000,000
City of Tucson	None**
Indian Oasis Unified School District No. 40	500,000

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

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

Net Direct and Overlapping General Obligation Bonded Debt Ratios

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

	Per Capita Net Debt (Pop. @ 981,280) (a)	As Percent of County's 2007-08	
		Secondary Assessed Valuation (\$8,220,395,835)	Est. Actual Valuation (\$66,494,590,856)
Net Direct General Obligation Bonded Debt (\$389,590,000) (b)	\$ 397.02	4.74%	0.59%
Net Direct and Overlapping General Obligation Bonded Debt (\$1,273,830,610)	\$1298.13	15.50%	1.92%

(a) Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Economic Security, Population Statistics, July 2006.

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

Sewer Revenue Debt Outstanding

The following chart includes the outstanding sewer revenue debt of the County that will be outstanding after the issuance of the proposed Sewer Revenue Bonds, Series 2008.

Date of Issue	Original Amount	Purpose	Remaining Maturity Dates	Balance Outstanding
03-01-96	\$11,313,350	Refunding (a)	7-1-97/12	\$ 7,132,381
08-06-97	7,500,000	Sewer Improvements (a)	7-1-00/11	3,101,892
05-01-98	29,185,000	Sewer Improvements	7-1-99/15	15,555,000
10-27-00	61,180,286	Sewer Improvements (a)(b)	7-1-02-16	46,091,698
04-01-01	19,440,000	Refunding	7-1-02/15	13,845,000
05-01-04	25,770,000	Refunding	7-1-05/15	20,555,000
05-11-04	19,967,331	Sewer Improvements (a)(d)	7-1-05/24	19,967,331
01-01-07	50,000,000	Sewer Improvements	7-1-07/26	47,335,000
Total Sewer Revenue Bonded Debt Outstanding				\$173,583,302
Plus: The proposed Series 2008 Sewer Revenue Bonds (c)				75,000,000*
Total Sewer Revenue Bonds Outstanding				\$248,583,302*

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

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

(c) The Sewer Revenue Bonds, Series 2008 are expected to be issued in May, 2008.

(d) May 11, 2004, the County entered into certain Loan Agreements with WIFA totaling \$18,015,219. In September 2005, the County amended those Loan Agreements and added an additional \$1,952,112.

Lease, Lease-Purchase and Purchase Agreements

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

*Preliminary, subject to change.

County Department	Fiscal Year (in Thousands)			
	2003-04	2004-05	2005-06	2006-07
Clerk of Superior Court	\$ 195	\$147	\$31	\$ 82
Juvenile Court	74			
Public Works Building	1,643			
Sheriff	42	42	42	21
Fiscal Year Total	\$1,954	\$189	\$74	\$103

Source: Pima County Finance and Risk Management Department.

Certificates of Participation

The following chart indicates the outstanding certificates of participation of the County that will be outstanding after the proposed issuance of the Certificates of Participation Obligations, Series 2008.

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	22,550,000
05-01-07	30,320,000	New Money	7-1-08/22	30,320,000
Total Certificates of Participation Obligations Outstanding				\$56,870,000
Plus: The proposed Series 2008 Certificates of Participation (a)				40,000,000*
Total Certificates of Participation to be Outstanding				\$96,870,000*

(a) The Certificates of Participation, Series 2008 are expected to be issued in April, 2008.

Retirement Plans

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

Other Post Employment Benefits

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

The County currently provides its retired employees, their spouses and survivors continuing access to health care insurance through the County's health plan. However, participating retirees must pay 100% of applicable health care insurance premiums. County employees, their spouses and survivors may also be eligible for certain retiree health care benefits under health care programs provided by the State. Employees on long-term disability and their spouses may also qualify for retiree health care benefits through the State. It is expected that substantially all the County employees that reach normal or early retirement age while working for the County will become eligible for such benefits. Currently, such retirees may obtain the health care benefits offered by the State by paying the applicable health care insurance premium; such plan is available to all participants, whether retired or not, in the State's health care program. The County makes no payments for OPEB costs for such retirees.

The County believes that the State is intending to commission an actuarial valuation of the OPEB costs associated with the health care programs available to retirees through the State in order to meet the requirements of GASB 45. It is presently undetermined by the County what impact, if any, such valuation may have on the County's future financial reporting as required by GASB 45.

*Preliminary, subject to change.

Management Review of Financial Condition

During the last year, national and world business news reports have focused on the perceived supply-of-capital crisis among financial institutions relating to the rapid increase and then drop in the housing markets in recent years and the large number of sub-prime mortgage loans made during that period. During 2007, Arizona, including Pima County, as well as many other locations in the United States, generally saw increases in the rate of homes going to foreclosure, a slowing of sales of new and existing homes, a flattening or decline in sale prices and a slowing of new home and related construction. As a state with a growing population, the construction and real estate sectors constitute important sources for employment and tax revenues for the State and the County.

The State's ability to attract additional people has historically served as a mitigating economic factor in past real estate downturns, by increasing demand for new and existing homes and related facilities. While population growth in both the State and the County is still expected to be strong, it will likely be slower compared to prior years, due in part to the difficulty new residents to the State will have in selling their houses at their state of origin. The large inventory of unsold homes in the State and the County is being absorbed at a slower rate and, in some cases, at sale prices lower than sellers paid to purchase them. New home construction in the County has already declined to levels not seen since the late 1990's. Sales prices of homes being sold are slowly declining, which means valuations for taxing purposes are expected to be relatively flat for the next few years, with little or no growth. The County is unable to determine whether or when circumstances or trends may return to historic norms and has taken the foregoing expectations into account in determining the size, and amortization schedules, for its current financings and the timing for future bond issues.

The County's revenues for Fiscal Year 2007-08 and 2008-09 are expected to be less than budgeted or forecasted amounts for such periods, largely due to lower revenues from residential building permits and State-shared sales taxes. In addition, the State of Arizona is facing budget deficits for Fiscal Year 2007-08 that is reported to be in excess of \$800 million and for 2008-09 that is reported to be in excess of \$1.0 billion, as a result of lower than expected revenues, and the State will be required to address such projected deficits during the current legislative session. Although no specific proposal has been adopted, in past years when the State was facing budget difficulties, the State has shifted some of its costs to local jurisdictions either by charging cities, towns and counties additional mandatory payments or by reducing the share of State-shared revenues distributed to the cities, towns and counties. The County cannot determine whether any such provisions will be enacted or how they may affect the County or its financial position. The County is required by statute to adopt a balanced budget each year and has implemented cost-cutting measures for the current fiscal year and will be incorporating similar measures in its budget for the 2008-09 fiscal year to address the reduction in State-shared revenues and any potential increased cost shifting from the State to cities, towns and counties. In addition to expenditure reductions, the County established a Budget Stabilization Fund in Fiscal Year 2006-07, to be used for unanticipated fluctuations in revenues or expenditures, which now has an approximately \$8.5 million cash balance, and the County has also budgeted for an ending General Fund balance for Fiscal Year 2007-08 of at least five percent of annual General Fund revenues. Both of these measures are expected to aid the County substantially in being able to meet budgetary constraints as they arise.

In 2004, the County closed the County-operated Kino Community Hospital and leased the hospital ground and buildings to University Physicians Healthcare (UPH), a nonprofit corporation, which opened a privately owned and operated hospital on the site. The original lease agreement between the County and UPH called for \$127 million of fees to be paid to UPH over the first 10 years of the lease, in decreasing amounts, for the transition to a new hospital. At the request of UPH, the County amended its contract with UPH in Fiscal Year 2006-07 to accelerate, but not increase, the payments called for by the lease. UPH is continuing efforts to make the hospital financially self sufficient. The County has now paid UPH \$85 million of the total \$127 million pledged. Under the terms of the amended lease with UPH, the County will pay \$25 million in the 2008-09 fiscal year and will continue to pay the \$17 million balance over the following two fiscal years. UPH has indicated that by the end of the fiscal year 2008-09 it intends to ask the County to provide additional long term funding for its operations. The County has not taken action on this matter. Any future decision by the County to alter the agreement with UPH would be made with full consideration of the impact it would have on other operations of the County and the need for the County to continue to maintain a balanced budget.

Pima County, and other counties in Arizona, may also be impacted by two pending property valuation cases involving two communication companies, Qwest Communications and Cox Communications. Because the valuations of such property, which is located in various counties in the State, are made by the Arizona Department of Revenue (ADOR) rather than by individual county assessors, these cases are being handled and defended by ADOR. Each company has appealed the amount of its assessed property valuations in prior tax years. Although each company is seeking substantial reduction in its prior years' valuations, the ultimate amount of any settlement or judgment cannot be determined currently. The County believes that its share of any such settlement or judgment would not significantly impact its operations or ability to meet its obligations.

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

	Actual				
	2002-03	2003-04	2004-05	2005-06	2006-07
Revenues by Source:					
Taxes	\$258,375	\$279,527	\$300,972	\$321,474	\$348,700
Special Assessments	1,023	505	244	215	521
Licenses and Permits	6,087	6,566	7,265	7,452	7,132
Intergovernmental	245,378	273,225	278,414	291,059	303,392
Charges for Services	35,721	43,505	53,568	63,582	63,508
Fines and Forfeits	5,047	5,010	5,967	6,014	6,550
Interest Income	4,152	2,656	5,181	11,379	13,988
Miscellaneous	10,356	11,918	14,806	13,165	17,544
Total Revenues	566,139	622,912	666,417	714,340	761,335
Expenditures by Fund:					
General	308,917	323,591	372,899	402,811	421,486
Special Revenues	149,633	161,716	160,614	170,696	200,569
Debt Service	57,563	60,828	56,067	66,829	68,618
Capital Projects	97,147	103,167	127,632	121,007	202,659
Total Expenditures	613,260	649,302	717,212	761,343	893,332
Excess of Revenues Over (Under)					
Expenditures	(47,121)	(26,390)	(50,795)	(47,003)	(131,997)
Other Financing Sources (Uses):					
Premium on bonds	0	0	0	0	1,429
Proceeds of Long-Term Debt	85,247	65,148	116,450	4,836	146,320
Proceeds of Refunding Bonds	0	6,880	0	0	0
Payment to Refunded Bond Escrow Agent	0	(6,846)	0	0	0
Gain on Investment	0	0	0	3	0
Operating Transfers In (Out)	(15,140)	(21,333)	3,046	3,685	(599)
Capital Leases	177	0	0	231	0
Sale of General Fixed Assets	37	406	27	416	1,426
Total Other Financing Sources (Uses)	70,321	44,255	119,523	9,171	148,576
Extraordinary item.					
Loss From State Treasurer's Local Government Investment Pool	(6,237)	0	0	0	
Net Change in Fund Balance	16,963	17,865	68,728	(37,832)	16,579
Beginning Fund Balance, as restated	147,803	165,395	182,894	252,007	214,292
Changes in Reserve for Inventory	629	(379)	398	(188)	(209)
Changes in Reserve for Prepaids	0	13	(13)	11	(2)
Ending Fund Balance	\$165,395	\$182,894	\$252,007	\$213,998	\$230,660

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

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

	Actual				
	2002-03	2003-04	2004-05	2005-06	2006-07
General					
Reserved	\$ 2,549	\$ 7,068	\$ 4,056	\$ 5,152	\$ 8,889
Unreserved	30,999	25,628	33,171	46,423	48,671
	33,548	32,696	37,227	51,575	57,560
Special Revenue					
Reserved	3,623	3,399	2,742	5,111	5,933
Unreserved	42,312	45,325	54,232	64,961	69,773
Designated				1,044	
	45,935	48,724	56,974	71,116	75,706
Debt Service					
Reserved	3,078	4,202	10,004	6,673	7,946
Unreserved			152	162	
	3,078	4,202	10,156	6,835	7,946
Capital Projects					
Reserved	41	2	0	0	120
Unreserved	82,793	97,270	147,650	84,472	89,328
	82,834	97,272	147,650	84,472	89,448
Total Fund Balance	\$165,395	\$182,894	\$252,007	\$213,998	\$230,660

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

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

	Actual				
	2002-03	2003-04	2004-05	2005-06	2006-07
Revenues by Source:					
Taxes	\$194,552	\$209,672	\$225,959	\$242,948	\$252,350
Licenses and Permits	2,010	2,166	2,350	2,536	2,795
Intergovernmental	112,530	120,058	125,203	143,982	152,271
Charges for Services	23,750	24,133	24,905	27,102	33,604
Fines and Forfeits	4,111	4,023	5,035	5,786	5,526
Interest Income	1,015	530	1,357	2,491	3,321
Miscellaneous	2,884	2,132	4,435	4,935	6,828
Total Revenues	340,852	362,174	389,244	429,780	456,695
Expenditures:					
Current					
General Government	110,813	120,755	160,378	168,394	181,329
Public Safety	90,375	100,650	84,694	96,687	106,825
Sanitation	0	0	0	0	0
Health	2,762	2,898	2,189	2,401	2,526
Welfare	84,130	76,619	96,996	102,496	96,684
Culture & Recreation	12,858	14,448	11,236	13,104	14,694
Education & Econ. Opport.	4,812	5,578	14,637	16,682	16,407
Debt Service:					
Principal	1,550	1,610	1,440	1,750	1,785
Interest	1,613	1,030	1,324	1,292	1,230
Miscellaneous	4	3	5	5	6
Total Expenditures	308,917	323,591	372,899	402,811	421,486
Excess of Revenues Over (Under) Expenditures	31,935	39,123	16,345	26,969	35,209
Other Financing Sources (Uses):					
Proceeds of Long-Term Debt	0	0	0	0	0
Sale of General Fixed Assets	0	2	8	22	0
Operating Transfers In (Out)	(27,799)	(39,977)	(11,822)	(12,643)	(29,224)
Total Other Financing Sources (Uses):	(27,799)	(39,975)	(11,814)	(12,621)	(29,224)
Extraordinary item:					
Loss from State Treasurer's Local Government Investment Pool	(1,730)	0	0	0	0
Net Change in Fund Balance	2,406	(852)	4,531	14,348	5,985
Beginning Fund Balance, as restated	31,142	33,548	32,696	37,227	51,575
Ending Fund Balance	\$33,548	\$32,696	\$37,227	\$51,575	\$57,560

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

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FORM OF OPINION OF BOND COUNSEL

[Date of Closing]

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 \$25,000,000* aggregate principal amount of bonds designated the Pima County, Arizona, Street and Highway Revenue Bonds, Series 2008 (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 February 12, 2008* (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.

*Preliminary, subject to change.

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, 2007

The following are excerpts from the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. The County has not requested the State of Arizona Auditor General to perform any review of the County's Comprehensive Annual Financial Report subsequent to June 30, 2007. 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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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, two major funds, and the component unit, which account for the following percentages of the assets, liabilities, revenues, and expenses or expenditures of the opinion units affected:

Opinion Unit/Department	Assets	Liabilities	Revenues	Expenses/ Expenditures
<u>Government-Wide Statements</u>				
Governmental Activities:				
Stadium District	0.10%	0.04%	0.33%	0.67%
School Reserve Fund	0.15%	0.04%	0.41%	0.43%
Self Insurance Trust	2.72%	5.42%	0.38%	0.29%
Business-Type Activities:				
Wastewater Management	92.50%	86.57%	26.91%	26.18%
Pima Health System & Services	4.92%	12.71%	63.68%	69.50%
Development Services	1.75%	0.67%	2.95%	4.10%
Self Insurance Trust	0.00%	0.00%	0.00%	0.16%
Component Unit—Southwestern Fair Commission	100.00%	100.00%	100.00%	100.00%

Opinion Unit/Department	Assets	Liabilities	Revenues	Expenses/ Expenditures
<u>Fund Statements</u>				
Major Funds:				
Wastewater Management	100.00%	100.00%	100.00%	100.00%
Pima Health System & Services	100.00%	100.00%	100.00%	100.00%
Aggregate Remaining Fund Information:				
Stadium District	0.28%	0.15%	0.94%	0.78%
School Reserve Fund	0.42%	0.16%	1.08%	0.93%
Development Services	2.39%	1.02%	3.68%	4.79%
Self Insurance Trust	7.59%	22.93%	6.16%	4.76%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 13 through 27, the budgetary comparison schedule on pages 71 through 72, and the Schedule of Agent Retirement Plans' Funding Progress on page 73 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

December 19, 2007

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Management's Discussion and Analysis

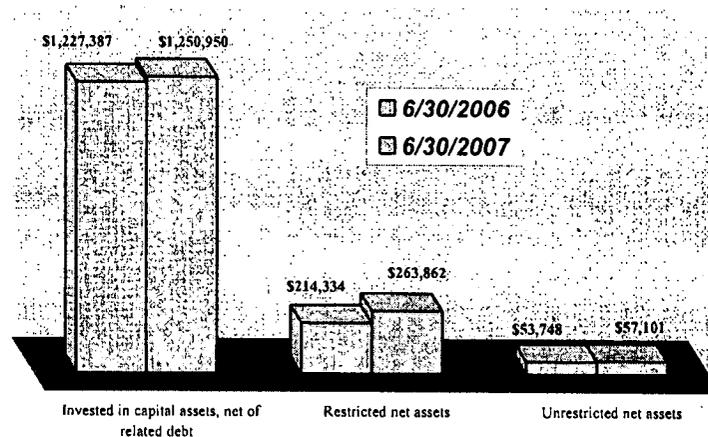
Management's Discussion & Analysis

This section of Pima County's comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the year ended June 30, 2007, 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, 2007, the County's combined assets exceeded combined liabilities (*net assets*) by \$1,571,913, an increase of 5.1% from the prior year. Of this amount, \$57,101 is available for general government expenditures (*unrestricted net assets*), \$263,862 is restricted for specific purposes (*restricted net assets*), and \$1,250,950 is invested in capital assets, net of related debt and accumulated depreciation.

Comparative Composition of Net Assets



- Of the total fund balances of the County's governmental funds, total fund balance increased \$16,662 to \$230,660, with \$207,772 of this amount available for expenditure. The amount available for expenditure is comprised of \$48,671 for the General fund, \$89,328 for the Capital Projects fund and \$69,773 for the County's other governmental funds.
- The General fund unreserved fund balance increased \$2,248 from the previous year to \$48,671. This balance represents approximately 11.5% of the County's General fund expenditures and 5.5% of total governmental funds expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of four components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements. Required supplementary information (4) 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, sanitation, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include Pima Health System & Services, Wastewater Management, Development Services and the County's downtown parking garages.

A discretely presented component unit is included in the basic financial statements and consists of a legally separate entity for which the County is financially accountable. The County reports the Southwestern Fair Commission, which operates the County Fairgrounds and the annual Pima County Fair, as a discretely presented component unit.

The government-wide financial statements can be found on pages 29-31 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 can be divided into three categories: (1) *governmental funds*, (2) *proprietary funds*, and (3) *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Capital Projects funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental fund financial statements can be found on pages 32-35 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 graphic services and telecommunications. 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 System & Services operations are considered to be major funds of the County. Data from the other enterprise funds are combined into a single, aggregated presentation. Similarly, the County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the other enterprise and internal service funds are provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages 36-39 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 40-41 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 42-69 of this report.

Required Supplementary Information (RSI) is presented concerning the County's General fund budgetary schedule and the schedule of retirement plans' funding progress. Required supplementary information can be found on pages 71-73 of this report.

Combining Statements and Other 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 76-106 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. County assets exceeded liabilities by \$1,571,913 at June 30, 2007. The following table shows condensed information for the Schedule of Assets, Liabilities, and Net Assets:

Table 1
Schedule of Assets, Liabilities, and Net Assets
At June 30, 2007

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2006-2007	2005-2006*	2006-2007	2005-2006	2006-2007	2005-2006*
Current and other assets	\$ 369,780	\$ 342,488	\$ 153,227	\$ 114,925	\$ 523,007	\$ 457,413
Capital assets:						
Land, buildings, equipment, infrastructure & other	1,258,762	1,146,334	646,309	597,365	1,905,071	1,743,699
Total assets	<u>1,628,542</u>	<u>1,488,822</u>	<u>799,536</u>	<u>712,290</u>	<u>2,428,078</u>	<u>2,201,112</u>
Current and other liabilities	90,562	83,175	51,327	40,048	141,889	123,223
Long-term liabilities	538,529	446,000	175,747	136,420	714,276	582,420
Total liabilities	<u>629,091</u>	<u>529,175</u>	<u>227,074</u>	<u>176,468</u>	<u>856,165</u>	<u>705,643</u>
Net assets :						
Invested in capital assets, net of related debt	774,000	761,130	476,950	466,257	1,250,950	1,227,387
Restricted	179,195	160,053	84,667	54,281	263,862	214,334
Unrestricted	46,256	38,464	10,845	15,284	57,101	53,748
Total net assets	<u>\$ 999,451</u>	<u>\$ 959,647</u>	<u>\$ 572,462</u>	<u>\$ 535,822</u>	<u>\$ 1,571,913</u>	<u>\$ 1,495,469</u>

*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 and equipment), less any related outstanding debt used to acquire those assets. As of June 30, 2007, investment in capital assets totaled \$1,250,950, comprising approximately 79.6% 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 \$23,563 increase in capital assets, net of related debt, is primarily due to the significant amount of capital project activity that has been completed and capitalized over the past year. Although the County's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. As of June 30, 2007, restricted net assets totaled \$263,862 and comprised approximately 16.8% of total net assets. This represents a \$49,528 increase in restricted net assets from the \$214,334 balance of fiscal year 2005-06.

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, 2007, unrestricted net assets totaled \$57,101 and comprised approximately 3.6% of total net assets.

Governmental activities

Governmental activities contributed \$39,804, or 52.1% of the County's \$76,444 increase, in total net assets during fiscal year 2006-07. The following table shows changes in net assets for governmental activities:

Table 2
Governmental Activities
Schedule of Changes in Net Assets
For the Years Ended June 30, 2007 and 2006

	Fiscal Year		Variance	
	2006-2007	2005-2006*	Amount	Percent
Program revenues:				
Charges for services	\$ 66,898	\$ 72,121	\$ (5,223)	-7.2%
Operating grants and contributions	139,324	133,407	5,917	4.4%
Capital grants and contributions	15,085	12,188	2,897	23.8%
Total program revenues	221,307	217,716	3,591	1.6%
General revenues:				
Property taxes	343,525	316,170	27,355	8.7%
State-shared taxes	133,952	129,052	4,900	3.8%
Investment earnings	16,439	12,942	3,497	27.0%
Other general revenues	46,576	35,720	10,856	30.4%
Total general revenues	540,492	493,884	46,608	9.4%
Total revenues	761,799	711,600	50,199	7.1%
Expenses:				
General government	223,266	208,293	14,973	7.2%
Public safety	148,831	132,583	16,248	12.3%
Highways and streets	92,985	70,392	22,593	32.1%
Sanitation	9,623	7,258	2,365	32.6%
Health	33,800	32,043	1,757	5.5%
Welfare	97,154	103,085	(5,931)	-5.8%
Culture and recreation	55,482	34,510	20,972	60.8%
Education and economic opportunity	42,483	39,517	2,966	7.5%
Unallocated depreciation and amortization	168	165	3	1.8%
Interest on long-term debt	18,924	19,463	(539)	-2.8%
Total expenses	722,716	647,309	75,407	11.7%
Excess before transfers	39,083	64,291	(25,208)	-39.2%
Transfers in (out)	721	(134)	855	-638.1%
Change in net assets	39,804	64,157	(24,353)	-38.0%
Ending net assets	\$ 999,451	\$ 959,647	\$ 39,804	4.2%

*As restated - See Note 2 of the financial statements

- Key elements of the change in net assets from governmental activities include: Program revenues increased \$3,591, reflecting increases in Operating grants and contributions and Capital grants and contributions of \$8,814 and a decrease of \$5,223 in Charges for services.
 - Revenue from Operating grants and contributions increased by \$5,917 due primarily to an increase of \$8,886 in the function class culture and recreation. The County received \$6,038 in city funding for transition costs of the County Free Library system. In addition, there was a \$4,943 increase in highways and streets functional category due primarily to increased state funding for highway user fees, vehicle license tax, and lottery revenue.

- Revenue from Capital grants and contributions increased by \$2,897 due primarily to an increase of \$3,928 in the function class highways and streets. The County received \$4,765 in Urban-area HURF monies from the Pima Association of Governments for the Valencia Road: Mission to I-19 project.
- Revenue from Charges for services decreased by \$5,223 due primarily to a decline in the home construction industry. Impact fee revenue has decreased by \$7,711, a direct result of the decrease in residential building permits issued.
- General revenues increased by \$46,608, primarily due to increases in property taxes and other general revenues. Increases in real property assessed valuations were the primary factor creating a \$27,355 increase in property tax revenues. Other general revenue increased by \$10,856, due to increased land and building contributions and rent revenue from newly acquired buildings.
- Total expenses for governmental activities increased by \$75,407 due to the following:
 - Expenses for Highways and streets increased by \$22,593, due primarily to capital project expenditures for other governmental agencies.
 - An increase of \$20,972 in the culture and recreation function expenditures was primarily due to the transition of public library branches from the City of Tucson to the County Free Library District.
 - The increase in expenditures for public safety of \$16,248 is due primarily to an increase in personnel services due to salary and retirement rate increases and an increase in capital project expenditures.
 - Expenditures for general government increased by \$14,973, primarily attributable to salary adjustments of 4.5% for County employees.

Business-type activities

Business-type activities contributed \$36,640, or 47.9%, of the County's increase of \$76,444 in total net assets during the year ended June 30, 2007. The following table shows changes in net assets for business-type activities:

Table 3
Business-type Activities
Schedule of Changes in Net Assets
For the Years Ended June 30, 2007 and 2006

	Fiscal Year		Variance	
	2006-2007	2005-2006	Amount	Percent
Program revenues:				
Charges for services	\$ 376,195	\$ 376,874	\$ (679)	-0.2%
Operating grants and contributions	5,174	4,997	177	3.5%
Capital grants and contributions	803	449	354	78.8%
Total program revenues	382,172	382,320	(148)	0.0%
General revenues:				
Capital contributions	25,217	14,607	10,610	72.6%
Investment earnings	5,510	3,849	1,661	43.2%
Other general revenues	1,522	1,348	174	12.9%
Total general revenues	32,249	19,804	12,445	62.8%
Total revenues	414,421	402,124	12,297	3.1%
Expenses:				
Wastewater Management	98,222	82,701	15,521	18.8%
Pima Health System & Services	261,859	256,583	5,276	2.1%
Development Services	15,400	14,422	978	6.8%
Parking Garages	1,579	1,479	100	6.8%
Total expenses	377,060	355,185	21,875	6.2%
Excess before transfers	37,361	46,939	(9,578)	-20.4%
Transfers in (out)	(721)	134	(855)	-638.1%
Change in net assets	36,640	47,073	(10,433)	-22.2%
Ending net assets	\$ 572,462	\$ 535,822	\$ 36,640	6.8%

Key elements of the change in net assets from business-type activities include:

- Revenue for Capital contributions increased by \$10,610. Wastewater Management received developer conveyed capital assets with an estimated fair value of \$25,421 for the fiscal year 2006-07.
- Investment earnings increased by \$1,661 due primarily to higher average cash balances and an increase in interest rates to 5.2%. Wastewater Management issued sewer revenue bonds in January 2007, which contributed to the higher cash balance.
- Expenses for Wastewater Management increased by \$15,521 due primarily to increases of \$2,056 in employee compensation, the result of salary adjustments of 4.5% for County employees, \$2,258 in operating supplies, \$2,042 in general & administrative, \$2,573 in depreciation, \$1,434 loss on disposal of equipment, and \$1,875 in interest expense.
- Expenses for Pima Health System & Services increased by \$5,276 due primarily to increases of \$3,139 in medical & health care claims due to inflation and \$1,200 in transition costs for the new Abrams Public Health Center.

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, 2007, the County's governmental funds reported combined fund balances of \$230,660, an increase of \$16,662 from the prior year. Approximately 90.1% of the combined fund balances, or \$207,772, constitutes unreserved and undesignated fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has been committed to the following:

- \$9,626 to reflect inventories and prepaid amounts
- \$8,155 to pay debt service
- \$3,276 for specified programs
- \$1,756 to reflect a loan receivable
- \$75 for capital repairs and refurbishments

The General Fund is the chief operating fund of the County. At June 30, 2007, unreserved fund balance of the general fund was \$48,671 while total fund balance reached \$57,560. 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 11.5% of total General fund expenditures, while total fund balance represents 13.7% of that same amount.

Total fund balance for the General Fund increased \$5,985 compared to the prior fiscal year. Revenue increased by \$26,915 due to an increase of \$9,402 for property taxes as a result of increased assessed property valuations, \$8,289 for intergovernmental revenue as a result of increased taxes for sales, transient lodging, and vehicle license, and \$6,502 for charges for services as a result of increased overhead for the Library District. Expenditures increased by \$18,675 primarily due to a rise in personnel services resulting from salary and retirement rate increases. The excess of revenues over expenditures was \$35,209, which is further reduced by net operating transfers out of \$29,224. Operating transfers to other funds were higher for the fiscal year due to increases of \$3,200 for the Facilities Renewal Fund, \$3,000 for public transit costs within the Transportation Fund, \$2,000 for the Information Technology Enhancement Fund, \$3,200 for a Property Tax Rate Stabilization Fund, and \$4,100 for the Space Acquisition Fund.

Total fund balance for the Capital Projects Fund increased \$4,976 compared to the prior fiscal year. The decrease of \$6,444 for total revenue is related to the problems currently affecting the housing market and its impact on construction activity. Expenditures rose by \$81,652 as a result of increases from construction activity on transportation projects of \$21,784, from acquisitions and completions of building projects of \$19,411, and from acquisitions of land under the open space preservation plan of \$15,250. The defi-

ciency of revenues under expenditures was \$173,639, which was offset by the issuance of general obligation bonds of \$95,000, transportation bonds of \$21,000, and certificates of participation of \$30,320. In addition, operating transfers into the fund totaled \$30,549, which included \$11,500 of highway user revenue from the Transportation Fund and \$14,883 of tax levy revenue from the Flood Control District Fund.

Revenues for governmental functions totaled approximately \$761,335 in fiscal year 2006-07, which represents an increase of \$46,698 (6.5%) from the previous year.

The following table presents the amount of revenues from various sources and increases or (decreases) from the prior year.

Table 4
Governmental Funds
Revenues Classified by Source

	Fiscal Year					
	2006-2007		2005-2006*		Variance	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenues by source:						
Taxes	\$ 348,700	45.8%	\$ 321,474	45.0%	\$ 27,226	8.5%
Special assessments	521	0.1%	215	0.0%	306	142.3%
Licenses and permits	7,132	0.9%	7,452	1.1%	(320)	-4.3%
Intergovernmental	303,392	39.9%	291,353	40.8%	12,039	4.1%
Charges for services	63,508	8.3%	63,582	8.9%	(74)	-0.1%
Fines and forfeits	6,550	0.9%	6,014	0.8%	536	8.9%
Interest	13,988	1.8%	11,382	1.6%	2,606	22.9%
Miscellaneous	17,544	2.3%	13,165	1.8%	4,379	33.3%
Total revenues	<u>\$ 761,335</u>	<u>100.0%</u>	<u>\$ 714,637</u>	<u>100.0%</u>	<u>\$ 46,698</u>	<u>6.5%</u>

*As restated - See Note 2 of the financial statements

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

- **Taxes** Revenues from property taxes increased \$27,226. This was the result of continued increases in assessed property valuations and a County Free Library District tax rate increase from \$0.2575 to \$0.3675 per \$100 of net assessed value.
- **Intergovernmental** The \$12,039 increase in intergovernmental revenue was due primarily to a \$9,261 increase in state revenue the major portion of which was an increase in urban-HURF funding for roadway projects. In addition, \$3,637 of sales tax revenue was received for the new Regional Transportation Authority roadway projects.
- **Miscellaneous revenue** The \$4,379 increase in miscellaneous revenue is due primarily to a \$1,893 increase in rents from newly acquired and constructed buildings, a \$1,542 increase in anti-racketeering revenue, and a \$1,233 increase in County Free Library District donations and grants.

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

Table 5
Governmental Funds
Expenditures by Function

Government Function	Fiscal Year					
	2006-2007		2005-2006		Variance	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 222,434	24.9%	\$ 203,881	26.8%	\$ 18,553	9.1%
Public safety	132,930	14.9%	121,229	15.9%	11,701	9.7%
Highways and streets	42,683	4.8%	39,394	5.2%	3,289	8.4%
Sanitation	6,766	0.8%	6,271	0.8%	495	7.9%
Health	32,311	3.6%	30,038	3.9%	2,273	7.6%
Welfare	97,168	10.9%	103,034	13.5%	(5,866)	-5.7%
Culture and recreation	45,197	5.1%	28,561	3.8%	16,636	58.3%
Education and economic opportunity	38,474	4.3%	37,918	5.0%	556	1.5%
Capital outlay	202,659	22.7%	121,007	15.9%	81,652	67.5%
Debt service:						
- Principal	53,733	5.9%	50,547	6.6%	3,186	6.3%
- Interest	18,965	2.1%	19,448	2.6%	(483)	-2.5%
- Miscellaneous	12	0.0%	15	0.0%	(3)	-20.0%
Total expenditures	<u>\$ 893,332</u>	<u>100.0%</u>	<u>\$ 761,343</u>	<u>100.0%</u>	<u>\$ 131,989</u>	<u>17.2%</u>

Total expenditures in governmental funds increased during fiscal year 2006-07 by \$131,989.

- The \$81,652 increase in capital outlay expenditures was due primarily to a \$21,784 increase in roadway construction. In addition, there were increases of \$19,411 in facilities acquisitions and \$15,225 in land acquisitions.
- The \$18,553 increase in general government expenditures was due primarily to a 4.5% salary adjustment for County employees.
- The \$16,636 increase in culture and recreation expenditures resulted from the County assuming responsibility for the operations of all public library branches within the County Free Library District from the City of Tucson.

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 \$13,642 and actual expenditures were less than budgeted expenditures by \$18,049. 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 System and Services, 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
Enterprise Funds
Schedule of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years ended June 30, 2007 and 2006

	Fiscal Year		Variance	
	2006-2007	2005-2006	Amount	Percent
Operating revenues:				
Net patient services	\$ 255,275	\$ 252,034	\$ 3,241	1.3%
Charges for services	84,106	82,162	1,944	2.4%
Other	1,526	1,348	178	13.2%
Total net operating revenues	<u>340,907</u>	<u>335,544</u>	<u>5,363</u>	1.6%
Operating expenses:				
Employee compensation	77,627	73,452	4,175	5.7%
Medical claims	208,122	205,951	2,171	1.1%
Operating supplies & services	11,140	9,105	2,035	22.4%
Utilities	7,253	6,007	1,246	20.7%
Sludge and refuse disposal	1,649	1,298	351	27.0%
Repair and maintenance	6,441	5,184	1,257	24.2%
General and administrative	18,761	14,328	4,433	30.9%
Consultants and professional services	9,649	8,018	1,631	20.3%
Depreciation and amortization	23,844	21,092	2,752	13.1%
Total operating expenses	<u>364,486</u>	<u>344,435</u>	<u>20,051</u>	5.8%
Operating loss	<u>(23,579)</u>	<u>(8,891)</u>	<u>(14,688)</u>	165.2%
Nonoperating revenues (expenses):				
Intergovernmental revenue	12,029	5,904	6,125	103.7%
Interest income	5,556	3,849	1,707	44.4%
Sewer connection fees	30,757	42,220	(11,463)	-27.2%
Interest expense	(6,540)	(4,720)	(1,820)	38.6%
Loss on disposal of capital assets	(1,601)	(22)	(1,579)	7177.3%
Amortization of deferred charges	(109)	(97)	(12)	12.4%
Premium tax	(5,091)	(4,949)	(142)	2.9%
Total nonoperating revenues	<u>35,001</u>	<u>42,185</u>	<u>(7,184)</u>	-17.0%
Income (loss) before contributions and transfers	11,422	33,294	(21,872)	-65.7%
Capital contributions	25,217	14,607	10,610	72.6%
Transfers in	17	156	(139)	-89.1%
Transfers (out)	(738)	(22)	(716)	3254.6%
Change in net assets	<u>\$ 35,918</u>	<u>\$ 48,035</u>	<u>\$ (12,117)</u>	-25.2%

Key activity within the enterprise funds for fiscal year 2006-07 include the following:

- While net operating revenues for the County's Enterprise Funds increased \$5,363, operating expenses increased \$20,051, resulting in an operating loss of \$23,579, or a decline of \$14,688 from the prior year. The operating loss was due to losses reported of \$20,868 by Wastewater Management, \$4,010 by Development Services, and \$41 by Parking Garages, as compared to the operating income reported by Pima Health System and Services of \$1,340.
- Net patient services revenues increased by \$3,241 from fiscal year 2005-06. This is attributable to increased membership enrollment for Pima Health System and Services, which generated increases in capitation revenues.
- Charges for services revenues increased by \$1,944 as compared to the prior year. Wastewater Management reported an increase of \$7,630 due to an increase in sewer utility service fee revenue. Development Services reported a decrease of \$5,902 due to a drop in permit revenue, as a result of a decrease in construction activity.
- Employee compensation expenses increased by \$4,175 from fiscal year 2005-06, due to an increase of \$2,056 for Wastewater Management and an increase of \$1,182 for Development Services. Both increases were primarily due to the Board of Supervisor's approved salary rate increases and position reclassifications.
- Medical claims expense increased by \$2,171 due to the cost of inflation and an increase in enrollment for Pima Health System and Services during the fiscal year.
- Operating supplies & services increased \$2,035 due to Wastewater Management treatment facility and odor control expansion.
- General and administrative expenses increased \$4,433 as compared to the prior year. Pima Health System and Services reported an increase of \$1,200 due to transition costs for the new Abrams Public Health Center. Wastewater Management reported an increase of \$2,041 due to increased interfund charges for motor pool, insurance, and overhead.
- Depreciation and amortization expense increased \$2,752 due to the completion of the Wastewater Management Ina Road Treatment Facility Expansion in June 2006.
- Intergovernmental revenue increased \$6,125 from fiscal year 2005-06. Wastewater Management reported an increase of \$5,855 due primarily to a contract to construct sewer lines for the Federal Bureau of Prisons.
- Sewer connection fees charged by Wastewater Management decreased by \$11,463 due to a significant decline in new construction within the County.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounted to \$1,905,071 (net of accumulated depreciation), an increase of 9.3%. Of the \$161,372 increase in net capital assets, \$112,428 (69.7%) came from governmental activities and \$48,944 (30.3%) came from business-type activities. The County's investment in capital assets consists of land, buildings, sewage conveyance systems, infrastructure, equipment and construction in progress.

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

Table 7
Governmental and Business-type Activities
Capital Assets

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006
Land	\$ 257,387	\$ 222,954	\$ 9,695	\$ 8,706	\$ 267,082	\$ 231,660
Construction in progress	109,307	115,305	35,637	14,842	144,944	130,147
Buildings and improvements	355,608	271,771	239,576	239,799	595,184	511,570
Sewage conveyance system			349,455	327,335	349,455	327,335
Equipment	39,560	38,634	11,946	6,683	51,506	45,317
Infrastructure	496,900	497,670			496,900	497,670
Total	<u>\$ 1,258,762</u>	<u>\$ 1,146,334</u>	<u>\$ 646,309</u>	<u>\$ 597,365</u>	<u>\$ 1,905,071</u>	<u>\$ 1,743,699</u>

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

- Land increased by \$35,422 due primarily to the following acquisitions for governmental activities: \$11,557 for the Goff property, \$5,103 for the Buckelew Farm property, \$5,193 for various other open space acquisitions, \$3,297 for land acquisition related to flood control projects, \$2,217 for land acquisition related to transportation road projects, \$2,100 for the 33 N. Stone Avenue property, \$2,088 for the new justice/municipal court complex property, and \$1,787 for the Sheriff's Emergency Communications Center property.
- Buildings and improvements increased by \$83,614 due primarily to the newly-constructed Abrams Public Health Center for \$26,863, the acquisitions of 33 N. Stone Avenue for \$22,870 and of 3434 E. 22nd Street for \$4,455, the expansion of the Sahuarita Landfill for \$7,529, and the capitalization of the following projects:
 - Brandi Fenton Memorial Park for \$5,610
 - Curtis Park for \$2,713
 - Improvements within the Summerhaven area for \$1,981
 - Picture Rocks pool for \$1,943
 - Midtown Public Library branch for \$1,763
- Sewage conveyance systems increased by \$22,120 due primarily to the contribution of developer-built conveyance systems for \$8,701, the capitalization of the Carillo School/El Paso Street rehabilitation project for \$3,634, and the capitalization of other miscellaneous conveyance rehabilitation projects for \$6,153.

The County's infrastructure assets are recorded at historical cost and estimated historical cost in the government-wide financial statements. Additional information regarding the County's capital assets can be found in Note 5 of the financial statements on pages 53-54 of this report.

Long-term Debt

Significant, comparative long-term debt entered into during the last two fiscal years is presented below:

Table 8
Governmental Activities
Long-Term Debt

	Fiscal Year	
	2006-2007	2005-2006
Bonds issued (at face value):		
General obligation	\$ 95,000	
Street and highway revenue	21,000	
Loans		\$ 4,836
COPs	30,320	
Capital leases		231
Total	<u>\$ 146,320</u>	<u>\$ 5,067</u>

During the fiscal year, the county received \$95,000 in proceeds from the sale of general obligation bonds and \$21,000 from the sale of transportation revenue bonds. As of June 30, 2007, \$13,201 of proceeds from general obligation bonds and \$1,572 from transportation revenue bonds were unspent. The majority of the general obligation bonds were spent on the Sonoran Desert open space and habitat protection plan, public safety, parks and recreational facilities, and public health and community facilities, while proceeds from transportation revenue bonds were allocated to various roadway projects.

In addition, during the fiscal year, the County sold \$30,320 in certificates of participation in order to finance the purchase and remodel of the 33 N. Stone Avenue building, as well as the remodel of the Jackson Employment Center for the Community Services department.

During the fiscal year, Moody's Investors Service raised its' rating on the County's General Obligation Debt Series 2007 from 'A1' to 'Aa3' and on the County's Certificates of Participation Series 2003 from 'A2' to 'A1'. Additionally, Standard & Poor's Ratings Services raised its' rating on the Street and Highway Revenue Bonds Series 2007 to "AA" from "A+".

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its net assessed valuation. The current debt limitation for Pima County is \$1,030,493, which is significantly in excess of Pima County's outstanding general obligation debt.

Additional information regarding the County's debt can be found in Note 7 of the financial statements on pages 56-64 of this report.

Economic Factors and Next Year's Budget

General Government revenues, excluding property tax revenues, is budgeted in fiscal year 2007-08 at \$164.4 million, approximately \$7.7 million more than the budget for fiscal year 2006-07. The slowing in the growth of these revenues is reflective of the overall economy which has been moderated by numerous factors including a downturn in residential construction, slowing rate of increase in housing prices, uncertainty in the sub-prime mortgage market, rising fuel prices and a volatile stock market. Partially offsetting these negative factors are positive components of our State and local economies including continued population growth, relatively low inflation, rising wages and higher commodity prices.

Pima County is slightly less vulnerable to recession than the Phoenix metropolitan area primarily because the employment base is oriented towards national defense and higher education. Both of these sectors are expected to remain strong even though they may not grow substantially in the short term.

New construction has already declined to levels not experienced since the late nineties. Sales prices of homes being sold are slowly declining which will impact valuations for taxing purposes. Employment in

housing construction, real estate and finance are all expected to decline in fiscal year 2007-08 and also into the next fiscal year. Population growth in Pima County will continue to increase but at a slower pace than in the last few years.

The budget for fiscal year 2007-08 has expenditures for the General Fund increasing by approximately \$49.2 million primarily due to the following:

- \$24.5 million additional expenditure authority to provide for a General Fund Reserve equal to 5% of General Fund revenues
- \$15.0 million for advance payment under the agreement with University Physicians Healthcare to operate the former Kino Community Hospital
- \$7.5 million for an employee compensation plan (excluding commissioned and corrections officers) for a 2.1% general salary adjustment, a 2.5% market rate adjustment, and a 0.5% increase for employees who are members of the Arizona State Retirement System whose required contribution will increase by that percentage
- \$6.1 million in supplemental funding for individual departments
- \$2.9 million increase in General Fund Debt Service for certificates of participation issued in connection with the acquisition of the Bank of America building
- \$1.4 million net increase in the County's contribution toward the cost of non-retirement benefits: \$1.8 million net increase in state mandated employer contributions to the various state retirement system; \$1.4 million increase for the County's contribution to individual employees' Health Savings Accounts
- \$2.5 million increase in mileage costs charged to various departments
- \$2.4 million for a 10% increase in the step plan for commissioned officers effective January 6, 2008, a 5% increase in the step plan for correction officers and corrections specialists effective January 6, 2008, and a 10% increase in the step plan for corrections sergeants effective January 6, 2008
- \$1.0 million reserved for potential increases to critically deficient starting salaries - to be based on a pending market study
- \$500,000 reserve to cover the impact of the implementation of voter approved Proposition 100
- \$500,000 reserve for potential Solid Waste Program operating losses
- \$527,000 of various increases identified for General Fund departments that underwent a zero-base budget process
- \$400,000 increase in Restoration to Competency funding
- \$1.5 million net reduction for the primary and general elections held in 2006 partially offset by cost of the planned Presidential Preference Primary scheduled for early 2008
- \$18.7 million reduction in various fiscal year 2006/07 one-time expenditure items
- also includes the annualization of fiscal year 2006/07 supplemental requests, annualization of fiscal year 2006/07 salary adjustments, other position related adjustments, and adjustments for one time 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 and Risk Management Department, 130 W. Congress, 6th Floor, Tucson, AZ, 85701.

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Basic Financial Statements

PIMA COUNTY, ARIZONA
Statement of Net Assets
As of June 30, 2007
(in thousands)

Exhibit A-1

	Primary Government			Component Unit Southwestern Fair Commission
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 280,806	\$ 71,047	\$ 351,853	\$ 1,368
Property taxes receivable (net)	9,219		9,219	
Interest receivable	1,702	524	2,226	
Internal balances	2,343	(2,343)		
Due from other governments	52,665	5,140	57,805	
Accounts receivable (net)	4,941	24,287	29,228	58
Inventories	2,411	3,200	5,611	30
Prepays	8,466	257	8,723	
Special assessments receivable	1,781		1,781	
Other assets	1,532	1,109	2,641	2
Restricted assets:				
Cash and cash equivalents	2,158	50,006	52,164	
Loans receivable	1,756		1,756	
Capital assets not being depreciated:				
Land	257,387	9,695	267,082	
Construction in progress	109,307	35,637	144,944	3
Capital assets being depreciated (net):				
Buildings and improvements	355,608	239,576	595,184	1,598
Sewage conveyance system		349,455	349,455	
Equipment	39,560	11,946	51,506	475
Infrastructure	496,900		496,900	
Total assets	1,628,542	799,536	2,428,078	3,534
LIABILITIES				
Accounts payable	44,546	16,382	60,928	235
Accrued medical and healthcare claims		25,780	25,780	
Interest payable	30	1,359	1,389	
Contract retentions	1,297		1,297	
Employee compensation	34,648	6,575	41,223	
Due to other governments	1,495	181	1,676	
Deposits and rebates	2,410		2,410	24
Deferred revenues	6,136	1,050	7,186	93
Noncurrent liabilities:				
Due within one year	55,616	13,072	68,688	
Due in more than one year	482,913	162,675	645,588	
Total liabilities	629,091	227,074	856,165	352
NET ASSETS				
Invested in capital assets, net of related debt	774,000	476,950	1,250,950	2,076
Restricted for:				
Special revenue	63,014		63,014	
Highways and streets	16,734		16,734	
Debt service	8,980	574	9,554	
Capital projects	90,467	35,480	125,947	8
Wastewater management		38,628	38,628	
Healthcare		9,985	9,985	
Unrestricted	46,256	10,845	57,101	1,098
Total net assets	\$ 999,451	\$ 572,462	\$ 1,571,913	\$ 3,182

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2007
(in thousands)

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 223,266	\$ 26,663	\$ 28,574	\$ 1,461
Public safety	148,831	9,797	8,523	234
Highways and streets	92,985	11,732	62,000	11,996
Sanitation	9,623	4,747	1,196	
Health	33,800	10,270	11,940	
Welfare	97,154		607	
Culture and recreation	55,482	2,991	8,894	1,373
Education and economic opportunity	42,483	698	17,590	21
Amortization - unallocated	168			
Interest on long-term debt	18,924			
Total governmental activities	722,716	66,898	139,324	15,085
Business-type activities:				
Wastewater Management	98,222	106,266	436	803
Pima Health System & Services	261,859	257,142	4,738	
Development Services	15,400	11,239		
Parking Garages	1,579	1,548		
Total business-type activities	377,060	376,195	5,174	803
Total primary government	\$ 1,099,776	\$ 443,093	\$ 144,498	\$ 15,888
Component unit:				
Southwestern Fair Commission	\$ 4,771	\$ 4,934	\$ 88	
Total component units	\$ 4,771	\$ 4,934	\$ 88	
General revenues:				
Property taxes, levied for general purposes				
Property taxes, levied for regional flood control district				
Property taxes, levied for library district				
Property taxes, levied for debt service				
Hotel/motel taxes, levied for sports facility and tourism				
Other taxes, levied for stadium district				
Unrestricted share of state sales tax				
Unrestricted share of state vehicle license tax				
Grants and contributions not restricted to specific programs				
Interest and penalties on delinquent taxes				
Investment earnings				
Miscellaneous				
Capital and other contributions				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year, as restated				
Net assets at end of year				

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Southwestern Fair Commission
\$ (166,568)		\$ (166,568)	
(130,277)		(130,277)	
(7,257)		(7,257)	
(3,680)		(3,680)	
(11,590)		(11,590)	
(96,547)		(96,547)	
(42,224)		(42,224)	
(24,174)		(24,174)	
(168)		(168)	
(18,924)		(18,924)	
(501,409)		(501,409)	
	\$ 9,283	9,283	
	21	21	
	(4,161)	(4,161)	
	(31)	(31)	
	5,112	5,112	
(501,409)	5,112	(496,297)	
			\$ 251
			251
246,640		246,640	
22,832		22,832	
25,144		25,144	
48,909		48,909	
8,715		8,715	
1,884		1,884	
106,985		106,985	
26,967		26,967	
9,468		9,468	
5,149		5,149	
16,439	5,510	21,949	
16,309	1,522	17,831	127
5,051	25,217	30,268	15
721	(721)		
541,213	31,528	572,741	142
39,804	36,640	76,444	393
959,647	535,822	1,495,469	2,789
\$ 999,451	\$ 572,462	\$ 1,571,913	\$ 3,182

Functions/Programs

Primary government:

Governmental activities:

- General government
- Public safety
- Highways and streets
- Sanitation
- Health
- Welfare
- Culture and recreation
- Education and economic opportunity
- Amortization - unallocated
- Interest on long-term debt

Total governmental activities

Business-type activities:

- Wastewater Management
- Pima Health System & Services
- Development Services
- Parking Garages

Total business-type activities

Total primary government

Component unit:

- Southwestern Fair Commission

Total component units

General revenues:

- Property taxes, levied for general purposes
- Property taxes, levied for regional flood control district
- Property taxes, levied for library district
- Property taxes, levied for debt service
- Hotel/motel taxes, levied for sports facility and tourism
- Other taxes, levied for stadium district
- Unrestricted share of state sales tax
- Unrestricted share of state vehicle license tax
- Grants and contributions not restricted to specific programs
- Interest and penalties on delinquent taxes
- Investment earnings
- Miscellaneous
- Capital and other contributions

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year, as restated

Net assets at end of year

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Balance Sheet - Governmental Funds
June 30, 2007
(in thousands)

Exhibit A-3

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 47,916	\$ 104,320	\$ 81,827	\$ 234,063
Property taxes receivable (net)	6,255		2,964	9,219
Interest receivable	321	614	431	1,366
Due from other funds	1,704	971	1,790	4,465
Due from other governments	24,088	5,491	22,994	52,573
Accounts receivable	1,835	54	2,841	4,730
Inventory			1,954	1,954
Prepaid expenditures	7,448	120	104	7,672
Special assessments receivable			1,781	1,781
Loan receivable	1,441		315	1,756
Other assets	160			160
Restricted cash equivalents		2,158		2,158
Total assets	\$ 91,168	\$ 113,728	\$ 117,001	\$ 321,897
<u>Liabilities and fund balances</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 11,172	\$ 18,732	\$ 12,514	\$ 42,418
Interest payable		20	9	29
Contract retentions		1,213	84	1,297
Employee compensation	6,517	27	2,716	9,260
Due to other funds	624	1,472	2,144	4,240
Due to other governments	22	518	955	1,495
Deposits and rebates	252	2,158		2,410
Deferred revenues	15,021	140	14,927	30,088
Total liabilities	33,608	24,280	33,349	91,237
<u>Fund balances:</u>				
<u>Reserved for:</u>				
Inventory			1,954	1,954
Prepaid expenditures	7,448	120	104	7,672
Debt service			8,155	8,155
Capital repairs and refurbishments			75	75
Specified programs			3,276	3,276
Loan receivable	1,441		315	1,756
<u>Unreserved, undesignated:</u>				
General fund	48,671			48,671
Capital projects		89,328		89,328
Special revenue			69,773	69,773
Total fund balances	57,560	89,448	83,652	230,660
Total liabilities and fund balances	\$ 91,168	\$ 113,728	\$ 117,001	\$ 321,897

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 June 30, 2007
 (in thousands)

Exhibit A-4

Fund balances - total governmental funds		\$ 230,660
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p>		
Governmental capital assets	\$ 1,827,695	
Less accumulated depreciation	<u>(587,424)</u>	1,240,271
<p>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</p>		
Bonds payable	(428,161)	
Certificates of participation payable	(31,731)	
Loans and leases payable	(28,450)	
Unamortized deferred issuance costs reported as other assets	<u>1,372</u>	(486,970)
<p>Some compensated absences are not due and payable shortly after June 30, 2007, and therefore are not reported in the governmental funds</p>		
Employee compensation		(24,743)
<p>Some liabilities are not due and payable shortly after June 30, 2007, and are therefore not reported in the governmental funds</p>		
Landfill liability		(17,330)
<p>Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements</p>		
		23,952
<p>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</p>		
		33,611
Net assets of governmental activities		<u><u>\$ 999,451</u></u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Revenues, Expenditures and Changes in Fund Balances Exhibit A-5
Governmental Funds
For the Year Ended June 30, 2007
(in thousands)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 252,350		\$ 96,350	\$ 348,700
Special assessments			521	521
Licenses and permits	2,795		4,337	7,132
Intergovernmental	152,271	\$ 11,027	140,094	303,392
Charges for services	33,604	12,417	17,487	63,508
Fines and forfeits	5,526		1,024	6,550
Investment earnings	3,321	5,313	5,354	13,988
Miscellaneous	6,828	263	10,453	17,544
Total revenues	456,695	29,020	275,620	761,335
Expenditures:				
Current:				
General government	181,329		41,105	222,434
Public safety	106,825		26,105	132,930
Highways and streets			42,683	42,683
Sanitation			6,766	6,766
Health	2,526		29,785	32,311
Welfare	96,684		484	97,168
Culture and recreation	14,694		30,503	45,197
Education and economic opportunity	16,407		22,067	38,474
Capital outlay		202,659		202,659
Debt service - principal	1,785		51,948	53,733
- interest	1,230		17,735	18,965
- miscellaneous	6		6	12
Total expenditures	421,486	202,659	269,187	893,332
Excess (deficiency) of revenues over (under) expenditures	35,209	(173,639)	6,433	(131,997)
Other financing sources (uses):				
Premium on bonds		1,427	2	1,429
Face amount of long-term debt		146,320		146,320
Proceeds from sale of capital assets		390	1,036	1,426
Transfers in	3,560	30,549	51,980	86,089
Transfers (out)	(32,784)	(71)	(53,833)	(86,688)
Total other financing sources (uses)	(29,224)	178,615	(815)	148,576
Net change in fund balances	5,985	4,976	5,618	16,579
Fund balance at beginning of year, as restated	51,575	84,472	78,245	214,292
Change in reserve for inventory			(209)	(209)
Change in reserve for prepaids			(2)	(2)
Fund balance at end of year	\$ 57,560	\$ 89,448	\$ 83,652	\$ 230,660

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2007
 (in thousands)

Exhibit A-6

Net change in fund balances - total governmental funds \$ 16,579

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	\$ 157,162	
Less current year depreciation	<u>(46,784)</u>	110,378

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

707

The issuance of long-term debt (e.g., bonds, leases) provides current financial
 resources to governmental funds but increases long-term liabilities in the statement
 of net assets. Repayment of the principal of debt is an expenditure in the governmental
 funds, but the repayment reduces long-term liabilities in the statement of net assets.
 Also, governmental funds report the effect of issuance costs, premiums, discounts and
 similar items when debt is first issued, whereas these amounts are deferred and amortized
 in the statement of activities. This amount is the net effect of these differences in the
 treatment of long-term debt and related items

Face amount of long-term debt	(146,320)	
Premium on bonds	(1,429)	
Debt service - principal payments	53,733	
Deferred issuance costs	902	
Amortization expense	<u>(168)</u>	(93,282)

Some revenues reported in the statement of activities do not represent
 the collection of current financial resources and therefore are not reported as
 revenues in the governmental funds.

Donations of capital assets	4,937	
Property tax revenues	(26)	
Other	<u>2,760</u>	7,671

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	(3,012)	
Change in landfill liability	(1,062)	
Net book value of capital asset disposals	(4,309)	
Change in reservation of fund balances	<u>(211)</u>	(8,594)

Internal service funds are used by management to charge the costs of certain
 activities to individual funds. A portion of the net expense of the internal service funds is
 reported with governmental activities

6,345

Change in net assets of governmental activities

\$ 39,804

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Net Assets - Proprietary Funds
June 30, 2007
(in thousands)

Exhibit A-7

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Pima Health System & Services	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	
Assets					
Current assets:					
Cash and cash equivalents	\$ 20,546	\$ 35,692	\$ 14,809	\$ 71,047	\$ 46,743
Restricted cash and cash equivalents		49,352		49,352	
Interest receivable	66	408	50	524	336
Due from other funds	5		108	113	1,043
Due from other governments	2,975	2,165		5,140	92
Accounts receivable (net)	15,052	9,210	25	24,287	211
Inventory	88	3,112		3,200	457
Prepaid expense	11	189	57	257	794
Total current assets	38,743	100,128	15,049	153,920	49,676
Noncurrent assets:					
Restricted cash and cash equivalents		654		654	
Capital assets:					
Land and other improvements		7,834	1,861	9,695	592
Buildings and improvements	694	341,639	12,927	355,260	614
Sewage conveyance system		522,795		522,795	
Equipment	943	17,467	1,842	20,252	30,890
Less accumulated depreciation	(1,029)	(287,648)	(8,653)	(297,330)	(13,675)
Construction in progress	19	35,618		35,637	70
Total capital assets (net of accumulated depreciation)	627	637,705	7,977	646,309	18,491
Deferred financing costs		1,109		1,109	
Total noncurrent assets	627	639,468	7,977	648,072	18,491
Total assets	39,370	739,596	23,026	801,992	68,167
Liabilities					
Current liabilities:					
Accounts payable	753	14,937	692	16,382	2,128
Accrued medical and health care claims	25,780			25,780	
Employee compensation	2,280	3,189	1,106	6,575	645
Interest payable		1,359		1,359	1
Due to other funds	1,152	205	1	1,358	23
Due to other governments		82	99	181	
Deferred revenues	1	1,049		1,050	
Current portion of sewer revenue bonds		7,350		7,350	
Current portion of wastewater loans payable		5,722		5,722	
Current portion reported but unpaid losses					4,200
Current portion incurred but not reported losses					1,785
Total current liabilities	29,966	33,893	1,898	65,757	8,782
Noncurrent liabilities:					
Contracts and notes		5,280		5,280	
Sewer revenue bonds		87,006		87,006	
Wastewater loans payable		70,389		70,389	
Reported but unpaid losses					18,739
Incurred but not reported losses					8,133
Total noncurrent liabilities		162,675		162,675	26,872
Total liabilities	29,966	196,568	1,898	228,432	35,654
Net assets					
Invested in capital assets, net of related debt	627	468,346	7,977	476,950	18,491
Restricted for:					
Debt service		574		574	
Capital projects		35,480		35,480	
Wastewater management		5,110		5,110	
Healthcare	9,985			9,985	
Unrestricted	(1,208)	33,518	13,151	45,461	14,022
Total net assets	\$ 9,404	\$ 543,028	\$ 21,128	\$ 573,560	\$ 32,513

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.

(1,098)

Net assets of business-type activities

\$ 572,462

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007
(in thousands)

Exhibit A-8

	Business-type Activities Enterprise Funds			Total Enterprise Funds	Governmental Activities- Internal Service Funds
	Pima Health System & Services	Wastewater Management	Other Enterprise Funds		
Operating revenues:					
Net patient services	\$ 255,275			\$ 255,275	
Charges for services	1,867	\$ 69,453	\$ 12,786	84,106	\$ 38,126
Other	979	330	217	1,526	2,123
Total net operating revenues	258,121	69,783	13,003	340,907	40,249
Operating expenses:					
Employee compensation	36,677	29,681	11,269	77,627	6,751
Medical claims	208,122			208,122	
Operating supplies and services	1,647	8,579	914	11,140	5,966
Utilities	376	6,520	357	7,253	832
Sludge and refuse disposal		1,649		1,649	
Repair and maintenance	596	5,610	235	6,441	4,089
Incurred losses					8,118
Insurance premiums					5,016
General and administrative	7,692	8,477	2,592	18,761	2,593
Consultants and professional services	1,450	7,145	1,054	9,649	419
Depreciation	221	22,990	633	23,844	2,579
Total operating expenses	256,781	90,651	17,054	364,486	36,363
Operating income (loss)	1,340	(20,868)	(4,051)	(23,579)	3,886
Nonoperating revenues (expenses):					
Intergovernmental revenue	4,738	7,291		12,029	
Investment earnings	1,028	3,684	844	5,556	2,418
Sewer connection fees		30,757		30,757	
Interest expense	(41)	(6,499)		(6,540)	
Loss on disposal of capital assets	(146)	(1,454)	(1)	(1,601)	(21)
Amortization of deferred charges		(109)		(109)	
Premium tax	(5,091)			(5,091)	
Total nonoperating revenues (expenses)	488	33,670	843	35,001	2,397
Income (loss) before contributions and transfers	1,828	12,802	(3,208)	11,422	6,283
Capital contributions		25,217		25,217	114
Transfers in	17			17	696
Transfers (out)		(654)	(84)	(738)	(26)
Change in net assets	1,845	37,365	(3,292)	35,918	7,067
Net assets at beginning of year	7,559	505,663	24,420	537,642	25,446
Net assets at end of year	\$ 9,404	\$ 543,028	\$ 21,128	573,560	32,513

Some amounts reported for business-type activities in the Statement of Activities are different because a portion of the net expense of certain internal service funds is reported with business-type activities.

722

Change in net assets of business-type activities

\$ 36,640

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007
(in thousands)

Exhibit A-9

	Pima Health System & Services	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			\$ 117	\$ 117	\$ 38,124
Cash received from customers for goods and services provided	\$ 254,741	\$ 66,689	12,787	334,217	
Cash received from miscellaneous operations	1,031	330	193	1,554	2,173
Cash payments to suppliers for goods and services	(209,920)	(28,832)	(3,680)	(242,432)	(15,501)
Cash payments to other funds for goods and services		(7,741)	(3,245)	(10,986)	(2,745)
Cash payments for incurred losses					(10,768)
Cash payments to employees for services	(38,182)	(29,483)	(10,222)	(77,887)	(6,702)
Net cash provided by (used for) operating activities	7,670	963	(4,050)	4,583	4,581
Cash flows from noncapital financing activities:					
Interest paid on short-term credit	(36)			(36)	
Cash transfers in from other funds					599
Cash transfers out to other funds					(17)
Loans with other funds	(514)	29	(108)	(593)	170
Premium tax	(5,091)			(5,091)	
Intergovernmental revenues	4,902	557		5,459	
Net cash provided by (used for) noncapital financing activities	(739)	586	(108)	(261)	752
Cash flows from capital and related financing activities:					
Proceeds from issuance of bonds and loans		51,429		51,429	
Principal paid on bonds and loans		(13,738)		(13,738)	
Interest paid on bonds and loans		(6,121)		(6,121)	
Sewer connection fees		30,650		30,650	
Proceeds from sale or transfer of capital assets	17	128	30	175	337
Proceeds from intergovernmental contract		4,820		4,820	
Purchase of capital assets	(104)	(43,720)	(204)	(44,028)	(3,507)
Net cash provided by (used for) capital and related financing activities	(87)	23,448	(174)	23,187	(3,170)
Cash flows from investing activities:					
Interest received on cash and investments	963	3,276	794	5,033	2,215
Net cash provided by investing activities	963	3,276	794	5,033	2,215
Net increase (decrease) in cash and cash equivalents	7,807	28,273	(3,538)	32,542	4,378
Cash and cash equivalents at beginning of year	12,739	57,425	18,347	88,511	42,365
Cash and cash equivalents at end of year	<u>\$ 20,546</u>	<u>\$ 85,698</u>	<u>\$ 14,809</u>	<u>\$ 121,053</u>	<u>\$ 46,743</u>

(Continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007
(in thousands)

Exhibit A-9.1

(Continued)

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	Pima Health System & Services	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Operating income (loss)	\$ 1,340	\$ (20,868)	\$ (4,051)	\$ (23,579)	\$ 3,886
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	221	22,990	633	23,844	2,579
Changes in assets and liabilities:					
Decrease (increase) in assets:					
Accounts receivable	(428)	(892)	(23)	(1,343)	46
Due from other governments	(297)	(1,872)		(2,169)	2
Inventory and other assets	28	(81)		(53)	25
Prepaid expenses	(11)	(96)	(55)	(162)	(3)
Increase (decrease) in liabilities:					
Accounts payable	6,886	1,526	(633)	7,779	647
Due to other funds			(6)	(6)	
Due to other governments		58	9	67	
Reported but unpaid losses					(2,825)
Incurred but not reported losses					174
Other current liabilities	(69)	198	76	205	50
Net cash provided by (used for) operating activities	<u>\$ 7,670</u>	<u>\$ 963</u>	<u>\$ (4,050)</u>	<u>\$ 4,583</u>	<u>\$ 4,581</u>

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2007:

Pima Health System and Services disposed of equipment with an original cost of \$867 and accumulated depreciation of \$721 for a loss on disposal of equipment of \$146.

Wastewater Management Enterprise Fund retired capital assets with a net book value of \$1,582.

Wastewater Management Enterprise Fund received contributed developer-built conveyance systems with estimated fair values totaling \$25,421, and from other governments, capital assets with a fair value of \$36. These contributions were recorded as an increase in capital assets and capital contributions.

Wastewater Management Enterprise Fund recorded a Board of Supervisor approved connection fee credit agreement of \$282. This credit was recorded as an increase to deferred revenue and a decrease to capital contributions.

Wastewater Management Enterprise Fund retired expired sewer credit agreements totaling \$42. This transaction was recorded as a decrease to deferred revenue and an increase in capital contributions.

Wastewater Management Enterprise Fund transferred the capital assets of the Solid Waste Management division with a net book value of \$644 to the County's general government and capital assets with a net book value of \$10 to Internal Service Funds.

Wastewater Management Enterprise Fund received fully-depreciated capital assets from the County's general capital assets of \$80 and \$7 from Other Enterprise Funds.

Other Enterprise Funds transferred capital assets with a net book value of \$84 and disposed of capital assets with a net book value of \$1.

Other Enterprise Funds transferred completely depreciated capital assets of \$31 to the County's general government, \$8 to the Wastewater Management Enterprise Fund, and \$23 to the Transportation Fund.

Internal Service Funds sold assets with a net book value of \$358, resulting in a loss on disposal of \$21.

Internal Service Funds had unpaid transfers of \$11.

Internal Service Funds transferred in \$57 for noncash personal services and \$30 of capital assets from governmental activities.

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Fiduciary Net Assets - Fiduciary Funds
June 30, 2007
(in thousands)

Exhibit A-10

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 297,267	\$ 75,225
Interest receivable	1,485	
Due from other governments		2,636
Total assets	298,752	\$ 77,861
LIABILITIES		
Employee compensation		\$ 5,428
Due to other governments		45,680
Deposits and rebates		26,753
Total liabilities		\$ 77,861
NET ASSETS		
Held in trust for participants	\$ 298,752	

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2007
(in thousands)

Exhibit A-11

	Investment Trust Funds
ADDITIONS	
Contributions from participants	\$ 2,393,233
Total contributions	2,393,233
Investment earnings	13,551
Total investment earnings	13,551
Total additions	2,406,784
DEDUCTIONS	
Distributions to participants	2,345,253
Total deductions	2,345,253
Change in net assets	61,531
Net assets held in trust July 1, 2006	237,221
Net assets held in trust June 30, 2007	\$ 298,752

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Pima County (County) conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the regulatory requirements of the State of Arizona. A summary of the County's significant accounting policies follows.

A. Reporting Entity

The County is a general-purpose local government that is governed by a separately elected board of Pima County supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended and discretely presented component unit discussed below has a June 30 year-end.

The Pima County Stadium District, a legally separate entity, was formed to promote and establish major league baseball spring training in Pima County. The County Board of Supervisors is the Board of Directors of the District. Acting in the capacity of the Board of Directors, the Pima County Board of Supervisors is able to impose its will on the District. The Board of Directors levies the car rental surcharge rates and the recreation vehicle (RV) park tax for the District. The District is reported as a special revenue fund (blended component unit) in these financial statements. Complete financial statements for the District can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

The Pima County Library District was established in 1986 when legislation allowed full taxing authority and the ability to enter into agreements with other jurisdictions for the provision of library services. The County Board of Supervisors is the Board of Directors of the District. On July 1, 2006, the District assumed control of the operations of all library branches in the City of Tucson. The transition of operations from the City of Tucson to the District is governed by an intergovernmental agreement. The Library District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Pima County Regional Flood Control District was established in 1978. The District is responsible for floodplain management activities for the unincorporated areas of Pima County (except national forests, parks, monuments and Native American Nations), the City of South Tucson, and the Town of Sahuarita. The County Board of Supervisors is the Board of Directors for the Flood Control District. The Regional Flood Control District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Southwestern Fair Commission, Inc. (SFC) is a nonprofit corporation, which manages and maintains the fairgrounds owned by the County and conducts an annual fair and other events at the fairgrounds. During the year ended June 30, 2007, the Commission and Pima County extended the lease agreement an additional twenty-five years. The Commission's members are appointed, and can be removed at any time, by the Pima County Board of Supervisors. Based on these factors, and because SFC does not provide services entirely, or almost entirely to the County, but rather to the

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

general citizenry, SFC is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements for SFC can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

Related Organization

The Industrial Authority of Pima County (Authority) is a legally separate entity that was created to promote economic development and the development of affordable housing. The Authority fulfills its function through the issuance of tax-exempt bonds. The County Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County and the County is not financially accountable for the Authority. Therefore, the financial activities of the Authority have not been included in the accompanying financial statements.

B. Basis of Accounting

Primary government:

The government-wide, proprietary funds and fiduciary funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, with the exception of agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds in the fund-based financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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. Revenues that are collected after 30 days are reported as deferred revenues. The County's major revenue sources that are susceptible to accrual are property taxes, intergovernmental and charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The County applies grant resources to such programs before using general revenues.

The County's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

Discretely presented component unit:

SFC's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Commission's policy is to apply all FASB pronouncements issued after November 30, 1989.

C. Basis of Presentation

The basic financial statements include both government-wide statements and fund-based financial statements. The government-wide statements focus on the County as a whole, while the fund-based financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component unit. Governmental activities are financed primarily through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- Charges for services (fines and forfeitures, licenses and permits, and special assessments)
- Operating grants and contributions
- Capital grants and contributions

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues. The net effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities.

Fund-based financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund-based financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary funds are financed mainly by fees and charges received from users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The **Capital Projects Fund** accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The County reports the following major enterprise funds:

Pima Health System and Services provides payment for health care services including inpatient hospital care and outpatient clinical care for medical and psychiatric problems, indigent health care under the Arizona Health Care Cost Containment System (AHCCCS), an alternative to Medicaid, home health services and long-term nursing care.

The **Wastewater Management Fund** accounts for the management and operation of wastewater treatment and water pollution control programs.

The County reports the following fund types:

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis. These funds account for fleet maintenance and operation, insurance, printing and graphic services, and telecommunications services.

Investment Trust Funds account for assets held by the County Treasurer in an external investment pool and individual investment accounts for the benefit of outside jurisdictions.

Agency Funds account for the assets, held by the County as an agent, for individuals, private organizations or other governmental units. The agency fund is custodial in nature and does not present results of operations.

D. Cash and Investments

Primary government:

For purposes of its statements of cash flows, the County considers only those highly liquid investments, with a maturity period of 3 months or less when purchased, to be cash equivalents. All investments are stated at fair value.

If an individual fund has a deficit balance in the amount on deposit with the County Treasurer at year-end, that balance is reclassified as an amount due to other funds.

Discretely presented component unit:

SFC's cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

E. Inventories and Prepaids

The County accounts for its inventories in the governmental funds using the purchases method. 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 in the government-wide and proprietary funds' financial statements are recorded as assets when purchased and expensed when consumed.

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

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

Prepaid expenses/expenditures are accounted for using the consumption method, except for the School Reserve Fund reported as an Other Governmental Fund, which uses the purchases 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.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Land improvements	All	Straight Line	20 - 30 Years
Buildings and building improvements	\$100	Straight Line	10 - 50 Years
Equipment	\$5	Straight Line	4 - 25 Years
Fleet service vehicles	\$5	Units of Production based on number of hours or miles	5 - 15 Years
Infrastructure	\$100	Straight Line	10 - 50 Years

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

Discretely presented component unit:

SFC capital assets are reported at actual cost. Depreciation is provided by the straight-line method over the assets' estimated useful life, which range from 3 to 40 years.

H. Investment Earnings

Investment 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 their year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate up to 1920 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees; however employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability in the government-wide financial statements.

Note 2: Net Asset Beginning Balances Restated

The School Reserve fund reclassified certain financial activities from the County requiring the restatement of beginning net assets.

The following summarizes the restatement of net assets:

Governmental Activities	
Fund balance, Other Governmental Funds - June 30, 2006	\$77,951
Restatement of financial activity	<u>294</u>
Fund balance, Other Governmental Funds - July 1, 2006	\$78,245
Net assets – June 30, 2006, as previously reported	\$959,353
School reserve	<u>294</u>
Net assets – July 1, 2006, as restated	\$959,647

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 3: Cash and Investments

Primary Government

The County's cash and investment policies are governed by State statutes and by bond covenants. The County Treasurer is authorized to invest public monies in the State Treasurer's Investment Pool; interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations issued or guaranteed by the United States government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States; and bonds of the State of Arizona or any of its counties, cities, towns, or school districts as specified by statute. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk—The State statutes have the following requirements for credit risk;

1. Commercial paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's Investors Service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk—Statutes also require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk—Statutes do not include any requirements for concentration of credit risk.

Interest rate risk—Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk—Statutes do not allow foreign investments.

Deposits—At June 30, 2007, the carrying amount of the County's deposits was \$28,919 and the bank balance was \$50,807.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 3: Cash and Investments (continued)

Custodial credit risk—Custodial credit risk is the risk that the County will not be able to recover its deposits if a financial institution fails. The County does not have a formal policy with respect to custodial credit risk. As of June 30, 2007, \$907 of the County's bank balance was exposed to custodial credit risk as follows:

Uninsured with collateral held by the bank's safekeeping department	\$	93
Uninsured and uncollateralized		814
Total	\$	907

Investments—At June 30, 2007, the County's investments consisted of \$468,073 invested in marketable securities and \$279,434 invested in the State Treasurer's Investment Pool. Cash from the County and from externally legally separate governments are pooled to purchase the investments in marketable securities and the State Treasurer's Pool. The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

Credit risk—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk. At June 30, 2007, credit risk for the County's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
Commercial paper	A1/P1	S&P / Moody's	\$ 123,847
Corporate bonds	A/A1	S&P / Moody's	73,051
Federal Farm Credit Bank	AAA/Aaa	S&P / Moody's	24,918
Federal Home Loan Bank	AAA/Aaa	S&P / Moody's	34,606
Fannie Mae (Federal National Mortgage Association)	AA-/Aa2	S&P / Moody's	92,579
Freddie Mac (Federal Home Loan Mortgage Corp)	AAA/Aaa	S&P / Moody's	68,442
U. S. Treasury money market fund	AAA/Aaa	S&P / Moody's	6,212
State Treasurer Investment Pool	Unrated		279,434
Total			\$ 703,089

Custodial credit risk—For an investment, custodial risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy with respect to custodial credit risk. Of the County's \$747,507 of investments, \$461,861, consisting of the commercial paper, corporate bonds, Federal Farm Credit, Federal Home Loan Bank, Fannie Mae and Freddie Mac discount notes, U. S. Treasury notes and tri-party repurchase agreement, is uninsured and held by a counterparty in the County's name in book form. An additional \$6,212 in a U.S. Treasury money market fund is held by a counterparty as trustee.

Concentration of credit risk—The County has no formal policy with respect to limiting the amount the Treasurer may invest in any one issuer. Five (5) percent or more of the County's investments were with the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. These investments were 12% and 9%, respectively, of the County's total investments.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 3: Cash and Investments (continued)

Interest rate risk—Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal investment policy with respect to interest rate risk.

As of June 30, 2007, the County had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity (Years)</u>
State Treasurer Investment Pool 5	\$ 197,569	0.21
State Treasurer Investment Pool 7	81,865	0.14
Commercial paper	123,847	0.11
Corporate bonds	73,051	1.84
Federal Farm Credit Bank	24,918	1.71
Federal Home Loan Bank	34,606	2.11
Fannie Mae (Federal National Mortgage Association)	92,579	0.55
Freddie Mac (Federal Home Loan Mortgage Corp)	68,442	0.60
U.S. Treasury	38,675	1.98
U.S. Treasury money market fund	6,212	0.00
Tri-party repurchase agreement	5,743	0.00
Total	<u>\$ 747,507</u>	

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Assets follows:

	<u>Cash on Hand</u>	<u>Amount of Deposits</u>	<u>Amount of Investments</u>	<u>Total</u>
Cash, deposits and investments:	\$ 83	\$ 28,919	\$ 747,507	\$ 776,509

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Investment Trust Funds</u>	<u>Agency Funds</u>	<u>Totals</u>
Statement of Net Assets:					
Cash and cash equivalents	\$ 280,806	\$ 71,047	\$ 297,267	\$ 75,225	\$ 724,345
Restricted cash and cash equivalents	2,158	50,006			52,164
Total	<u>\$ 282,964</u>	<u>\$ 121,053</u>	<u>\$ 297,267</u>	<u>\$ 75,225</u>	<u>\$ 776,509</u>

County Treasurer's Investment Pool—Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The County Treasurer has a fiduciary responsibility to administer those and the County monies under her stewardship. The County Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the County Treasurer determines the fair value of those pooled investments annually at June 30. The County Treasurer's Investment Pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. The structure of the Pool does not provide for shares and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments. The County Treasurer allocates interest earnings to each of the Pool's participants.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 3: Cash and Investments (continued)

The Pool's assets are subject to applicable risks as discussed above and consist of the following:

	<u>Principal</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Fair Value</u>
Commerical Paper	\$ 124,560	5.2-5.3%	4/07-5/07	\$ 123,847
Corporate Bonds	73,958	4.9-5.8%	7/07-2/11	73,051
Federal Farm Credit Bank	25,000	4.8-5.4%	7/07-9/10	24,918
Federal Home Loan Bank	35,000	4.9-5.5%	7/07-8/10	34,606
Fannie Mae (Federal National Mortgage Association)	93,655	5.0-5.5%	7/07-6/10	92,579
Freddie Mac (Federal Home Loan Mortgage Corp)	69,200	4.8-5.5%	7/07-10/10	68,442
U.S. Treasury	39,300	4.5-5.3%	2/08-5/10	38,675
Tri-party repurchase agreement	5,743	4.30%	7/07	5,743
State Treasurer Investment Pool	102,118	N/A	N/A	102,118
Cash	1,900	N/A	N/A	1,900
Interest Recievable	643	N/A	N/A	643
				<u>\$ 566,522</u>

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

Statement of Net Assets

Assets held in trust for:	
Internal participants	\$ 350,463
External Participants	216,059
	<u>566,522</u>
Total liabilities	0
Total net assets held in trust	<u>\$ 566,522</u>

Statement of Changes in Net Assets

Total additions	\$ 6,284,599
Total deductions	<u>(6,176,560)</u>
Net increase	108,039
Net assets held in trust:	
July 1, 2006	458,483
June 30, 2007	<u>\$ 566,522</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 3: Cash and Investments (continued)

Discretely Presented Component Units

Southwestern Fair Commission—At June 30, 2007, the commission's cash and cash equivalents of \$1,368 consisted of deposits with financial institutions. Of the total balance, \$970 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4: Due from Other Governments

Governmental activities:

	General Fund	Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal government:					
Grants and contributions	\$ 152	\$ 849	\$ 10,441		\$ 11,442
State of Arizona:					
Taxes and shared revenues	21,806		9,632		31,438
Grants and contributions		1,718	1,369	\$ 4	3,091
City of Tucson:					
Reimbursement for services	1,671		1,076		2,747
Due from other governments:					
Reimbursement for services	<u>459</u>	<u>2,924</u>	<u>476</u>	<u>88</u>	<u>3,947</u>
Total due from other governments fund based statements	<u>\$ 24,088</u>	<u>\$ 5,491</u>	<u>\$ 22,994</u>	<u>\$ 92</u>	<u>\$ 52,665</u>

Business-type activities:

	Pima Health System and Services	Wastewater Management	Business-type Activities Total
Federal government:			
Grants and contributions		\$ 2,165	\$ 2,165
Reimbursement for services	\$ 127		127
State of Arizona:			
Grants and contributions	<u>2,848</u>		<u>2,848</u>
Total due from other Governments	<u>\$ 2,975</u>	<u>\$ 2,165</u>	<u>\$ 5,140</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006 (as reclassified)	Increases	Decreases	Balance June 30, 2007
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 222,918	\$ 38,459	\$ (3,990)	\$ 257,387
Construction in Progress	115,305	82,922	(88,920)	109,307
Total capital assets not being depreciated	<u>338,223</u>	<u>121,381</u>	<u>(92,910)</u>	<u>366,694</u>
Capital assets being depreciated:				
Buildings & Improvements	384,056	93,128	(250)	476,934
Infrastructure	889,651	29,146		918,797
Equipment	93,224	11,878	(7,666)	97,436
Total capital assets being depreciated	<u>1,366,931</u>	<u>134,152</u>	<u>(7,916)</u>	<u>1,493,167</u>
Less accumulated depreciation for:				
Buildings & Improvements	(112,249)	(9,220)	143	(121,326)
Infrastructure	(391,981)	(29,916)		(421,897)
Equipment	(54,590)	(10,382)	7,096	(57,876)
Total accumulated depreciation	<u>(558,820)</u>	<u>(49,518)</u>	<u>7,239</u>	<u>(601,099)</u>
Total capital assets, being depreciated, net	<u>808,111</u>	<u>84,634</u>	<u>(677)</u>	<u>892,068</u>
Governmental activities capital assets, net	<u>\$ 1,146,334</u>	<u>\$ 206,015</u>	<u>\$ (93,587)</u>	<u>\$ 1,258,762</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 8,706	\$ 1,610	\$ (621)	\$ 9,695
Construction in Progress	14,842	28,910	(8,115)	35,637
Total capital assets not being depreciated	<u>23,548</u>	<u>30,520</u>	<u>(8,736)</u>	<u>45,332</u>
Capital assets being depreciated:				
Buildings & Improvements	354,303	12,877	(11,920)	355,260
Infrastructure	490,600	33,064	(869)	522,795
Equipment	16,265	6,918	(2,931)	20,252
Total capital assets being depreciated	<u>861,168</u>	<u>52,859</u>	<u>(15,720)</u>	<u>898,307</u>
Less accumulated depreciation for:				
Buildings & Improvements	(114,504)	(11,793)	10,613	(115,684)
Infrastructure	(163,265)	(10,695)	620	(173,340)
Equipment	(9,582)	(1,442)	2,718	(8,306)
Total accumulated depreciation	<u>(287,351)</u>	<u>(23,930)</u>	<u>13,951</u>	<u>(297,330)</u>
Total capital assets, being depreciated, net	<u>573,817</u>	<u>28,929</u>	<u>(1,769)</u>	<u>600,977</u>
Business-type activities capital assets, net	<u>\$ 597,365</u>	<u>\$ 59,449</u>	<u>\$ (10,505)</u>	<u>\$ 646,309</u>

At July 1, 2006, the School Reserve Land Improvements of \$36 were reclassified from Land to Buildings and Improvements. The Buildings and Improvements classification is appropriate due to the depreciable nature of the assets.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 5: Capital Assets (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	6,295
Public safety		9,484
Highway and streets		25,629
Sanitation		457
Health		761
Welfare		8
Culture and recreation		3,604
Education and economic opportunity		546
Internal service funds		2,579
Total governmental activities depreciation expense	\$	<u>49,363</u>

Business-type activities:

Pima Health System & Services	\$	221
Parking Garages		336
Wastewater Management		22,990
Development Services		297
Total business-type activities depreciation expense	\$	<u>23,844</u>

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Discretely presented component units:				
Southwestern Fair Commission (SFC):				
Capital assets not being depreciated:				
Construction in Progress		\$ 3		\$ 3
Total capital assets not being depreciated		<u>3</u>		<u>3</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 3,707	199		3,906
Equipment	1,612	161		1,773
Total capital assets being depreciated	<u>5,319</u>	<u>360</u>		<u>5,679</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,200)	(108)		(2,308)
Equipment	(1,210)	(88)		(1,298)
Total accumulated depreciation	<u>(3,410)</u>	<u>(196)</u>		<u>(3,606)</u>
Total capital assets being depreciated, net	<u>1,909</u>	<u>164</u>		<u>2,073</u>
SFC capital assets, net	<u>\$ 1,909</u>	<u>\$ 167</u>		<u>\$ 2,076</u>

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.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 6: Claims, Judgments, and Risk Management (continued)

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; environmental claims; and natural disasters. Claims against the County are accounted for in the Self Insurance Trust Fund (the Fund), an internal service fund. Annually, an actuarial evaluation is performed to determine the County's anticipated losses except for environmental, unemployment and dental losses. Environmental losses are based on reported claims and the County risk manager's knowledge and experience. Unemployment and dental losses are based on claims that have been submitted but not yet paid by the Fund. Losses accounted for include reported and paid, reported but unpaid, and incurred but not reported. All liabilities of the Fund except for environmental, unemployment and dental losses are reported at their present value using an expected future investment yield assumption of four percent. The 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, unemployment and dental losses, payments to the Fund are based on actuarial estimates of the amounts needed to pay prior and current-year claims. Payments to the Fund for environmental losses are based on historical experience, since an actuarial basis is not available. Payments for unemployment and dental losses are based on actual claims made.

The claims liability of \$32,857 reported in the Fund at June 30, 2007, 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.

	<u>2007</u>	<u>2006</u>
Claims liability balance - beginning	\$ 35,508	\$ 30,273
Current year claims and changes in estimates	8,118	12,185
Claims payments	<u>(10,769)</u>	<u>(6,950)</u>
Claims liability balance - ending	<u>\$ 32,857</u>	<u>\$ 35,508</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2007.

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance July 1, 2007</u>	<u>Due within 1 year</u>
Governmental activities:					
General obligation bonds	\$ 231,310	\$ 95,000	\$ 36,720	\$ 289,590	\$ 31,255
Plus unamortized deferred amount	608	1	49	560	49
Total general obligation bonds	<u>231,918</u>	<u>95,001</u>	<u>36,769</u>	<u>290,150</u>	<u>31,304</u>
Flood control bonds	<u>2,230</u>		<u>760</u>	<u>1,470</u>	<u>745</u>
Transportation revenue bonds	126,835	21,000	11,435	136,400	11,745
Plus unamortized deferred amount	165	1	25	141	26
Total transportation revenue bonds	<u>127,000</u>	<u>21,001</u>	<u>11,460</u>	<u>136,541</u>	<u>11,771</u>
Special assessment bonds with governmental commitment	<u>911</u>		<u>911</u>		
Certificates of participation		30,320		30,320	1,245
Plus unamortized deferred amount		1,427	16	1,411	94
Total certificates of participation		<u>31,747</u>	<u>16</u>	<u>31,731</u>	<u>1,339</u>
Loans and Leases:					
Transportation loans payable	<u>5,739</u>		<u>2,025</u>	<u>3,714</u>	<u>2,714</u>
Capital leases payable:					
Jail capital lease	28,335		1,785	26,550	1,870
Less unamortized deferred amount	(2,106)		(192)	(1,914)	(192)
Other capital leases	197		97	100	80
Total capital leases	<u>26,426</u>		<u>1,690</u>	<u>24,736</u>	<u>1,758</u>
Total loans and leases	<u>32,165</u>		<u>3,715</u>	<u>28,450</u>	<u>4,472</u>
Reported but unpaid losses (Note 6)	25,764	7,944	10,769	22,939	4,200
Incurred but not reported losses (Note 6)	9,744	174		9,918	1,785
Landfill closure and post-closure care costs (Note 8)	16,268	1,062		17,330	
Total governmental activities long-term liabilities	<u>\$ 445,089</u>	<u>\$ 156,929</u>	<u>\$ 63,489</u>	<u>\$ 538,529</u>	<u>\$ 55,616</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities (continued)

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance July 1, 2007</u>	<u>Due within 1 year</u>
Business-type activities:					
Sewer revenue bonds	\$ 55,525	\$ 50,000	\$ 8,235	\$ 97,290	\$ 7,350
Less unamortized deferred amount	(3,815)	442	(439)	(2,934)	
Total revenue bonds payable	<u>51,710</u>	<u>50,442</u>	<u>7,796</u>	<u>94,356</u>	<u>7,350</u>
Wastewater loans payable	80,367	1,429	5,503	76,293	5,722
Less unamortized deferred amount	(219)		(37)	(182)	
Total loans payable	<u>80,148</u>	<u>1,429</u>	<u>5,466</u>	<u>76,111</u>	<u>5,722</u>
Contracts and notes	4,562	787	69	5,280	
Total business-type activities long-term liabilities	<u>\$ 136,420</u>	<u>\$ 52,658</u>	<u>\$ 13,331</u>	<u>\$ 175,747</u>	<u>\$ 13,072</u>
Discretely presented component unit:					
Southwestern Fair Commission notes payable	<u>\$ 244</u>		<u>\$ 244</u>		

**GENERAL OBLIGATION BONDS OUTSTANDING
Governmental Activities**

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

General obligation bonds payable at June 30, 2007, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, \$28,371 from the May 20, 1997, \$398,465 from the May 18, 2004, and \$51,845 from the May 16, 2006 bond election remain unissued. The following table presents amounts outstanding by issue.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2007</u>
Series of 1998	\$ 42,420	4.50 - 4.60%	2008-13	\$ 14,050
Series of 1999	50,000	5.00 - 5.08%	2008-10	11,115
Series of 2000	50,000	4.00 - 5.00%	2008-14	21,000
Series of 2001 Refunding	17,835	4.50 - 5.00%	2008-09	4,465
Series of 2002	20,000	4.13 - 4.50%	2008-16	8,500
Series of 2003	50,000	3.25 - 4.25%	2008-17	37,100
Series of 2004	65,000	3.00 - 5.00%	2008-19	50,430
Series of 2005	65,000	3.50 - 5.00%	2008-20	52,315
Series of 2007	95,000	3.00 - 4.50%	2008-21	90,615
G.O. bonds outstanding				289,590
Plus unamortized deferred amount:				560
Total G.O. bonds outstanding				<u>\$ 290,150</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2007.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 31,255	\$ 12,343
2009	25,660	10,939
2010	25,080	9,782
2011	22,740	8,657
2012	23,355	7,638
2013 - 2017	107,675	23,079
2018 - 2021	53,825	3,811
Total	<u>\$ 289,590</u>	<u>\$ 76,249</u>

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, 2007, the following outstanding bonds were considered defeased:

	<u>Outstanding June 30, 2007</u>
1979 General Obligation Refunding Bonds	\$ 980
Series of 1999	\$ 5,785

**FLOOD CONTROL REFUNDING BONDS OUTSTANDING
Governmental Activities**

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

The Pima County Regional Flood Control District outstanding bonds payable at June 30, 2007 is presented below.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2007</u>
Series 2001 Refunding	\$ 4,585	4.10 - 4.20%	2008-09	\$ 1,470

The following schedule details flood control bond debt service requirements to maturity at June 30, 2007.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 745	\$ 61
2009	725	30
Total	<u>\$ 1,470</u>	<u>\$ 91</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities (continued)

**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, \$147,800 from the November 4, 1997 bond election remains unissued.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2007</u>
Series of 1998	\$ 40,000	4.50%	2008	\$ 4,000
Series of 2002	55,000	4.00 - 4.38%	2008-12	30,410
Series of 2003	35,000	3.38 - 4.38%	2008-18	29,790
Series of 2005	51,200	3.50 - 5.00%	2008-20	51,200
Series of 2007	21,000	3.25 - 4.75%	2008-22	21,000
Transportation bonds outstanding				136,400
Plus unamortized deferred amount:				141
Total transportation bonds outstanding				<u>\$ 136,541</u>

The following schedule details transportation bond debt service requirements to maturity at June 30, 2007.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 11,745	\$ 5,659
2009	12,215	5,183
2010	12,720	4,692
2011	13,280	4,136
2012	13,865	3,552
2013 - 2017	43,900	11,309
2018 - 2022	28,675	2,373
Total	<u>\$ 136,400</u>	<u>\$ 36,904</u>

**TRANSPORTATION LOANS PAYABLE
Governmental Activities**

During the fiscal year ended June 30, 2006, Pima County Transportation Department entered into a loan agreement to provide funds for roadway improvements of Alvernon Way. Interest on the Alvernon HELP loan is calculated and paid on an annual basis.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Outstanding June 30, 2007</u>
2006 HELP Loan - Alvernon	\$ 4,836	3.06%	2008-09	\$ 3,714
Total transportation loan payable				<u>\$ 3,714</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details transportation loans debt service requirements to maturity at June 30, 2007.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,714	\$ 114
2009	1,000	61
Total	<u>\$ 3,714</u>	<u>\$ 175</u>

CERTIFICATES OF PARTICIPATION
Governmental Activities
(Payments made from General Fund revenues)

Certificates of Participation represent proportionate interests in semiannual lease payments. The County's obligation to make lease payments is subject to annual appropriations being made by the County for that purpose. On May 1, 2007, the County issued Certificates of Participation Series 2007-A for \$28,765 to finance the acquisition of and improvements to a 22-story office tower located in downtown Tucson, and Taxable Series 2007-B for \$1,555 to acquire and construct replacement facilities for the Pima County Community Services Department. These projects are collectively referred to as the "Justice Building Project."

The following schedule details outstanding Certificates of Participation payable at June 30, 2007.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2007</u>
Series 2007-A Justice Building Project	\$ 28,765	4.00 - 5.00%	2008-2022	\$ 28,765
Series 2007-B Justice Building Project - Taxable	1,555	5.04 - 5.22%	2008-2009	1,555
				<u>30,320</u>
				Plus unamortized deferred amount
				1,411
				<u>\$ 31,731</u>

The following schedule details debt service requirements to maturity for the County's Certificates of Participation payable at June 30, 2007.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,245	\$ 1,667
2009	1,545	1,364
2010	1,610	1,298
2011	1,675	1,234
2012	1,740	1,167
2013 - 2017	9,905	4,639
2018 - 2022	12,600	1,951
Total	<u>\$ 30,320</u>	<u>\$ 13,320</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities (continued)

**CAPITAL LEASES
Governmental Activities**

On February 1, 1997, the County entered into an agreement to sell certain jail facilities and then lease them back for a 15-year term. The jail facilities were sold for \$34,500, and the proceeds were used to finance the construction of the baseball stadium. On September 1, 1999 and October 1, 2003, Pima County amended the capital lease agreement between U.S. Bank Trust National Association and Pima County. The amendments extended the lease term to 2014 and 2018 respectively, increased the range of interest rates and increased the County's obligation under the lease agreement.

The County has also entered into capital leases for telephone and computer equipment. The outstanding balance as of June 30, 2007, for these leases totaled \$100.

The net book value of assets acquired through capital leases consists of \$19,394 of buildings and \$171 of equipment.

The following schedule details capital lease debt service requirements to maturity at June 30, 2007.

Governmental Activities:

<u>Year Ending June 30,</u>	<u>Buildings</u>		<u>Equipment</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,870	\$ 1,139	\$ 80	\$ 2
2009	1,965	1,062	20	
2010	2,025	982		
2011	2,125	879		
2012	2,230	774		
2013 - 2017	13,400	2,032		
2018 - 2022	2,935	61		
	<u>\$ 26,550</u>	<u>\$ 6,929</u>	<u>\$ 100</u>	<u>\$ 2</u>

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, \$3,666 from the May 20, 1997, and \$100,277 from the May 18, 2004 bond election remain unissued.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2007</u>
Series of 1998	\$ 29,185	4.00 - 5.50%	2008-15	\$ 15,555
Series 2001 Refunding	19,440	4.00 - 5.38%	2008-15	13,845
Series of 2004 Refunding	25,770	3.25 - 5.50%	2008-15	20,555
Series of 2007	50,000	3.75 - 5.00%	2008-26	47,335
Sewer revenue bonds outstanding				97,290
Less unamortized deferred amount:				(2,934)
Total sewer revenue bonds outstanding				<u>\$ 94,356</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2007.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 7,350	\$ 4,352
2009	7,650	4,049
2010	6,990	3,706
2011	7,310	3,409
2012	8,395	3,078
2013 - 2017	31,755	9,619
2018 - 2022	13,955	4,744
2023 - 2026	13,885	1,439
	<u>\$ 97,290</u>	<u>\$ 34,396</u>

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.

During fiscal year 05-06 the 2004 WIFA loan was amended to a total of \$19,967. On March 21, 2007, the remaining balance of \$1,490 was drawn down.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2007</u>
1996 Loans Payable	\$ 11,313	3.19%	2008-12	\$ 7,132
1997 Loans Payable	7,500	2.95%	2008-11	3,102
2000 Loans Payable	61,180	2.20%	2008-16	46,092
2004 Loans Payable	19,967	1.81%	2008-24	19,967
Loans payable				76,293
Less unamortized deferred amount				(182)
Total loans payable				<u>\$ 76,111</u>

The following schedule details loans payable debt service requirements to maturity at June 30, 2007.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 5,722	\$ 2,624
2009	5,955	2,423
2010	6,317	2,200
2011	7,604	1,949
2012	7,891	1,667
2013 - 2017	32,480	4,665
2018 - 2022	6,134	1,214
2023 - 2024	4,190	210
	<u>\$ 76,293</u>	<u>\$ 16,952</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities (continued)

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.

NOTES PAYABLE

Component Unit - Southwestern Fair Commission (SFC)

(Payments made from user charges)

In prior years, the Commission had incurred long-term debt to construct the drag strip. The debt had an original maturity of July 2008. During the year ended June 30, 2007, the Commission paid off \$ 244 in total debt, leaving no balance on their long-term debt.

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, 2007, is as follows:

Net assessed valuation		\$ 6,869,955
Debt Limit (15% of net assessed valuation):		1,030,493
<u>Amount of debt applicable to debt limit:</u>		
General obligation bonds outstanding	\$ 289,590	
Less net assets in debt service fund available for payment of general obligation bond principal	(7,431)	(282,159)
Legal debt margin available		\$ 748,334

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities (continued)

Flood Control General Obligation Bonds

Flood Control general obligation debt may not exceed 5 percent of the value of the Flood Control District's taxable property as of the latest assessment. Legal debt margin at June 30, 2007, is as follows:

Net assessed valuation		\$ 6,113,953
Debt Limit (5% of net assessed valuation):		305,698
<u>Amount of debt applicable to debt limit:</u>		
Flood control general obligation bonds outstanding	\$ 1,470	
Less net assets in debt service fund available for payment of flood control bond principal	(23)	(1,447)
Legal debt margin available		<u>\$ 304,251</u>

Note 8: Landfill Liabilities

SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS:

State and Federal laws and regulations require the County to place a final cover on its solid waste landfill sites when these sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after their closure. Although closure and post-closure care costs will not be paid until near or after the date the landfills stop accepting waste, the County records a portion of these closure and post-closure care costs as a long-term liability in each period, based on landfill capacity used as of each balance sheet date. The \$17,330 reported as landfill closure and post-closure care long-term liability within the governmental activities represents the cumulative amount reported to date, based on the percentage used of each landfill's total estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of \$6,278 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and post-closure care in the fiscal year ended June 30, 2007; actual costs may change due to inflation, changes in technology, or changes in regulations.

Landfill Site	Capacity Used June 30, 2007	Estimated Remaining Service Life
Ajo *	100%	0 Year
Sahuarita	43%	16 Years
Tangerine	86%	3 Years

*Life extending facility development options are presently being considered for the Ajo Landfill, including vertical and/or horizontal expansion.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 8: Landfill Liabilities (continued)

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

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, post-closure, and corrective action when needed. The County is in compliance with these requirements. The Ina Road Landfill facility is closed to municipal solid waste and only receives construction debris. It is not subject to the closure and post-closure cost requirements referred to above. Pima County estimates that it will cost approximately \$9,272 when closure occurs and plans to fund the cost with proceeds of general obligation bonds and with solid waste tipping fees. At this time, there is no closure date available.

Note 9: 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 212 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's Departments of Corrections and Juvenile Corrections, and County employees whose primary duties require direct inmate contact. The **CORP** is governed by the Fund Manager of **PSPRS** and 21 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
Phoenix, AZ 85012
(602) 240-2000 or
(800) 621-3778

PSPRS and CORP

3010 East Camelback Road
Suite 200
Phoenix, AZ 85016-4416
(602) 255-5575

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 9: Retirement Plans (continued)

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, 2007, active **ASRS** members and the County were each required by statute to contribute at the actuarially determined rate of 9.10 percent (8.60 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, 2007, 2006 and 2005 were \$23,105, \$17,551 and \$12,602 respectively, which were equal to the required contributions for the applicable year.

Agent plans For the year ended June 30, 2007, active **PSPRS** members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 18.85 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 8.46 percent.

Annual Pension Cost: The County's pension cost for the two agent plans for the year ended June 30, 2007, and related information follow:

	PSPRS	CORP
Contribution rates:		
County	22.50%	8.46%
Plan members	4.00%	8.50%
Annual pension cost	\$ 5,422	\$ 1,224
Contributions made	\$ 5,422	\$ 1,224
Actuarial valuation date	June 30, 2005	June 30, 2005
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial Assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases includes inflation at	5.50% - 8.50%	5.50% - 8.50%
Amortization method	Level percentage open	Level percentage open
Remaining amortization period	30 Years	30 Years
Asset valuation method	Smoothed market value	Smoothed market value

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 9: Retirement Plans (continued)

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	2007	\$ 5,422	100%	\$ -
	2006	4,720	100%	-
	2005	3,325	100%	-
CORP	2007	\$ 1,224	100%	\$ -
	2006	1,088	100%	-
	2005	782	100%	-

Note 10: Interfund Transactions

A. Interfund Assets/ Liabilities

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

Amounts recorded as due from:

	General	Capital Projects	Other Governmental	PHS & Services	Other Enterprise	Internal Service	Total
General		\$ 497	\$ 3	\$ 108	\$ 16	\$ 624	
Capital Projects	\$ 21		1,243			208	1,472
Other Governmental	499	\$ 793	33	1		818	2,144
Pima Health System & Services	1,152						1,152
Wastewater Management	10	178	17				205
Other Enterprise	1						1
Internal Service	21			1		1	23
Total	\$ 1,704	\$ 971	\$ 1,790	\$ 5	\$ 108	\$ 1,043	\$ 5,621

Amounts recorded as due to:

B. Transfers

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

Amounts recorded as transfers out:

	General	Capital Projects	Other Governmental	Wastewater Management	Internal Services	Total
General		\$ 71	\$ 3,489		\$ 3,560	
Capital Projects			30,549		30,549	
Other Governmental	\$ 32,186		19,794		51,980	
Pima Health System & Services				\$ 17	17	
Internal Service	598		1	\$ 10	609	
Total	\$ 32,784	\$ 71	\$ 53,833	\$ 10	\$ 17	\$ 86,715

Amounts recorded as transfers in:

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 10: Interfund Transactions (continued)

The table above does not include transfers of capital assets and long-term liabilities from the proprietary funds to the governmental activities because these are not reported in the governmental funds. During the year, the County transferred in to the Internal Service Funds \$57 to record the transfer of a long-term liability to the Governmental Activities. In addition, the following proprietary funds transferred capital assets with Governmental Activities:

<u>Transfer from</u>	<u>Transfer to</u>		<u>Transfer from</u>	<u>Transfer to</u>
Wastewater Management Enterprise Fund	Capital assets	\$ 644		
Other Enterprise	Capital assets	84		
Internal Services	Capital assets	9		
	Subtotal	<u>737</u>		
		<u>(30)</u>	Capital assets	Internal Services
	Total	<u>\$ 707</u>		

Note 11: Construction and Other Significant Commitments

At June 30, 2007, Pima County had the following major contractual commitments related to Cultural Resources, Facilities Management, General Government, Pima Health System and Services, Transportation and Wastewater Management.

Cultural Resources

At June 30, 2007, the Pima County Cultural Resources Department had construction contractual commitments of \$6,654. Funding for these expenditures will be provided from general obligation bonds.

Facilities Management

At June 30, 2007, the Pima County Facilities Management Department had construction contractual commitments of \$11,670. Funding for these expenditures will be provided from general obligation bonds.

General Government

At June 30, 2007, Pima County had contractual commitments related to service contracts for Institutional Health of \$79,166 and Risk Management of \$1,663. Funding for these expenditures will be primarily provided from general fund revenues.

Pima Health System & Services

At June 30, 2007, Pima County had contractual commitments related to service contracts for Pima Health System & Services of \$89,388. Funding for these expenditures will be primarily provided from federal and state funding sources.

Transportation

At June 30, 2007, the Pima County Transportation Department had construction contractual commitments of \$57,651 and other contractual commitments related to service contracts of \$14,317. Funding for these expenditures will be primarily provided from Transportation Revenue Bonds and Highway User Tax Revenue, the primary source of revenue for the Transportation Department.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 11: Construction and Other Significant Commitments (continued)

Wastewater Management

At June 30, 2007, the Wastewater Management Enterprise fund had construction contractual commitments of \$18,350 and other contractual commitments related to service contracts of \$4,051. Funding for these expenditures will be primarily from Sewer Revenue Bonds and related fees.

Note 12: Stewardship, Compliance and Accountability (Deficit Fund Balances)

The Special Revenue Other Grants Fund and the Special Districts Fund (both non-major governmental funds) had deficit fund balances at June 30, 2007, of \$740 and \$593 respectively. These deficits can be eliminated in the future through normal operations.

Note 13: Contingent Liabilities

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 litigation is uncertain and the amount of the loss cannot be reasonably estimated.

Pima County has been named a co-defendant, along with the State of Arizona in lawsuits filed by the Qwest and Cox companies. The litigation challenges the taxes assessed on their assets. The future outcome of this litigation is uncertain and any potential liability is not estimable.

Note 14: Subsequent Event

On October 17, 2007, the town of Marana, Arizona filed a lawsuit against Pima County after negotiations over the transfer of the sewer treatment facilities and conveyance system, failed to produce an agreement. The town of Marana rescinded the 1979 agreement with Pima County to operate and supply sewer services to the town. The liability and future outcome of this litigation is unknown at this time.

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\$25,000,000*
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2008

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 \$25,000,000* aggregate principal amount of Street and Highway Revenue Bonds, Series 2008 (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 February 12, 2008, 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 _____. The Final Official Statement relating to the Bonds is dated _____, 2008.

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
Finance and Risk Management Director

Date: [Closing Date]

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, 2008. 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

Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona

County of Pima

ss

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

I further certify that the attached resolution entitled

RESOLUTION NO. 2008-43

(See attached copy)

is a true and correct copy of a resolution passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on the 12th day of February, 2008, at which a quorum was present, and that the original resolution is officially of record in my possession.

In Witness Whereof, I have hereunto set my hand and affixed the seal of the Board of Supervisors of Pima County, Arizona, this 14th day of February, 2008.

Lori Godoshian
Clerk

RESOLUTION NO. 2008-43

RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF \$25,000,000 PRINCIPAL AMOUNT OF PIMA COUNTY, ARIZONA, STREET AND HIGHWAY REVENUE BONDS, SERIES 2008; 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 (the "Board of Supervisors") on May 19, 1998 (the "1998 Bond Resolution"), Resolution No. 2002-6, adopted by the Board of Supervisors on January 8, 2002 (the "2002 Bond Resolution"), Resolution No. 2003-17, adopted by the Board of Supervisors on January 21, 2003 (the "2003 Bond Resolution"), Resolution No. 2005-99, adopted by the Board of Supervisors on May 10, 2005 (the "2005 Bond Resolution") and Resolution No. 2007-16, adopted by the Board of Supervisors on January 16, 2007 (the "2007 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"), \$35,000,000 principal amount of its Street and Highway Revenue Bonds, Series 2003 (the "2003 Bonds"), \$51,200,000 principal amount of its Street and Highway Revenue Bonds, Series 2005 (the "2005 Bonds") and \$21,000,000 principal amount of its Street and Highway Revenue Bonds, Series 2007 (the "2007 Bonds"). This Resolution authorizes the issuance and sale of an additional \$25,000,000 principal amount of bonds (the "2008 Bonds") under authority of the Bond Election, and after issuance of these bonds, \$122,800,000 of the amount authorized in the Bond Election will remain to be issued. The 1998 Bond Resolution, the 2002 Bond Resolution, the 2003 Bond Resolution, the 2005 Bond Resolution and the 2007 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 2008 Bonds were previously solicited and received pursuant to an on-line bidding process. The Board of Supervisors 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 \$25,000,000 principal amount of Pima County, Arizona, Street and Highway Revenue Bonds, Series 2008, pursuant to Title 11, Chapter 2, Article 12, Arizona Revised Statutes.

Section 3. Terms. The 2008 Bonds will bear interest, calculated on the basis of a 360-day year of twelve 30-day months, from February 15, 2008, to the maturity or prior redemption of each of the 2008 Bonds at the rates per annum established by the Accepted Bid, the first interest payment date to be July 1, 2008, interest payable semiannually thereafter on January 1 and July 1 during the term of the 2008 Bonds, the 2008 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 2008 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 2008 Bonds. Principal of the 2008 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 2008 Bonds will mature on July 1 in the years and in the amounts as follows:

<u>Year</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>
2009	\$ 150,000	2016	\$ 2,245,000
2010	150,000	2017	2,360,000
2011	150,000	2018	2,475,000
2012	150,000	2019	2,600,000
2013	1,940,000	2020	2,730,000
2014	2,035,000	2021	2,865,000
2015	2,140,000	2022	3,010,000

Section 4. Prior Redemption.

A. Optional Redemption. The 2008 Bonds maturing on or before July 1, 2018 are not subject to call for redemption prior to their respective maturity dates. The 2008 Bonds maturing on or after July 1, 2019 are subject to call for redemption on any date on or after July 1, 2018 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 2008 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 2008 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 2008 Bond shall affect the regularity of the proceedings for redemption of any other 2008 Bond.

C. Effect of Call for Redemption. On the date designated for redemption by notice given as herein provided, the 2008 Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such 2008 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 2008 Bonds or portions of 2008 Bonds so called for redemption shall cease to accrue, such 2008 Bonds shall cease to be entitled to any benefit or security hereunder and the owners of such 2008 Bonds shall have no rights in respect

thereof except to receive payment of the redemption price thereof and accrued interest and such 2008 Bonds shall be deemed paid and no longer outstanding.

D. Redemption of Less Than All of a 2008 Bond. The County may redeem a portion of any 2008 Bond in \$5,000 increments. In that event, the registered owner shall submit the 2008 Bond for partial redemption and the Paying Agent shall make such partial payment and the Registrar shall cause to be issued a new 2008 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 2008 Bonds.

A. The 2008 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 2008 Bonds and are approved by those officers executing the 2008 Bonds and the execution thereof by such officers shall constitute conclusive evidence of such approval.

B. The 2008 Bonds may have notations, legends or endorsements required by law, securities exchange rule or usage. Each 2008 Bond shall show the date of its authentication and registration.

Section 6. Book Entry Only System.

A. The 2008 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 2008 Bonds. One fully registered 2008 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 2008 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 2008 Bonds will not receive certificates representing their interests in the 2008 Bonds and will not be deemed to be registered owners of the 2008 Bonds.

C. So long as the book entry only system is in operation, principal of and interest on the 2008 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 2008 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 2008 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 2008 Bonds one or more 2008 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 2008 Bonds.

A. The 2008 Bonds shall be executed for and on behalf of the County by the Chairman 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 2008 Bond no longer holds that office at the time the 2008 Bond is authenticated and registered, the 2008 Bond shall nevertheless be valid.

C. A 2008 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 2008 Bond has been authenticated and issued under this Resolution.

Section 8. Mutilated, Lost or Destroyed 2008 Bonds. In case any 2008 Bond becomes mutilated, destroyed or lost, the County shall cause to be executed and delivered a new 2008 Bond of like date and tenor in exchange and substitution for and upon the cancellation of such mutilated 2008 Bond or in lieu of and in substitution for such 2008 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 2008 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 2008 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 2008 Bonds is hereby accepted and the 2008 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 2008 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 2008 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 2008 Bonds may be presented for registration of transfer (the "Registrar") and an office or agency where 2008 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 2008 Bonds.

B. Initially, U.S. Bank National Association will act as Registrar and Paying Agent with respect to the 2008 Bonds. The County may change the Registrar or Paying Agent

without notice to or consent of owners of the 2008 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 2008 Bonds all money held by the Paying Agent for the payment of principal of and interest and any premium on the 2008 Bonds.

D. The Registrar may appoint an authenticating agent acceptable to the County to authenticate 2008 Bonds. An authenticating agent may authenticate 2008 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 2008 Bonds, the registered owners of the 2008 Bonds and of transfers of the 2008 Bonds. When 2008 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 2008 Bonds registered in the name of the transferee of the same principal amount, maturity and rate of interest as the surrendered 2008 Bonds. Any 2008 Bond or 2008 Bonds may be exchanged at the designated office of the Registrar for a 2008 Bond or 2008 Bonds of the same maturity date and aggregate principal amount as the surrendered 2008 Bond or 2008 Bonds. The "Record Date" for the 2008 Bonds will be the close of business of the Registrar on the 15th day of the month preceding an interest payment date. The 2008 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 2008 Bonds for original issue in up to \$25,000,000 aggregate principal amount upon the written request of the County Administrator or his designee. The aggregate principal amount of 2008 Bonds outstanding at any time may not exceed that amount except for replacement 2008 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 2008 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 2008 Bonds then outstanding.

Section 12. Payment of the 2008 Bonds:

A. The 2008 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, the 2003 Bonds, the 2005 Bonds and the 2007 Bonds and such additional bonds or other obligations ("Additional Parity Bonds" and, collectively with the 1998 Bonds, the 2002 Bonds, the 2003 Bonds, the 2005 Bonds, the 2007 Bonds and the 2008 Bonds, the "Parity Bonds") hereafter issued on a parity therewith. The 2008 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 2008 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 2008 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 2008 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 2008 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 2008 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 2008 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 2008 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 2008 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.

A. Upon delivery of the 2008 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.

B. Pending any disbursement(s) as set forth in subsection A above, the County Treasurer is directed to invest the proceeds from the sale of the 2008 Bonds in the State Treasurer’s Local Government Investment Pool (LGIP); provided, however, that the County, acting through the County Administrator or its Finance and Risk Management Director, may at

any time provide other written investment instructions to the County Treasurer and the County Treasurer, to the extent that such investments are lawful, is authorized and directed to invest the monies designated in the written instructions in the investments set forth in the instructions.

Section 17. Tax Covenants.

A. The County recognizes that the purchasers and owners of the 2008 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 2008 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 2008 Bonds in such manner and to such extent as may be necessary so that (i) the 2008 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 2008 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 2008 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 2008 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 2008 Bonds (the "Tax Compliance Certificate") relating to the 2008 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 2008 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 2008 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 2008 Bonds; and (iii) give one or more appropriate certificates, for inclusion in the transcript of proceedings for the 2008 Bonds, setting for the reasonable expectations of the County regarding the amount and use of all the proceeds of the

2008 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 2008 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 2008 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 2008 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 2008 Bonds to be issued in, or converted into, bearer or coupon form if such action would cause interest on the 2008 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 2008 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 2008 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 2008 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 2008 Bonds in substantially the form of the Preliminary Official Statement (the "Preliminary Official Statement") prepared in connection with the original issuance of the 2008 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 2008 Bonds is hereby authorized, ratified, confirmed and approved.

The Chairman or any member of this Board of Supervisors and the County Administrator or his designee are each further authorized to use and distribute, or authorize the use and distribution of, any supplements in connection with the original issuance of the 2008 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 not 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 2008 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 2008 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 2008 Bonds effective immediately, thereby committing the purchaser to the interest rates the 2008 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 2008 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 February 12, 2008.

PIMA COUNTY, ARIZONA

By: 
Chairman, Board of Supervisors

FEB 12 2008

ATTEST:

By: 
Clerk, Board of Supervisors

APPROVED AS TO FORM:

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

By: 
Timothy E. Pickrell

EXHIBIT A TO RESOLUTION NO. 2008-

Recommend the Board of Supervisors adopt Resolution No. 2008-__
Awarding \$25,000,000 of Street and Highway Revenue, Series 2008
Bonds to the low bidder, _____ at a Net Interest Cost of
_____ %.

EXHIBIT B TO RESOLUTION NO. 2008-

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 AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2008

Number:

Denomination:
\$ _____

Interest Rate

Maturity Date

Original Issue Date
February 15, 2008

CUSIP

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 July 1, 2008, 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 \$25,000,000 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, May 10, 2005, January 16, 2007 and February 12, 2008 (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, 2018 are not subject to call for redemption prior to their respective maturity dates. The Bonds maturing on or after July 1, 2019 are subject to call for redemption on any date on or after July 1, 2018 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 Chairman 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)
Chairman, 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 2008, 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.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable laws or regulations:

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

UNIF GIFT/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 continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Bonds is exempt from Arizona state income tax. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see “TAX MATTERS” herein.

\$25,000,000 PIMA COUNTY, ARIZONA STREET AND HIGHWAY REVENUE BONDS SERIES 2008

Dated: February 15, 2008

Due: July 1, as shown below

The Street and Highway Revenue Bonds, Series 2008 (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 July 1, 2008. 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 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 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, on a parity with the outstanding street and highway revenue bonds of the County and any additional street and highway revenue bonds hereafter issued as provided herein. 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	Yield	Due July 1	Principal Amount	Interest Rate	Yield
2009	\$ 150,000	3.000%	1.800%	2016	\$2,245,000	3.500%	3.430%
2010	150,000	3.000	2.250	2017	2,360,000	4.500	3.560
2011	150,000	3.000	2.450	2018	2,475,000	4.000	3.700
2012	150,000	3.000	2.670	2019	2,600,000	4.250	3.870*
2013	1,940,000	3.250	2.900	2020	2,730,000	4.000	4.050
2014	2,035,000	3.250	3.050	2021	2,865,000	4.000	4.200
2015	2,140,000	3.500	3.280	2022	3,010,000	4.125	4.300

* Yield to July 1, 2018 par call date.

(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 February 28, 2008.

February 12, 2008.

**PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS**

Richard Elías, *Chairman*

Sharon Bronson

Ray Carroll

Ann Day

Ramón Valadez

COUNTY ADMINISTRATIVE OFFICIALS

ELECTED OFFICIALS

Bill Staples
County Assessor

Beth Ford
County Treasurer

Barbara La Wall
County Attorney

APPOINTED OFFICIALS

C. H. Huckelberry
County Administrator

Thomas Burke
Finance and Risk Management Director

FINANCIAL ADVISOR

RBC Capital Markets
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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\$25,000,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2008

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 2008 (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 December 18, 2007, and an authorizing Resolution adopted by the Board on February 12, 2008 (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 \$122,800,000 principal amount of authorized but unissued street and highway revenue bonds.

General Description

The Bonds will be dated February 15, 2008 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 February 15, 2008, payable semiannually on January 1 and July 1 (each an "Interest Payment Date"), commencing July 1, 2008.

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, 2018 are not subject to call for redemption prior to their respective maturity dates. The Bonds maturing on or after July 1, 2019 are subject to call for redemption on any date on or after July 1, 2018 at the election of the County, in whole or in part from maturities selected by the County and within any maturity by lot, by the payment of a redemption price equal to the principal amount of each Bond called for redemption plus accrued interest to the date fixed for redemption, without premium.

Notice of Redemption

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

Book-Entry-Only System

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

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

DTC, the world's largest securities 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 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, 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 Direct Participants, "Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2007 Bond certificates will be printed and delivered to DTC.

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

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

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

Registration and Transfer

The Bonds will be transferable only upon the Bond Register maintained by the Bond Registrar and only upon surrender of the Bond or Bonds to be transferred to the 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 secured by Street and Highway Revenues on a parity with the \$136,400,000 aggregate principal amount of outstanding street and highway revenue bonds of the County and any additional street and highway revenue bonds hereafter issued on a parity therewith. See "Additional Bonds" below and Appendix B – Pima County Financial Information – Street and Highway Revenue Bonded Debt Outstanding."

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 additional 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 \$122,800,000 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. Additional bonds may be authorized at future elections.

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 and parity 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") and deposited into the Arizona Highway User Revenue Fund: (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.

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. Only the portion of the motor vehicle license (in lieu) taxes deposited into the Arizona Highway User Revenue Fund constitutes Highway User Revenues.

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 statutory annual allocations are made, including \$10,000,000 to the State Department of Public Safety and \$1,000,000 to the State's Economic Strength Project Fund, 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 also to meet certain local revenue spending requirements.

The Arizona statutes provide the Highway User Tax Revenues may only be used for purposes prescribed in the State Constitution, and that cities and counties may not use Highway User Tax Revenues for the enforcement of traffic laws or the administration of traffic safety programs. If the Auditor General of Arizona reports to the State Treasurer after conducting a performance audit that a city or county has not used an amount of Highway User Tax Revenues as prescribed by law, the State Treasurer shall withhold its Highway User Tax Revenues until such city or county presents evidence satisfactory to the Auditor General showing that it has spent for such prescribed purposes at least a like amount from other general revenue sources.

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 Tax Revenues 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 State is expected to experience State General Fund deficits for fiscal years 2007-08 and 2008-09, primarily due to lower-than-projected revenues. The State Legislature and the Governor will need to address these expected State General Fund deficits during the current legislative session. Although no specific proposals have been enacted, legislative plans to eliminate such deficits in prior years have considered proposals making one-time transfers from the Highway User Revenue Fund to the State General Fund for reimbursement of prior Department of Public Safety costs, and transferring funding responsibility for certain costs of ADOT's Motor Vehicle Division from the State Highway Fund to the Highway User Revenue Fund. These and other proposals may be considered in the future. Unless and until any such proposals are enacted into law, the impact on the Highway User Revenue Fund and the amounts to be received by the County cannot be determined.

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)**

<u>Fiscal Year</u>	<u>Gasoline & Use Fuel Revenues</u>	<u>Registration & In Lieu Taxes</u>	<u>Motor Carrier Tax</u>	<u>License Fees & Other</u>	<u>Total Highway User Tax Revenues</u>
2006-07	\$707,984	\$571,285	\$45,226	\$57,979	\$1,382,474
2005-06	702,541	532,669	40,504	55,911	1,331,625
2004-05	675,652	482,354	37,980	49,567	1,245,553
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

Source: Arizona Department of Transportation, Administrative Services Division.

MOTOR VEHICLE REGISTRATIONS

<u>Fiscal Year</u>	<u>State of Arizona</u>		<u>Pima County</u>	
	<u>Total Number of Vehicle Registrations</u>	<u>Percentage Change</u>	<u>Total Number of Vehicle Registrations</u>	<u>Percentage Change</u>
2006-07	6,608,726	4.6%	905,793	6.1%
2005-06	6,318,402	6.3%	853,928	3.4%
2004-05	5,945,131	17.0%	825,806	12.5%
2003-04	5,079,849	4.9%	733,810	4.2%
2002-03	4,844,172	3.3%	704,394	2.4%
2001-02	4,690,865	1.1%	687,668	0.5%

Source: Arizona Department of Transportation, Motor Vehicle Division.

GALLONS OF MOTOR VEHICLE FUEL TAXED (a)

<u>Fiscal Year</u>	<u>State of Arizona</u>		<u>Pima County</u>	
	<u>Total Gallons Taxed</u>	<u>Percentage Change</u>	<u>Total Gallons Taxed</u>	<u>Percentage Change</u>
2006-07	3,694,579,366	2.62%	491,154,154	(3.99%)
2005-06	3,600,184,049	1.22%	510,772,029	(0.79%)
2004-05	3,556,759,467	3.69%	514,834,562	1.00%
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%

(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**

<u>Fiscal Year</u>	<u>Street & Highway Revenue Receipts</u>
2006-07	\$58,637,775
2005-06	56,936,526
2004-05	53,878,131
2003-04	51,334,009
2002-03	48,071,873
2001-02	47,071,345

Source: Pima County, Finance and Risk Management Department.

STREET AND HIGHWAY REVENUE BONDED DEBT OUTSTANDING

The following chart indicates the outstanding street and highway bonds of the County that will be outstanding after the issuance of the Street and Highway User Revenue Bonds, Series 2008 being issued concurrently with the Bonds under a separate Official Statement.

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Original Maturity Dates</u>	<u>Remaining Balance Outstanding (a)</u>
5-01-98	\$40,000,000	Street & Highway Improvements	7-1-99/08	\$ 4,000,000
1-01-02	55,000,000	Street & Highway Improvements	7-1-03/12	30,410,000
1-15-03	35,000,000	Street & Highway Improvements	7-1-04/18	29,790,000
5-01-05	51,200,000	Street & Highway Improvements	7-1-09/20	51,200,000
1-01-07	21,000,000	Street & Highway Improvements	7-1-09/22	21,000,000
Total Street and Highway Revenue Bonds Outstanding				\$136,400,000
Plus: The Bonds offered Herein				25,000,000
Total Street and Highway Revenue Bonds to be Outstanding				<u>\$161,400,000</u>

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

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

Fiscal Year	Street & Highway Revenues Pledged (1)	Outstanding Debt Service (2)	Series 2008 Bonds Dated: February 15, 2008		Total Debt Service Requirements	Debt Service Coverage (1)(4)
			Principal	Interest (3)		
2006-07	\$58,637,775	\$17,144,913			\$17,144,913	3.42
2007-08		17,404,250		\$364,301	17,768,551	3.30
2008-09		17,398,138	\$ 150,000	964,325	18,512,463	3.17
2009-10		17,411,644	150,000	959,825	18,521,469	3.17
2010-11		17,415,575	150,000	955,325	18,520,900	3.17
2011-12		17,416,988	150,000	950,825	18,517,813	3.17
2012-13		10,995,963	1,940,000	946,325	13,882,288	
2013-14		11,014,150	2,035,000	883,275	13,932,425	
2014-15		11,037,813	2,140,000	817,138	13,994,950	
2015-16		11,081,150	2,245,000	742,238	14,068,388	
2016-17		11,080,325	2,360,000	663,663	14,103,988	
2017-18		11,126,088	2,475,000	557,463	14,158,550	
2018-19		7,678,625	2,600,000	458,463	10,737,088	
2019-20		7,758,625	2,730,000	347,963	10,836,588	
2020-21		2,223,938	2,865,000	238,763	5,327,700	
2021-22		2,261,175	3,010,000	124,163	5,395,338	

- (1) As reported by the Arizona Department of Transportation and the County for fiscal year 2006-07.
- (2) Does not include a loan currently outstanding in the aggregate principal amount of \$3.7 million that the County received in 2006 from the HELP Program of ADOT.
- (3) The first interest payment date is July 1, 2008.
- (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 and 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 MATTERS

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) Bond Counsel expresses no opinion as to any other tax consequences regarding the Bonds.

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

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

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

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

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

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

In May 2007, the United States Supreme Court agreed to review a Kentucky state court decision on the issue of whether the United States Constitution precludes states from giving more favorable tax treatment to state and local government bonds issued within that state than the tax treatment given bonds issued outside that state. Written briefs have been submitted, and oral arguments were presented to the Court in November 2007. The outcome of this or any other court case cannot be predicted, but that outcome could prompt attempts to change the treatment for Arizona income tax purposes of obligations such as the Bonds, including whether interest on the Bonds is exempt from Arizona state income tax, although any such attempts could be affected by current provisions of the Arizona State Constitution stating that public debts, as evidenced by bonds of Arizona, its counties, municipalities or other subdivisions, shall be exempt from taxation.

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

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

Original Issue Discount and Original Issue Premium

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

Certain of the Bonds ("Premium Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price (the principal amount)³ at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the

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

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

LITIGATION

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

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

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("S&P") have assigned the Bonds uninsured ratings of "A1" and "AA", 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, 2009 (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 – 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 has 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 excerpts of the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. The County has not requested or obtained the consent of the Office of the Arizona Auditor General to include such excerpts in the Official Statement and the Office of the Arizona Auditor General has performed no procedures subsequent to rendering their opinion on such Comprehensive Annual Financial Report.

FINANCIAL ADVISOR

RBC Capital Markets is employed as the Financial Advisor to the County in connection with the issuance of the Bonds. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds. RBC Capital Markets is the name under which RBC Dain Rauscher Inc., a broker-dealer, conducts investment banking business.

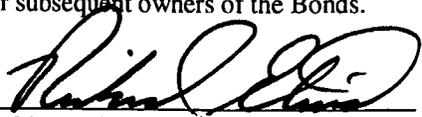
ADDITIONAL INFORMATION

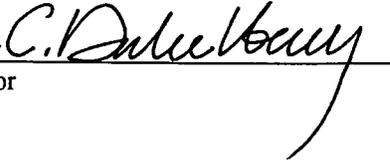
Additional information and copies of the Official Statement may be obtained from RBC Capital Markets, 2398 East Camelback Road, Suite 700, Phoenix, Arizona 85016 (telephone 602-381-5368), Financial Advisor to the County.

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/ Richard Elías 
Chairman, Board of Supervisors

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

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 2006 population of 1,003,235. Approximately 55% 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

	<u>Pima County</u>	<u>City of Tucson</u>	<u>State of Arizona</u>
2007 Estimate (a)	1,003,235	541,132	6,500,194
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, 2007.

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 "District") from 1979 to 1987; as Deputy Director of the Department from 1976 to 1979; and as the Department's Manager of Field Engineering from 1974 to 1976. He was self employed as a civil engineering and land surveying consultant for one year. From 1972 to 1973, Mr. Huckelberry was employed as a Research and Development Engineer for the Shell Oil Company. He holds both a Bachelor of Science Degree in Mining Engineering and a Master of Science Degree in Civil Engineering from the University of Arizona and is a registered professional engineer and land surveyor as well as a member of numerous professional organizations.

Mr. Thomas Burke was appointed Finance and Risk Management Director in January 2005 and had served as Deputy Director of Finance from May 2004. Prior to his move to Finance, Mr. Burke served as Deputy Director of Pima County's Department of Natural Resources, Parks and Recreation from 2003 to 2004. From 2000 to 2003, he was a Deputy County Attorney representing various Pima County departments including the County Assessor, County Treasurer and Public Works departments. From 1989 to 1998, Mr. Burke served as the Manager of Pima

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

Transportation

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

Economy

The economy of the County is based largely on a variety of service industries, trade, and government employment. Figures from the Arizona Department of Economic Security indicate that 390,500 persons were employed, on average (not including the agricultural industry), in the County in 2007. 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 2003-2007

<u>Industry</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Goods Producing					
Natural Resources and Mining	1,200	1,300	1,400	1,600	2,000
Construction	22,900	24,000	25,700	28,100	27,700
Manufacturing	28,700	28,400	28,300	28,800	29,000
Service Producing					
Trade, Transportation and Utilities	55,100	57,900	59,500	61,800	63,800
Information	7,600	7,600	7,200	7,000	6,000
Financial Activities	15,500	15,900	16,500	17,300	17,200
Professional and Business Services	41,200	43,400	45,900	49,100	51,400
Education and Health Services	45,700	47,800	50,500	52,800	55,400
Leisure and Hospitality	37,200	39,100	39,800	40,700	43,200
Other Services	14,600	14,700	14,700	15,900	16,800
Government	75,700	76,900	77,100	76,800	78,000
Total Wage & Salary Employment	<u>345,400</u>	<u>357,000</u>	<u>366,700</u>	<u>379,900</u>	<u>390,500</u>

Source: Arizona Department of Economic Security.

The average unemployment rate for the County in 2007 was 3.7%. The average annual unemployment rate for 2006 and 2005 was 4.0% and 4.4%, respectively. The table below shows comparative unemployment rates for the County, the State and the United States.

TABLE 3

**Pima County
Comparative Employment Statistics**

Calendar Year	Pima County		Unemployment Rate		
	Average Employment	Average Unemployment	Pima County	Arizona	U.S.
2007	440,561	17,048	3.7%	3.8%	4.5%
2006	430,994	18,072	4.0%	4.1%	4.6%
2005	418,847	19,415	4.4%	4.6%	5.1%
2004	417,589	20,101	4.6%	4.9%	5.5%
2003	404,564	22,666	5.3%	5.7%	6.0%

Source: Arizona Department of Economic Security.

TABLE 4

**Pima County
Major Employers**

Company	Type of Business	Approximate Number of Full-Time Equivalents
Raytheon Missile Systems	Missile Manufacturing	11,184
University of Arizona	Education	10,354
State of Arizona	Government	9,927
Davis-Monthan Airforce Base	Military	8,233
Pima County	Government	8,131
Tucson Unified School District	Education	7,419
City of Tucson	Government	5,848
Wal-Mart Stores Inc.	Retail	5,625
Phelps Dodge Mining Company	Mining	4,900
Carondelet Health Network	Health Care	4,319
Tohono O'Odham Nation	Tribal Government	3,825
TMC Health Care	Health Care	3,474
University Medical Center Corp.	Health Care	3,094
U.S. Border Patrol	Government	2,763
Sunnyside Unified School District	Education	2,690
Pima Community College	Education	2,211
Amphitheater Public Schools	Education	2,187
Pascua Yaqui Tribe	Tribal Government	2,184
CheckMate Professional Employer	Services (Business)	2,131
Citi	Services (Business)	2,000

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2007).

Services

From 2003 to 2007, the goods producing and service producing industries in the County (excluding Government employees) expanded by 42,800 jobs or 15.9%. The average annual employment in the service-providing industry in 2007 was 331,800. 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 78,000 in 2007. This sector expanded by 2,300 jobs from 2003 to 2007. 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 2007 was 29,000, representing 7.4% of the County's total wage and salary employment base. Manufacturing employment during 2006 and 2005 averaged 28,800 and 28,300, respectively.

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

TABLE 5

**Metropolitan Pima County
Major Manufacturers**

<u>Company</u>	<u>Type of Business</u>	<u>Approximate 2007 Employment</u>
Raytheon Missile Systems	Missile Manufacturing	11,184
International Business Machines Corp.	Computer Systems	1,750
Honeywell Aerospace	Aircraft Electronic Systems	750
Texas Instruments	Operation Amplifiers	625
Bombardier Aerospace	Aircraft Maintenance	614
Ventana Medical Systems Inc.	Medical Equipment	580

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2007).

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.

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, conventioners and other visitors. The Metropolitan Tucson Convention and Visitors Bureau estimates that over 758 convention bookings with 239,953 convention delegates visited the Tucson area in fiscal year 2006-07. In the Tucson area, there are 183 hotels and resorts with over 15,442 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 \$1.5 billion was spent in the County in 2006. 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 2002 and 2007.

Total Tourist Expenditures (\$ in billions)

<u>Year</u>	<u>Pima County</u>	<u>State of Arizona</u>
2007*	810	7,130
2006	1,530	10,400
2005	1,440	9,680
2004	1,280	8,520
2003	1,190	7,810
2002	1,160	7,440

* Data collected through June, 2007.

Source: Arizona Hospitality Research & Resources Center.

Education

The University of Arizona (the "University") provides approximately 14,466 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 2007 were estimated at 37,217 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 2006-07 was estimated at 74,077 students.

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

Wholesale and Retail Trade

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

The retail sales figures set forth below are based on the sales tax collections within the County excluding penalties, late charges and nontaxable items. The sales tax rate levied by the State on retail sales within the County is 5.6%. In addition, cities and towns within Pima County generally levy a 2% to 4% sales tax. On July 1, 2006, the Regional Transportation Authority began levying a 0.5% sales tax.

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

TABLE 6

Pima County Retail Sales (a)

<u>Year</u>	<u>Amount</u>	<u>% Change</u>
2007 (b)	\$7,182,034,887	N/A
2006	7,740,869,293	7.49%
2005	7,201,701,654	9.21%
2004	6,594,312,765	6.08%
2003	6,216,097,166	3.39%
2002	6,012,022,946	1.13%

(a) Excludes Food Sales and Gas Tax.

(b) Data collected through November, 2007.

Source: Arizona Department of Revenue.

Financial Institutions

The following table illustrates bank deposits with participating banks within the County.

TABLE 7

Pima County Bank Deposits

<u>Year</u>	<u>Amount</u>
2007 (a)	\$11,643,000,000
2006	11,151,000,000
2005	10,250,000,000
2004	8,941,000,000
2003	8,091,000,000
2002	7,391,000,000

(a) Data collected through June 30, 2007.

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 \$2.200 billion, \$1.605 billion, and \$1.296 billion in 2006, 2005, and 2004, respectively. The direct impact of the copper industry within the County was nearly \$632 million in 2006, \$580 million in 2005 and \$421 million in 2004. Employment in the mining industry within the County was approximately 1,600 in 2006, 1,400 in 2005 and 1,300 in 2004.

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

<u>Year</u>	<u>Receipts</u>
2006	\$78,083,000
2005	84,452,000
2004	80,103,000
2003	68,694,000
2002	51,983,000

Source: *Arizona Agricultural Statistics Bulletin*, September 2007.

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
2007 (a)	\$ 255,670,000	\$ 89,708,000	\$ 1,035,000	\$ 23,119,000	\$ 369,532,000
2006	1,562,755,000	199,629,000	16,736,000	129,928,000	1,909,048,000
2005	2,180,381,000	315,946,000	8,546,000	150,686,000	2,655,559,000
2004	1,680,800,000	284,275,000	16,206,000	117,220,000	2,098,501,000
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

(a) Through June 30, 2007.

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

TABLE 10**Pima County
New Housing Starts**

Year	Total Housing Units Permitted
2007 (a)	1,458
2006	9,082
2005	12,272
2004	11,452
2003	9,635
2002	8,915

(a) Through June 30, 2007.

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

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

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 2006-07 fiscal year was \$438,128,547. The County's expenditures for the 2006-07 fiscal year were under the limit. The County's 2007-08 fiscal year expenditure limitation is \$464,592,697.

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 2003-04 through 2007-08 for each class of property are set forth below.

Property Tax Assessment Ratios 2003-04 through 2007-08

Classification (a)	2003-04	2004-05	2005-06	2006-07	2007-08
Mining, Utility, Commercial and Industrial (b)(c)	25%	25%	25%	24.5%	24%
Agriculture and Vacant Land (c)	16%	16%	16%	16%	16%
Owner Occupied Residential	10%	10%	10%	10%	10%
Leased or Rented Residential	10%	10%	10%	10%	10%
Railroad, Private Car Company And Airline Flight Property (d)	20%	21%	21%	22%	(d)

- (a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body’s total valuation.
- (b) The first \$61,146 of full cash value of commercial, industrial and agricultural personal property is exempt from tax for fiscal year 2007-08. This amount is indexed annually for inflation. Any portion of the full cash value in excess of those amounts will be assessed at 24% or 16% as applicable.
- (c) Effective January 1, 2007, the assessment ratio for Mining, Utility, Commercial and Industrial property was decreased to 24%. Additionally, this rate will be decreased by one percent annually through 2010, resulting in an assessment ratio of 20% from and after December 31, 2010.
- (d) This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial, and military reuse zone properties and agricultural personal property to (ii) the total full cash (market) value of such properties.

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

Delinquent Tax Procedures

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

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

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

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

Property Valuations

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

Valuations for Fiscal Year 2007-08

Estimated Actual Valuation*	\$66,494,590,856
Net Secondary Assessed Valuation	8,220,395,835
Net Primary Assessed Valuation	7,353,331,088

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

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

Net Secondary Assessed Valuation Comparisons and Trends

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

Net Secondary Assessed Value and Estimated Actual Cash Value Comparison

<u>Fiscal Year</u>	<u>Net Secondary Assessed Valuation</u>	<u>Estimated Actual Valuation*</u>	<u>Net Secondary Assessed Valuation as a Percentage of the Estimated Actual Valuation</u>
2007-08	\$8,220,395,835	\$66,494,590,856	12.36%
2006-07	6,869,955,457	59,890,228,997	11.47%
2005-06	6,050,950,040	47,971,147,096	12.61%
2004-05	5,620,156,274	43,778,402,824	12.84%
2003-04	5,221,270,997	43,733,555,507	11.94%
2002-03	4,835,561,219	36,999,609,652	13.07%

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

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

Net Secondary Assessed Valuation Comparisons

<u>Fiscal Year</u>	<u>City of Tucson</u>	<u>Percent Change</u>	<u>Pima County</u>	<u>Percent Change</u>	<u>State of Arizona</u>	<u>Percent Change</u>
2007-08	\$3,484,462,013	15.52%	\$8,220,395,835	19.66%	\$71,837,099,233	31.96%
2006-07	3,016,230,759	10.77%	6,869,955,457	13.54%	54,436,547,031	11.25%
2005-06	2,722,915,853	6.44%	6,050,950,040	7.67%	48,931,946,145	10.05%
2004-05	2,558,231,181	5.40%	5,620,156,274	7.64%	44,461,738,026	8.87%
2003-04	2,427,120,926	6.98%	5,221,270,997	7.98%	40,839,898,348	10.96%
2002-03	2,268,733,334	6.09%	4,835,561,219	7.66%	36,805,206,912	6.76%

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

Net Secondary Assessed Valuations of Major Taxpayers

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

<u>Taxpayer (a)</u>	<u>Estimated 2007-08 Net Secondary Assessed Valuation</u>	<u>As Percent of County's 2007-08 Net Secondary Assessed Valuation</u>
Unisource Energy Corporation	\$150,728,479	1.83%
Qwest Corporation	94,511,916	1.15%
Phelps Dodge Sierrita Inc.	93,651,525	1.14%
Southwest Gas	62,918,000	0.77%
Raytheon	58,986,547	0.72%
Arizona Portland Cement Co.	23,468,354	0.29%
DND Neffson Co.	19,554,750	0.24%
Trico Electric Co-Op Inc.	17,164,573	0.21%
SCG Tucson Property LLC (Westin Hotel)	15,959,030	0.19%
Starr Pass Resort Developments LLC	<u>15,100,130</u>	<u>0.18%</u>
	<u>\$552,043,304</u>	<u>6.72%</u>

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

Source: Pima County Assessor's office.

Record of Real and Secured Personal Property Taxes Levied and Collected

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

<u>Fiscal Year</u>	<u>Real and Secured Personal Property Tax Levy</u>	<u>Fiscal Year Collections (a)</u>		<u>Total Collections (b)</u>	
		<u>Amount</u>	<u>Percent of Tax Levy</u>	<u>Amount</u>	<u>Percent of Tax Levy</u>
2007-08	\$362,534,617	(c)	(c)	\$ 69,307,855	19.12%
2006-07	330,240,186	\$318,519,807	96.45%	324,767,662	98.34%
2005-06	302,126,724	292,019,235	96.65%	301,662,819	99.85%
2004-05	281,171,502	271,480,760	96.55%	280,658,166	99.82%
2003-04	260,569,500	250,928,829	96.30%	260,557,397	100.00%
2002-03	241,415,870	231,618,482	95.94%	241,378,589	99.98%
2001-02	228,476,979	218,191,563	95.50%	228,624,507	100.06%

- (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 October 31, 2007 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).

<u>Fiscal Year</u>	<u>Primary Tax Rate</u>	<u>Secondary Tax Rate</u>	<u>Total Tax Rate</u>
2007-08	\$3.6020	\$1.4654	\$5.0674
2006-07	3.8420	1.4986	5.3406
2005-06	4.0720	1.3891	5.4611
2004-05	4.0720	1.4247	5.4967
2003-04	4.0720	1.4261	5.4981

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

Debt Limitation

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

Net Secondary Assessed Valuation (FY 2007-08)	\$8,220,395,835
15% Constitutional Limitation	1,233,059,375
Net Direct General Obligation Bonds Outstanding	<u>389,590,000</u>
Unused 15% Limitation	<u>\$ 843,469,375</u>

General Obligation Bonded Debt to be Outstanding

The following chart lists the outstanding general obligation bonded debt of the County that will be outstanding after the issuance of the Bonds.

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Original Purpose</u>	<u>Maturity Dates</u>	<u>Average Int. Rates</u>	<u>Remaining Balance Outstanding</u>
05-01-98	\$42,420,000	Various Improvements	7-1-99/13	4.620%	\$ 14,050,000
10-01-99	50,000,000	Various Improvements	7-1-00/10	5.040%	11,115,000
08-01-00	50,000,000	Various Improvements	7-1-01/14	4.760%	21,000,000
07-01-01	17,835,000	Refunding	7-1-03/09	4.410%	4,465,000
01-01-02	20,000,000	Various Improvements	7-1-02/16	4.000%	8,500,000
01-15-03	50,000,000	Various Improvements	7-1-03/17	3.900%	37,100,000
06-01-04	65,000,000	Various Improvements	7-1-05/19	4.207%	50,430,000
05-01-05	65,000,000	Various Improvements	7-1-06/20	4.016%	52,315,000
01-01-07	95,000,000	Various Improvements	7-1-07/21	4.028%	90,615,000
Total General Obligation Bonded Debt Outstanding					\$289,590,000
Plus: The General Obligation Bonds, Series 2008 (a)					100,000,000
Total General Obligation Bonded Debt to be Outstanding					<u>\$389,590,000</u>

(a) The General Obligation Bonds, Series 2008 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 General Obligations Bonds, Series 2008, being issued concurrently with the Bonds under a separate official statement.

<u>Fiscal Year</u> <u>June 30</u>	<u>Existing General Obligation Bonded Debt Outstanding</u>		<u>Series 2008 Bonds Dated: February 15, 2008</u>		<u>Total Debt Service Requirement</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest (a)</u>	
2008	\$31,255,000	\$12,342,680	\$10,000,000	\$1,383,139	\$54,980,819
2009	25,660,000	10,939,280	8,000,000	3,411,250	48,010,530
2010	25,080,000	9,782,230	3,500,000	3,171,250	41,533,480
2011	22,740,000	8,657,200	3,500,000	3,066,250	37,963,450
2012	23,355,000	7,637,850	3,750,000	2,961,250	37,704,100
2013	24,005,000	6,593,800	4,000,000	2,830,000	37,428,800
2014	22,360,000	5,527,200	4,250,000	2,690,000	34,827,200
2015	20,015,000	4,533,675	4,500,000	2,520,000	31,568,675
2016	20,355,000	3,648,806	4,750,000	2,340,000	31,093,806
2017	20,940,000	2,775,300	5,000,000	2,150,000	30,865,300
2018	17,660,000	1,903,100	5,500,000	1,950,000	27,013,100
2019	18,535,000	1,238,088	7,500,000	1,730,000	29,003,088
2020	13,785,000	554,750	8,000,000	1,430,000	23,769,750
2021	3,845,000	115,350	12,750,000	1,110,000	17,820,350
2022			15,000,000	600,000	15,600,000

(a) The General Obligation Bonds, Series 2008 are being issued concurrently with the sale of the Bonds under a separate Official Statement. The first interest payment date is July 1, 2008.

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	2007-08 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding (a)(f)	Portion Applicable to the County Net Debt Amount	Percent	Combined Tax Rate Per \$100 Assessed Valuation (e)
State of Arizona	\$71,837,099,233	None	None	100%	\$0.0000
Pima County	8,220,395,835	\$389,590,000	\$389,590,000	100%	4.8228 (b)
Pima County Flood Control District (c)	7,412,190,230	1,470,000	1,470,000	100%	0.3446
Elementary School Districts	284,785,948	2,340,000	2,340,000	100%	2.3491 (d)
Unified School Districts	6,573,518,237	545,975,000	545,975,000	100%	6.5805 (d)
Cities and Towns	3,935,967,898	283,300,610	283,300,610	100%	0.7446 (d)
Pima County Community College District	8,220,395,835	51,155,000	51,155,000	100%	1.1845
Total			<u>\$1,273,830,610</u>		

Jurisdiction	2007-08 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding (a)(f)	Combined Tax Rate Per \$100 Assessed Valuation (e)
State of Arizona	\$71,837,099,233	None	None
Pima County	8,220,395,835	\$389,590,000	\$4.8228
Pima County Flood Control District (c)	7,412,190,230	1,470,000	0.3446
Pima County Community College District	8,220,395,835	51,155,000	1.1845
Elementary School Districts:			
San Fernando ESD #35	879,854	None	3.7900
Empire ESD #37	5,792,332	None	7.5703
Continental ESD #39	312,815,492	2,340,000	1.8970
Redington ESD #44	1,387,480	None	4.8952
Altar Valley ESD #51	30,747,110	None	5.8086
Unified School Districts:			
Tucson USD #1	3,436,034,593	302,460,000	7.0500
Marana USD #6	750,524,308	60,085,000	5.7887
Flowing Wells USD #8	211,004,208	9,590,000	6.5674
Amphitheater USD #10	1,491,531,478	48,260,000	5.8221
Sunnyside USD #12	427,585,731	36,515,000	8.1490
Tanque Verde USD #13	203,700,324	3,330,000	5.1033
Ajo USD #15	16,569,664	None	4.8627
Catalina Foothills USD #16	634,764,455	38,885,000	6.3942
Vail USD #20	414,650,850	25,575,000	6.5941
Sahuarita USD #30	267,293,853	21,275,000	6.1807
Indian Oasis USD #40	1,059,349	None	0.0000
Cities and Towns:			
City of Tucson	3,484,462,013	283,300,610	1.1321
City of South Tucson	23,236,307	None	0.2258
Town of Marana	413,365,306	None	0.0000
Town of Oro Valley	582,267,868	None	0.0000
Town of Sahuarita	172,808,844	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 \$0.3975 tax rate of the Free Library District, the \$0.1000 tax rate of the Central Arizona Project and the \$0.0383 tax rate of the Fire District Assistance Tax.
- (c) The boundaries of the Pima County Flood Control District are coterminous with those of Pima County; however, the Flood Control District only levies taxes on real property.
- (d) The tax rate shown is a weighted average based on each jurisdiction's proportionate amount of secondary assessed valuation.
- (e) The combined tax rate includes the tax rate for debt service payments, which is based on the secondary assessed valuation of the entity, and the tax rate for all other purposes such as maintenance and operation and capital outlay, which is based on the primary assessed valuation of the municipality or school district.
- (f) The following table lists general obligation bonds authorized but unissued for the County and jurisdictions within the County after the issuance of the County's Bonds.

<u>Jurisdiction (g)</u>	<u>Authorized But Unissued General Obligation Bonds</u>
Pima County	\$378,681,000
Tucson Unified School District No. 1	131,000,000
City of Tucson	None**
Indian Oasis Unified School District No. 40	500,000

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

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

Net Direct and Overlapping General Obligation Bonded Debt Ratios

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

	Per Capita Net Debt (Pop. @ 981,280) (a)	As Percent of County's 2007-08	
		Secondary Assessed Valuation (\$8,220,395,835)	Est. Actual Valuation (\$66,494,590,856)
Net Direct General Obligation Bonded Debt (\$389,590,000) (b)	\$ 397.02	4.74%	0.59%
Net Direct and Overlapping General Obligation Bonded Debt (\$1,273,830,610)	\$1298.13	15.50%	1.92%

(a) Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Economic Security, Population Statistics, July 2006.

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

Sewer Revenue Debt Outstanding

The following chart includes the outstanding sewer revenue debt of the County that will be outstanding after the issuance of the proposed Sewer Revenue Bonds, Series 2008.

Date of Issue	Original Amount	Purpose	Remaining Maturity Dates	Balance Outstanding
03-01-96	\$11,313,350	Refunding (a)	7-1-97/12	\$ 7,132,381
08-06-97	7,500,000	Sewer Improvements (a)	7-1-00/11	3,101,892
05-01-98	29,185,000	Sewer Improvements	7-1-99/15	15,555,000
10-27-00	61,180,286	Sewer Improvements (a)(b)	7-1-02-16	46,091,698
04-01-01	19,440,000	Refunding	7-1-02/15	13,845,000
05-01-04	25,770,000	Refunding	7-1-05/15	20,555,000
05-11-04	19,967,331	Sewer Improvements (a)(d)	7-1-05/24	19,967,331
01-01-07	50,000,000	Sewer Improvements	7-1-07/26	47,335,000
Total Sewer Revenue Bonded Debt Outstanding				\$173,583,302
Plus: The proposed Series 2008 Sewer Revenue Bonds (c)				75,000,000
Total Sewer Revenue Bonds Outstanding				\$248,583,302

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

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

(c) The Sewer Revenue Bonds, Series 2008 are expected to be issued in May, 2008. The par amount shown is preliminary and subject to change.

(d) May 11, 2004, the County entered into certain Loan Agreements with WIFA totaling \$18,015,219. In September 2005, the County amended those Loan Agreements and added an additional \$1,952,112.

Lease, Lease-Purchase and Purchase Agreements

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

<u>County Department</u>	<u>Fiscal Year (in Thousands)</u>			
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Clerk of Superior Court	\$ 195	\$147	\$31	\$ 82
Juvenile Court	74			
Public Works Building	1,643			
Sheriff	42	42	42	21
Fiscal Year Total	<u>\$1,954</u>	<u>\$189</u>	<u>\$74</u>	<u>\$103</u>

Source: Pima County Finance and Risk Management Department.

Certificates of Participation

The following chart indicates the outstanding certificates of participation of the County that will be outstanding after the proposed issuance of the Certificates of Participation Obligations, Series 2008.

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Original Maturity Dates</u>	<u>Remaining Balance Outstanding</u>
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	22,550,000
05-01-07	30,320,000	New Money	7-1-08/22	30,320,000
Total Certificates of Participation Obligations Outstanding				<u>\$56,870,000</u>
Plus: The proposed Series 2008 Certificates of Participation (a)				40,000,000
Total Certificates of Participation to be Outstanding				<u>\$96,870,000</u>

(a) The Certificates of Participation, Series 2008 are expected to be issued in April, 2008. The par amount shown is preliminary and subject to change.

Retirement Plans

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

Other Post Employment Benefits

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

The County currently provides its retired employees, their spouses and survivors continuing access to health care insurance through the County's health plan. However, participating retirees must pay 100% of applicable health care insurance premiums. County employees, their spouses and survivors may also be eligible for certain retiree health care benefits under health care programs provided by the State. Employees on long-term disability and their spouses may also qualify for retiree health care benefits through the State. It is expected that substantially all the County employees that reach normal or early retirement age while working for the County will become eligible for such benefits. Currently, such retirees may obtain the health care benefits offered by the State by paying the applicable health care insurance premium; such plan is available to all participants, whether retired or not, in the State's health care program. The County makes no payments for OPEB costs for such retirees.

The County believes that the State is intending to commission an actuarial valuation of the OPEB costs associated with the health care programs available to retirees through the State in order to meet the requirements of GASB 45. It is presently undetermined by the County what impact, if any, such valuation may have on the County's future financial reporting as required by GASB 45.

Management Review of Financial Condition

During the last year, national and world business news reports have focused on the perceived supply-of-capital crisis among financial institutions relating to the rapid increase and then drop in the housing markets in recent years and the large number of sub-prime mortgage loans made during that period. During 2007, Arizona, including Pima County, as well as many other locations in the United States, generally saw increases in the rate of homes going to foreclosure, a slowing of sales of new and existing homes, a flattening or decline in sale prices and a slowing of new home and related construction. As a state with a growing population, the construction and real estate sectors constitute important sources for employment and tax revenues for the State and the County.

The State's ability to attract additional people has historically served as a mitigating economic factor in past real estate downturns, by increasing demand for new and existing homes and related facilities. While population growth in both the State and the County is still expected to be strong, it will likely be slower compared to prior years, due in part to the difficulty new residents to the State will have in selling their houses at their state of origin. The large inventory of unsold homes in the State and the County is being absorbed at a slower rate and, in some cases, at sale prices lower than sellers paid to purchase them. New home construction in the County has already declined to levels not seen since the late 1990's. Sales prices of homes being sold are slowly declining, which means valuations for taxing purposes are expected to be relatively flat for the next few years, with little or no growth. The County is unable to determine whether or when circumstances or trends may return to historic norms and has taken the foregoing expectations into account in determining the size, and amortization schedules, for its current financings and the timing for future bond issues.

The County's revenues for Fiscal Year 2007-08 and 2008-09 are expected to be less than budgeted or forecasted amounts for such periods, largely due to lower revenues from residential building permits and State-shared sales taxes. In addition, the State of Arizona is facing budget deficits for Fiscal Year 2007-08 that is reported to be in excess of \$800 million and for 2008-09 that is reported to be in excess of \$1.0 billion, as a result of lower than expected revenues, and the State will be required to address such projected deficits during the current legislative session. Although no specific proposal has been adopted, in past years when the State was facing budget difficulties, the State has shifted some of its costs to local jurisdictions either by charging cities, towns and counties additional mandatory payments or by reducing the share of State-shared revenues distributed to the cities, towns and counties. The County cannot determine whether any such provisions will be enacted or how they may affect the County or its financial position. The County is required by statute to adopt a balanced budget each year and has implemented cost-cutting measures for the current fiscal year and will be incorporating similar measures in its budget for the 2008-09 fiscal year to address the reduction in State-shared revenues and any potential increased cost shifting from the State to cities, towns and counties. In addition to expenditure reductions, the County established a Budget Stabilization Fund in Fiscal Year 2006-07, to be used for unanticipated fluctuations in revenues or expenditures, which now has an approximately \$8.5 million cash balance, and the County has also budgeted for an ending General Fund balance for Fiscal Year 2007-08 of at least five percent of annual General Fund revenues. Both of these measures are expected to aid the County substantially in being able to meet budgetary constraints as they arise.

In 2004, the County closed the County-operated Kino Community Hospital and leased the hospital ground and buildings to University Physicians Healthcare (UPH), a nonprofit corporation, which opened a privately owned and operated hospital on the site. The original lease agreement between the County and UPH called for \$127 million of fees to be paid to UPH over the first 10 years of the lease, in decreasing amounts, for the transition to a new hospital. At the request of UPH, the County amended its contract with UPH in Fiscal Year 2006-07 to accelerate, but not increase, the payments called for by the lease. UPH is continuing efforts to make the hospital financially self sufficient. The County has now paid UPH \$85 million of the total \$127 million pledged. Under the terms of the amended lease with UPH, the County will pay \$25 million in the 2008-09 fiscal year and will continue to pay the \$17 million balance over the following two fiscal years. UPH has indicated that by the end of the fiscal year 2008-09 it intends to ask the County to provide additional long term funding for its operations. The County has not taken action on this matter. Any future decision by the County to alter the agreement with UPH would be made with full consideration of the impact it would have on other operations of the County and the need for the County to continue to maintain a balanced budget.

Pima County, and other counties in Arizona, may also be impacted by two pending property valuation cases involving two communication companies, Qwest Communications and Cox Communications. Because the valuations of such property, which is located in various counties in the State, are made by the Arizona Department of Revenue (ADOR) rather than by individual county assessors, these cases are being handled and defended by ADOR. Each company has appealed the amount of its assessed property valuations in prior tax years. Although each company is seeking substantial reduction in its prior years' valuations, the ultimate amount of any settlement or judgment cannot be determined currently. The County believes that its share of any such settlement or judgment would not significantly impact its operations or ability to meet its obligations.

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

	Actual				
	2002-03	2003-04	2004-05	2005-06	2006-07
Revenues by Source:					
Taxes	\$258,375	\$279,527	\$300,972	\$321,474	\$348,700
Special Assessments	1,023	505	244	215	521
Licenses and Permits	6,087	6,566	7,265	7,452	7,132
Intergovernmental	245,378	273,225	278,414	291,059	303,392
Charges for Services	35,721	43,505	53,568	63,582	63,508
Fines and Forfeits	5,047	5,010	5,967	6,014	6,550
Interest Income	4,152	2,656	5,181	11,379	13,988
Miscellaneous	10,356	11,918	14,806	13,165	17,544
Total Revenues	566,139	622,912	666,417	714,340	761,335
Expenditures by Fund:					
General	308,917	323,591	372,899	402,811	421,486
Special Revenues	149,633	161,716	160,614	170,696	200,569
Debt Service	57,563	60,828	56,067	66,829	68,618
Capital Projects	97,147	103,167	127,632	121,007	202,659
Total Expenditures	613,260	649,302	717,212	761,343	893,332
Excess of Revenues Over (Under) Expenditures	(47,121)	(26,390)	(50,795)	(47,003)	(131,997)
Other Financing Sources (Uses):					
Premium on bonds	0	0	0	0	1,429
Proceeds of Long-Term Debt	85,247	65,148	116,450	4,836	146,320
Proceeds of Refunding Bonds	0	6,880	0	0	0
Payment to Refunded Bond Escrow Agent	0	(6,846)	0	0	0
Gain on Investment	0	0	0	3	0
Operating Transfers In (Out)	(15,140)	(21,333)	3,046	3,685	(599)
Capital Leases	177	0	0	231	0
Sale of General Fixed Assets	37	406	27	416	1,426
Total Other Financing Sources (Uses)	70,321	44,255	119,523	9,171	148,576
Extraordinary item.					
Loss From State Treasurer's Local Government Investment Pool	(6,237)	0	0	0	0
Net Change in Fund Balance	16,963	17,865	68,728	(37,832)	16,579
Beginning Fund Balance, as restated	147,803	165,395	182,894	252,007	214,292
Changes in Reserve for Inventory	629	(379)	398	(188)	(209)
Changes in Reserve for Prepaids	0	13	(13)	11	(2)
Ending Fund Balance	\$165,395	\$182,894	\$252,007	\$213,998	\$230,660

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

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

	<u>2002-03</u>	<u>2003-04</u>	<u>Actual</u> <u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
General					
Reserved	\$ 2,549	\$ 7,068	\$ 4,056	\$ 5,152	\$ 8,889
Unreserved	<u>30,999</u>	<u>25,628</u>	<u>33,171</u>	<u>46,423</u>	<u>48,671</u>
	<u>33,548</u>	<u>32,696</u>	<u>37,227</u>	<u>51,575</u>	<u>57,560</u>
Special Revenue					
Reserved	3,623	3,399	2,742	5,111	5,933
Unreserved	<u>42,312</u>	<u>45,325</u>	<u>54,232</u>	<u>64,961</u>	<u>69,773</u>
Designated				<u>1,044</u>	
	<u>45,935</u>	<u>48,724</u>	<u>56,974</u>	<u>71,116</u>	<u>75,706</u>
Debt Service					
Reserved	<u>3,078</u>	<u>4,202</u>	<u>10,004</u>	<u>6,673</u>	<u>7,946</u>
Unreserved			<u>152</u>	<u>162</u>	
	<u>3,078</u>	<u>4,202</u>	<u>10,156</u>	<u>6,835</u>	<u>7,946</u>
Capital Projects					
Reserved	41	2	0	0	120
Unreserved	<u>82,793</u>	<u>97,270</u>	<u>147,650</u>	<u>84,472</u>	<u>89,328</u>
	<u>82,834</u>	<u>97,272</u>	<u>147,650</u>	<u>84,472</u>	<u>89,448</u>
Total Fund Balance	<u>\$165,395</u>	<u>\$182,894</u>	<u>\$252,007</u>	<u>\$213,998</u>	<u>\$230,660</u>

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

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

	Actual				
	2002-03	2003-04	2004-05	2005-06	2006-07
Revenues by Source:					
Taxes	\$194,552	\$209,672	\$225,959	\$242,948	\$252,350
Licenses and Permits	2,010	2,166	2,350	2,536	2,795
Intergovernmental	112,530	120,058	125,203	143,982	152,271
Charges for Services	23,750	24,133	24,905	27,102	33,604
Fines and Forfeits	4,111	4,023	5,035	5,786	5,526
Interest Income	1,015	530	1,357	2,491	3,321
Miscellaneous	2,884	2,132	4,435	4,935	6,828
Total Revenues	340,852	362,174	389,244	429,780	456,695
Expenditures:					
Current					
General Government	110,813	120,755	160,378	168,394	181,329
Public Safety	90,375	100,650	84,694	96,687	106,825
Sanitation	0	0	0	0	0
Health	2,762	2,898	2,189	2,401	2,526
Welfare	84,130	76,619	96,996	102,496	96,684
Culture & Recreation	12,858	14,448	11,236	13,104	14,694
Education & Econ. Opport.	4,812	5,578	14,637	16,682	16,407
Debt Service:					
Principal	1,550	1,610	1,440	1,750	1,785
Interest	1,613	1,030	1,324	1,292	1,230
Miscellaneous	4	3	5	5	6
Total Expenditures	308,917	323,591	372,899	402,811	421,486
Excess of Revenues Over (Under)					
Expenditures	31,935	39,123	16,345	26,969	35,209
Other Financing Sources (Uses):					
Proceeds of Long-Term Debt	0	0	0	0	0
Sale of General Fixed Assets	0	2	8	22	0
Operating Transfers In (Out)	(27,799)	(39,977)	(11,822)	(12,643)	(29,224)
Total Other Financing Sources (Uses):	(27,799)	(39,975)	(11,814)	(12,621)	(29,224)
Extraordinary item:					
Loss from State Treasurer's Local Government Investment Pool	(1,730)	0	0	0	0
Net Change in Fund Balance	2,406	(852)	4,531	14,348	5,985
Beginning Fund Balance, as restated	31,142	33,548	32,696	37,227	51,575
Ending Fund Balance	\$33,548	\$32,696	\$37,227	\$51,575	\$57,560

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

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FORM OF OPINION OF BOND COUNSEL

February 28, 2008

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 \$25,000,000 aggregate principal amount of bonds designated the Pima County, Arizona, Street and Highway Revenue Bonds, Series 2008 (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 February 12, 2008 (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, 2007**

The following are excerpts from the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. The County has not requested the State of Arizona Auditor General to perform any review of the County's Comprehensive Annual Financial Report subsequent to June 30, 2007. 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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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, two major funds, and the component unit, which account for the following percentages of the assets, liabilities, revenues, and expenses or expenditures of the opinion units affected:

Opinion Unit/Department	Assets	Liabilities	Revenues	Expenses/ Expenditures
<u>Government-Wide Statements</u>				
Governmental Activities:				
Stadium District	0.10%	0.04%	0.33%	0.67%
School Reserve Fund	0.15%	0.04%	0.41%	0.43%
Self Insurance Trust	2.72%	5.42%	0.38%	0.29%
Business-Type Activities:				
Wastewater Management	92.50%	86.57%	26.91%	26.18%
Pima Health System & Services	4.92%	12.71%	63.68%	69.50%
Development Services	1.75%	0.67%	2.95%	4.10%
Self Insurance Trust	0.00%	0.00%	0.00%	0.16%
Component Unit—Southwestern Fair Commission	100.00%	100.00%	100.00%	100.00%

Opinion Unit/Department	Assets	Liabilities	Revenues	Expenses/ Expenditures
<u>Fund Statements</u>				
Major Funds:				
Wastewater Management	100.00%	100.00%	100.00%	100.00%
Pima Health System & Services	100.00%	100.00%	100.00%	100.00%
Aggregate Remaining Fund Information:				
Stadium District	0.28%	0.15%	0.94%	0.78%
School Reserve Fund	0.42%	0.16%	1.08%	0.93%
Development Services	2.39%	1.02%	3.68%	4.79%
Self Insurance Trust	7.59%	22.93%	6.16%	4.76%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 13 through 27, the budgetary comparison schedule on pages 71 through 72, and the Schedule of Agent Retirement Plans' Funding Progress on page 73 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

December 19, 2007

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Management's Discussion and Analysis

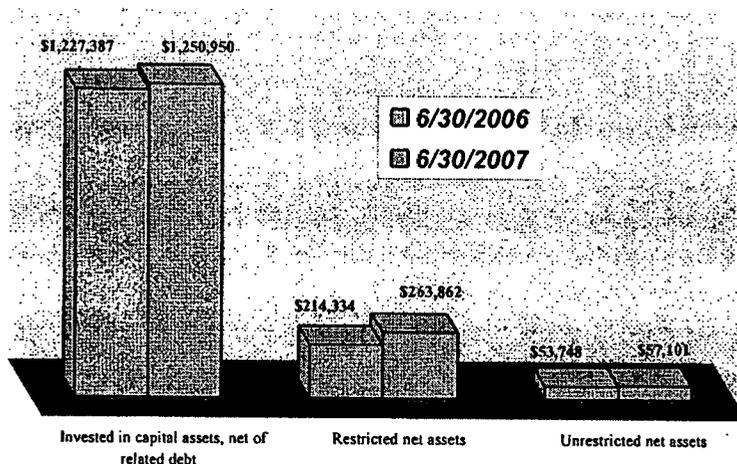
Management's Discussion & Analysis

This section of Pima County's comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the year ended June 30, 2007, 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, 2007, the County's combined assets exceeded combined liabilities (*net assets*) by \$1,571,913, an increase of 5.1% from the prior year. Of this amount, \$57,101 is available for general government expenditures (*unrestricted net assets*), \$263,862 is restricted for specific purposes (*restricted net assets*), and \$1,250,950 is invested in capital assets, net of related debt and accumulated depreciation.

Comparative Composition of Net Assets



- Of the total fund balances of the County's governmental funds, total fund balance increased \$16,662 to \$230,660, with \$207,772 of this amount available for expenditure. The amount available for expenditure is comprised of \$48,671 for the General fund, \$89,328 for the Capital Projects fund and \$69,773 for the County's other governmental funds.
- The General fund unreserved fund balance increased \$2,248 from the previous year to \$48,671. This balance represents approximately 11.5% of the County's General fund expenditures and 5.5% of total governmental funds expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of four components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements. Required supplementary information (4) 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, sanitation, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include Pima Health System & Services, Wastewater Management, Development Services and the County's downtown parking garages.

A discretely presented component unit is included in the basic financial statements and consists of a legally separate entity for which the County is financially accountable. The County reports the Southwestern Fair Commission, which operates the County Fairgrounds and the annual Pima County Fair, as a discretely presented component unit.

The government-wide financial statements can be found on pages 29-31 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 can be divided into three categories: (1) *governmental funds*, (2) *proprietary funds*, and (3) *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Capital Projects funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental fund financial statements can be found on pages 32-35 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 graphic services and telecommunications. 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 System & Services operations are considered to be major funds of the County. Data from the other enterprise funds are combined into a single, aggregated presentation. Similarly, the County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the other enterprise and internal service funds are provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages 36-39 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 40-41 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 42-69 of this report.

Required Supplementary Information (RSI) is presented concerning the County's General fund budgetary schedule and the schedule of retirement plans' funding progress. Required supplementary information can be found on pages 71-73 of this report.

Combining Statements and Other 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 76-106 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. County assets exceeded liabilities by \$1,571,913 at June 30, 2007. The following table shows condensed information for the Schedule of Assets, Liabilities, and Net Assets:

Table 1
Schedule of Assets, Liabilities, and Net Assets
At June 30, 2007

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2006-2007	2005-2006*	2006-2007	2005-2006	2006-2007	2005-2006*
Current and other assets	\$ 369,780	\$ 342,488	\$ 153,227	\$ 114,925	\$ 523,007	\$ 457,413
Capital assets:						
Land, buildings, equipment, infrastructure & other	1,258,762	1,146,334	646,309	597,365	1,905,071	1,743,699
Total assets	1,628,542	1,488,822	799,536	712,290	2,428,078	2,201,112
Current and other liabilities	90,562	83,175	51,327	40,048	141,889	123,223
Long-term liabilities	538,529	446,000	175,747	136,420	714,276	582,420
Total liabilities	629,091	529,175	227,074	176,468	856,165	705,643
Net assets :						
Invested in capital assets, net of related debt	774,000	761,130	476,950	466,257	1,250,950	1,227,387
Restricted	179,195	160,053	84,667	54,281	263,862	214,334
Unrestricted	46,256	38,464	10,845	15,284	57,101	53,748
Total net assets	\$ 999,451	\$ 959,647	\$ 572,462	\$ 535,822	\$ 1,571,913	\$ 1,495,469

*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 and equipment), less any related outstanding debt used to acquire those assets. As of June 30, 2007, investment in capital assets totaled \$1,250,950, comprising approximately 79.6% 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 \$23,563 increase in capital assets, net of related debt, is primarily due to the significant amount of capital project activity that has been completed and capitalized over the past year. Although the County's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. As of June 30, 2007, restricted net assets totaled \$263,862 and comprised approximately 16.8% of total net assets. This represents a \$49,528 increase in restricted net assets from the \$214,334 balance of fiscal year 2005-06.

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, 2007, unrestricted net assets totaled \$57,101 and comprised approximately 3.6% of total net assets.

Governmental activities

Governmental activities contributed \$39,804, or 52.1% of the County's \$76,444 increase, in total net assets during fiscal year 2006-07. The following table shows changes in net assets for governmental activities:

Table 2
Governmental Activities
Schedule of Changes in Net Assets
For the Years Ended June 30, 2007 and 2006

	Fiscal Year		Variance	
	2006-2007	2005-2006*	Amount	Percent
Program revenues:				
Charges for services	\$ 66,898	\$ 72,121	\$ (5,223)	-7.2%
Operating grants and contributions	139,324	133,407	5,917	4.4%
Capital grants and contributions	15,085	12,188	2,897	23.8%
Total program revenues	221,307	217,716	3,591	1.6%
General revenues:				
Property taxes	343,525	316,170	27,355	8.7%
State-shared taxes	133,952	129,052	4,900	3.8%
Investment earnings	16,439	12,942	3,497	27.0%
Other general revenues	46,576	35,720	10,856	30.4%
Total general revenues	540,492	493,884	46,608	9.4%
Total revenues	761,799	711,600	50,199	7.1%
Expenses:				
General government	223,266	208,293	14,973	7.2%
Public safety	148,831	132,583	16,248	12.3%
Highways and streets	92,985	70,392	22,593	32.1%
Sanitation	9,623	7,258	2,365	32.6%
Health	33,800	32,043	1,757	5.5%
Welfare	97,154	103,085	(5,931)	-5.8%
Culture and recreation	55,482	34,510	20,972	60.8%
Education and economic opportunity	42,483	39,517	2,966	7.5%
Unallocated depreciation and amortization	168	165	3	1.8%
Interest on long-term debt	18,924	19,463	(539)	-2.8%
Total expenses	722,716	647,309	75,407	11.7%
Excess before transfers	39,083	64,291	(25,208)	-39.2%
Transfers in (out)	721	(134)	855	-638.1%
Change in net assets	39,804	64,157	(24,353)	-38.0%
Ending net assets	\$ 999,451	\$ 959,647	\$ 39,804	4.2%

*As restated - See Note 2 of the financial statements

- Key elements of the change in net assets from governmental activities include: Program revenues increased \$3,591, reflecting increases in Operating grants and contributions and Capital grants and contributions of \$8,814 and a decrease of \$5,223 in Charges for services.
 - Revenue from Operating grants and contributions increased by \$5,917 due primarily to an increase of \$8,886 in the function class culture and recreation. The County received \$6,038 in city funding for transition costs of the County Free Library system. In addition, there was a \$4,943 increase in highways and streets functional category due primarily to increased state funding for highway user fees, vehicle license tax, and lottery revenue.

- Revenue from Capital grants and contributions increased by \$2,897 due primarily to an increase of \$3,928 in the function class highways and streets. The County received \$4,765 in Urban-area HURF monies from the Pima Association of Governments for the Valencia Road: Mission to I-19 project.
- Revenue from Charges for services decreased by \$5,223 due primarily to a decline in the home construction industry. Impact fee revenue has decreased by \$7,711, a direct result of the decrease in residential building permits issued.
- General revenues increased by \$46,608, primarily due to increases in property taxes and other general revenues. Increases in real property assessed valuations were the primary factor creating a \$27,355 increase in property tax revenues. Other general revenue increased by \$10,856, due to increased land and building contributions and rent revenue from newly acquired buildings.
- Total expenses for governmental activities increased by \$75,407 due to the following:
 - Expenses for Highways and streets increased by \$22,593, due primarily to capital project expenditures for other governmental agencies.
 - An increase of \$20,972 in the culture and recreation function expenditures was primarily due to the transition of public library branches from the City of Tucson to the County Free Library District.
 - The increase in expenditures for public safety of \$16,248 is due primarily to an increase in personnel services due to salary and retirement rate increases and an increase in capital project expenditures.
 - Expenditures for general government increased by \$14,973, primarily attributable to salary adjustments of 4.5% for County employees.

Business-type activities

Business-type activities contributed \$36,640, or 47.9%, of the County's increase of \$76,444 in total net assets during the year ended June 30, 2007. The following table shows changes in net assets for business-type activities:

Table 3
Business-type Activities
Schedule of Changes in Net Assets
For the Years Ended June 30, 2007 and 2006

	Fiscal Year		Variance	
	2006-2007	2005-2006	Amount	Percent
Program revenues:				
Charges for services	\$ 376,195	\$ 376,874	\$ (679)	-0.2%
Operating grants and contributions	5,174	4,997	177	3.5%
Capital grants and contributions	803	449	354	78.8%
Total program revenues	382,172	382,320	(148)	0.0%
General revenues:				
Capital contributions	25,217	14,607	10,610	72.6%
Investment earnings	5,510	3,849	1,661	43.2%
Other general revenues	1,522	1,348	174	12.9%
Total general revenues	32,249	19,804	12,445	62.8%
Total revenues	414,421	402,124	12,297	3.1%
Expenses:				
Wastewater Management	98,222	82,701	15,521	18.8%
Pima Health System & Services	261,859	256,583	5,276	2.1%
Development Services	15,400	14,422	978	6.8%
Parking Garages	1,579	1,479	100	6.8%
Total expenses	377,060	355,185	21,875	6.2%
Excess before transfers	37,361	46,939	(9,578)	-20.4%
Transfers in (out)	(721)	134	(855)	-638.1%
Change in net assets	36,640	47,073	(10,433)	-22.2%
Ending net assets	\$ 572,462	\$ 535,822	\$ 36,640	6.8%

Key elements of the change in net assets from business-type activities include:

- Revenue for Capital contributions increased by \$10,610. Wastewater Management received developer conveyed capital assets with an estimated fair value of \$25,421 for the fiscal year 2006-07.
- Investment earnings increased by \$1,661 due primarily to higher average cash balances and an increase in interest rates to 5.2%. Wastewater Management issued sewer revenue bonds in January 2007, which contributed to the higher cash balance.
- Expenses for Wastewater Management increased by \$15,521 due primarily to increases of \$2,056 in employee compensation, the result of salary adjustments of 4.5% for County employees, \$2,258 in operating supplies, \$2,042 in general & administrative, \$2,573 in depreciation, \$1,434 loss on disposal of equipment, and \$1,875 in interest expense.
- Expenses for Pima Health System & Services increased by \$5,276 due primarily to increases of \$3,139 in medical & health care claims due to inflation and \$1,200 in transition costs for the new Abrams Public Health Center.

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, 2007, the County's governmental funds reported combined fund balances of \$230,660, an increase of \$16,662 from the prior year. Approximately 90.1% of the combined fund balances, or \$207,772, constitutes unreserved and undesignated fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has been committed to the following:

- \$9,626 to reflect inventories and prepaid amounts
- \$8,155 to pay debt service
- \$3,276 for specified programs
- \$1,756 to reflect a loan receivable
- \$75 for capital repairs and refurbishments

The General Fund is the chief operating fund of the County. At June 30, 2007, unreserved fund balance of the general fund was \$48,671 while total fund balance reached \$57,560. 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 11.5% of total General fund expenditures, while total fund balance represents 13.7% of that same amount.

Total fund balance for the General Fund increased \$5,985 compared to the prior fiscal year. Revenue increased by \$26,915 due to an increase of \$9,402 for property taxes as a result of increased assessed property valuations, \$8,289 for intergovernmental revenue as a result of increased taxes for sales, transient lodging, and vehicle license, and \$6,502 for charges for services as a result of increased overhead for the Library District. Expenditures increased by \$18,675 primarily due to a rise in personnel services resulting from salary and retirement rate increases. The excess of revenues over expenditures was \$35,209, which is further reduced by net operating transfers out of \$29,224. Operating transfers to other funds were higher for the fiscal year due to increases of \$3,200 for the Facilities Renewal Fund, \$3,000 for public transit costs within the Transportation Fund, \$2,000 for the Information Technology Enhancement Fund, \$3,200 for a Property Tax Rate Stabilization Fund, and \$4,100 for the Space Acquisition Fund.

Total fund balance for the Capital Projects Fund increased \$4,976 compared to the prior fiscal year. The decrease of \$6,444 for total revenue is related to the problems currently affecting the housing market and its impact on construction activity. Expenditures rose by \$81,652 as a result of increases from construction activity on transportation projects of \$21,784, from acquisitions and completions of building projects of \$19,411, and from acquisitions of land under the open space preservation plan of \$15,250. The defi-

ciency of revenues under expenditures was \$173,639, which was offset by the issuance of general obligation bonds of \$95,000, transportation bonds of \$21,000, and certificates of participation of \$30,320. In addition, operating transfers into the fund totaled \$30,549, which included \$11,500 of highway user revenue from the Transportation Fund and \$14,883 of tax levy revenue from the Flood Control District Fund.

Revenues for governmental functions totaled approximately \$761,335 in fiscal year 2006-07, which represents an increase of \$46,698 (6.5%) from the previous year.

The following table presents the amount of revenues from various sources and increases or (decreases) from the prior year.

Table 4
Governmental Funds
Revenues Classified by Source

	Fiscal Year					
	2006-2007		2005-2006*		Variance	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenues by source:						
Taxes	\$ 348,700	45.8%	\$ 321,474	45.0%	\$ 27,226	8.5%
Special assessments	521	0.1%	215	0.0%	306	142.3%
Licenses and permits	7,132	0.9%	7,452	1.1%	(320)	-4.3%
Intergovernmental	303,392	39.9%	291,353	40.8%	12,039	4.1%
Charges for services	63,508	8.3%	63,582	8.9%	(74)	-0.1%
Fines and forfeits	6,550	0.9%	6,014	0.8%	536	8.9%
Interest	13,988	1.8%	11,382	1.6%	2,606	22.9%
Miscellaneous	17,544	2.3%	13,165	1.8%	4,379	33.3%
Total revenues	<u>\$ 761,335</u>	<u>100.0%</u>	<u>\$ 714,637</u>	<u>100.0%</u>	<u>\$ 46,698</u>	<u>6.5%</u>

*As restated - See Note 2 of the financial statements

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

- **Taxes** Revenues from property taxes increased \$27,226. This was the result of continued increases in assessed property valuations and a County Free Library District tax rate increase from \$0.2575 to \$0.3675 per \$100 of net assessed value.
- **Intergovernmental** The \$12,039 increase in intergovernmental revenue was due primarily to a \$9,261 increase in state revenue the major portion of which was an increase in urban-HURF funding for roadway projects. In addition, \$3,637 of sales tax revenue was received for the new Regional Transportation Authority roadway projects.
- **Miscellaneous revenue** The \$4,379 increase in miscellaneous revenue is due primarily to a \$1,893 increase in rents from newly acquired and constructed buildings, a \$1,542 increase in anti-racketeering revenue, and a \$1,233 increase in County Free Library District donations and grants.

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

Table 5
Governmental Funds
Expenditures by Function

Government Function	Fiscal Year				Variance	
	2006-2007		2005-2006		Amount	Percent
	Amount	Percent	Amount	Percent		
General government	\$ 222,434	24.9%	\$ 203,881	26.8%	\$ 18,553	9.1%
Public safety	132,930	14.9%	121,229	15.9%	11,701	9.7%
Highways and streets	42,683	4.8%	39,394	5.2%	3,289	8.4%
Sanitation	6,766	0.8%	6,271	0.8%	495	7.9%
Health	32,311	3.6%	30,038	3.9%	2,273	7.6%
Welfare	97,168	10.9%	103,034	13.5%	(5,866)	-5.7%
Culture and recreation	45,197	5.1%	28,561	3.8%	16,636	58.3%
Education and economic opportunity	38,474	4.3%	37,918	5.0%	556	1.5%
Capital outlay	202,659	22.7%	121,007	15.9%	81,652	67.5%
<u>Debt service:</u>						
- Principal	53,733	5.9%	50,547	6.6%	3,186	6.3%
- Interest	18,965	2.1%	19,448	2.6%	(483)	-2.5%
- Miscellaneous	12	0.0%	15	0.0%	(3)	-20.0%
Total expenditures	<u>\$ 893,332</u>	<u>100.0%</u>	<u>\$ 761,343</u>	<u>100.0%</u>	<u>\$ 131,989</u>	<u>17.2%</u>

Total expenditures in governmental funds increased during fiscal year 2006-07 by \$131,989.

- The \$81,652 increase in capital outlay expenditures was due primarily to a \$21,784 increase in roadway construction. In addition, there were increases of \$19,411 in facilities acquisitions and \$15,225 in land acquisitions.
- The \$18,553 increase in general government expenditures was due primarily to a 4.5% salary adjustment for County employees.
- The \$16,636 increase in culture and recreation expenditures resulted from the County assuming responsibility for the operations of all public library branches within the County Free Library District from the City of Tucson.

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 \$13,642 and actual expenditures were less than budgeted expenditures by \$18,049. 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 System and Services, 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
Enterprise Funds
Schedule of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years ended June 30, 2007 and 2006

	Fiscal Year		Variance	
	2006-2007	2005-2006	Amount	Percent
Operating revenues:				
Net patient services	\$ 255,275	\$ 252,034	\$ 3,241	1.3%
Charges for services	84,106	82,162	1,944	2.4%
Other	1,526	1,348	178	13.2%
Total net operating revenues	<u>340,907</u>	<u>335,544</u>	<u>5,363</u>	1.6%
Operating expenses:				
Employee compensation	77,627	73,452	4,175	5.7%
Medical claims	208,122	205,951	2,171	1.1%
Operating supplies & services	11,140	9,105	2,035	22.4%
Utilities	7,253	6,007	1,246	20.7%
Sludge and refuse disposal	1,649	1,298	351	27.0%
Repair and maintenance	6,441	5,184	1,257	24.2%
General and administrative	18,761	14,328	4,433	30.9%
Consultants and professional services	9,649	8,018	1,631	20.3%
Depreciation and amortization	23,844	21,092	2,752	13.1%
Total operating expenses	<u>364,486</u>	<u>344,435</u>	<u>20,051</u>	5.8%
Operating loss	<u>(23,579)</u>	<u>(8,891)</u>	<u>(14,688)</u>	165.2%
Nonoperating revenues (expenses):				
Intergovernmental revenue	12,029	5,904	6,125	103.7%
Interest income	5,556	3,849	1,707	44.4%
Sewer connection fees	30,757	42,220	(11,463)	-27.2%
Interest expense	(6,540)	(4,720)	(1,820)	38.6%
Loss on disposal of capital assets	(1,601)	(22)	(1,579)	7177.3%
Amortization of deferred charges	(109)	(97)	(12)	12.4%
Premium tax	(5,091)	(4,949)	(142)	2.9%
Total nonoperating revenues	<u>35,001</u>	<u>42,185</u>	<u>(7,184)</u>	-17.0%
Income (loss) before contributions and transfers	11,422	33,294	(21,872)	-65.7%
Capital contributions	25,217	14,607	10,610	72.6%
Transfers in	17	156	(139)	-89.1%
Transfers (out)	(738)	(22)	(716)	3254.6%
Change in net assets	<u>\$ 35,918</u>	<u>\$ 48,035</u>	<u>\$ (12,117)</u>	-25.2%

Key activity within the enterprise funds for fiscal year 2006-07 include the following:

- While net operating revenues for the County's Enterprise Funds increased \$5,363, operating expenses increased \$20,051, resulting in an operating loss of \$23,579, or a decline of \$14,688 from the prior year. The operating loss was due to losses reported of \$20,868 by Wastewater Management, \$4,010 by Development Services, and \$41 by Parking Garages, as compared to the operating income reported by Pima Health System and Services of \$1,340.
- Net patient services revenues increased by \$3,241 from fiscal year 2005-06. This is attributable to increased membership enrollment for Pima Health System and Services, which generated increases in capitation revenues.
- Charges for services revenues increased by \$1,944 as compared to the prior year. Wastewater Management reported an increase of \$7,630 due to an increase in sewer utility service fee revenue. Development Services reported a decrease of \$5,902 due to a drop in permit revenue, as a result of a decrease in construction activity.
- Employee compensation expenses increased by \$4,175 from fiscal year 2005-06, due to an increase of \$2,056 for Wastewater Management and an increase of \$1,182 for Development Services. Both increases were primarily due to the Board of Supervisor's approved salary rate increases and position reclassifications.
- Medical claims expense increased by \$2,171 due to the cost of inflation and an increase in enrollment for Pima Health System and Services during the fiscal year.
- Operating supplies & services increased \$2,035 due to Wastewater Management treatment facility and odor control expansion.
- General and administrative expenses increased \$4,433 as compared to the prior year. Pima Health System and Services reported an increase of \$1,200 due to transition costs for the new Abrams Public Health Center. Wastewater Management reported an increase of \$2,041 due to increased interfund charges for motor pool, insurance, and overhead.
- Depreciation and amortization expense increased \$2,752 due to the completion of the Wastewater Management Ina Road Treatment Facility Expansion in June 2006.
- Intergovernmental revenue increased \$6,125 from fiscal year 2005-06. Wastewater Management reported an increase of \$5,855 due primarily to a contract to construct sewer lines for the Federal Bureau of Prisons.
- Sewer connection fees charged by Wastewater Management decreased by \$11,463 due to a significant decline in new construction within the County.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounted to \$1,905,071 (net of accumulated depreciation), an increase of 9.3%. Of the \$161,372 increase in net capital assets, \$112,428 (69.7%) came from governmental activities and \$48,944 (30.3%) came from business-type activities. The County's investment in capital assets consists of land, buildings, sewage conveyance systems, infrastructure, equipment and construction in progress.

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

Table 7
Governmental and Business-type Activities
Capital Assets

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006
Land	\$ 257,387	\$ 222,954	\$ 9,695	\$ 8,706	\$ 267,082	\$ 231,660
Construction in progress	109,307	115,305	35,637	14,842	144,944	130,147
Buildings and improvements	355,608	271,771	239,576	239,799	595,184	511,570
Sewage conveyance system			349,455	327,335	349,455	327,335
Equipment	39,560	38,634	11,946	6,683	51,506	45,317
Infrastructure	496,900	497,670			496,900	497,670
Total	\$ 1,258,762	\$ 1,146,334	\$ 646,309	\$ 597,365	\$ 1,905,071	\$ 1,743,699

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

- Land increased by \$35,422 due primarily to the following acquisitions for governmental activities: \$11,557 for the Goff property, \$5,103 for the Buckelew Farm property, \$5,193 for various other open space acquisitions, \$3,297 for land acquisition related to flood control projects, \$2,217 for land acquisition related to transportation road projects, \$2,100 for the 33 N. Stone Avenue property, \$2,088 for the new justice/municipal court complex property, and \$1,787 for the Sheriff's Emergency Communications Center property.
- Buildings and improvements increased by \$83,614 due primarily to the newly-constructed Abrams Public Health Center for \$26,863, the acquisitions of 33 N. Stone Avenue for \$22,870 and of 3434 E. 22nd Street for \$4,455, the expansion of the Sahuarita Landfill for \$7,529, and the capitalization of the following projects:
 - Brandi Fenton Memorial Park for \$5,610
 - Curtis Park for \$2,713
 - Improvements within the Summerhaven area for \$1,981
 - Picture Rocks pool for \$1,943
 - Midtown Public Library branch for \$1,763
- Sewage conveyance systems increased by \$22,120 due primarily to the contribution of developer-built conveyance systems for \$8,701, the capitalization of the Carillo School/El Paso Street rehabilitation project for \$3,634, and the capitalization of other miscellaneous conveyance rehabilitation projects for \$6,153.

The County's infrastructure assets are recorded at historical cost and estimated historical cost in the government-wide financial statements. Additional information regarding the County's capital assets can be found in Note 5 of the financial statements on pages 53-54 of this report.

Long-term Debt

Significant, comparative long-term debt entered into during the last two fiscal years is presented below:

Table 8
Governmental Activities
Long-Term Debt

	Fiscal Year	
	2006-2007	2005-2006
Bonds issued (at face value):		
General obligation	\$ 95,000	
Street and highway revenue	21,000	
Loans		\$ 4,836
COPs	30,320	
Capital leases		231
Total	\$ 146,320	\$ 5,067

During the fiscal year, the county received \$95,000 in proceeds from the sale of general obligation bonds and \$21,000 from the sale of transportation revenue bonds. As of June 30, 2007, \$13,201 of proceeds from general obligation bonds and \$1,572 from transportation revenue bonds were unspent. The majority of the general obligation bonds were spent on the Sonoran Desert open space and habitat protection plan, public safety, parks and recreational facilities, and public health and community facilities, while proceeds from transportation revenue bonds were allocated to various roadway projects.

In addition, during the fiscal year, the County sold \$30,320 in certificates of participation in order to finance the purchase and remodel of the 33 N. Stone Avenue building, as well as the remodel of the Jackson Employment Center for the Community Services department.

During the fiscal year, Moody's Investors Service raised its' rating on the County's General Obligation Debt Series 2007 from 'A1' to 'Aa3' and on the County's Certificates of Participation Series 2003 from 'A2' to 'A1'. Additionally, Standard & Poor's Ratings Services raised its' rating on the Street and Highway Revenue Bonds Series 2007 to "AA" from "A+".

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its net assessed valuation. The current debt limitation for Pima County is \$1,030,493, which is significantly in excess of Pima County's outstanding general obligation debt.

Additional information regarding the County's debt can be found in Note 7 of the financial statements on pages 56-64 of this report.

Economic Factors and Next Year's Budget

General Government revenues, excluding property tax revenues, is budgeted in fiscal year 2007-08 at \$164.4 million, approximately \$7.7 million more than the budget for fiscal year 2006-07. The slowing in the growth of these revenues is reflective of the overall economy which has been moderated by numerous factors including a downturn in residential construction, slowing rate of increase in housing prices, uncertainty in the sub-prime mortgage market, rising fuel prices and a volatile stock market. Partially offsetting these negative factors are positive components of our State and local economies including continued population growth, relatively low inflation, rising wages and higher commodity prices.

Pima County is slightly less vulnerable to recession than the Phoenix metropolitan area primarily because the employment base is oriented towards national defense and higher education. Both of these sectors are expected to remain strong even though they may not grow substantially in the short term.

New construction has already declined to levels not experienced since the late nineties. Sales prices of homes being sold are slowly declining which will impact valuations for taxing purposes. Employment in

housing construction, real estate and finance are all expected to decline in fiscal year 2007-08 and also into the next fiscal year. Population growth in Pima County will continue to increase but at a slower pace than in the last few years.

The budget for fiscal year 2007-08 has expenditures for the General Fund increasing by approximately \$49.2 million primarily due to the following:

- \$24.5 million additional expenditure authority to provide for a General Fund Reserve equal to 5% of General Fund revenues
- \$15.0 million for advance payment under the agreement with University Physicians Healthcare to operate the former Kino Community Hospital
- \$7.5 million for an employee compensation plan (excluding commissioned and corrections officers) for a 2.1% general salary adjustment, a 2.5% market rate adjustment, and a 0.5% increase for employees who are members of the Arizona State Retirement System whose required contribution will increase by that percentage
- \$6.1 million in supplemental funding for individual departments
- \$2.9 million increase in General Fund Debt Service for certificates of participation issued in connection with the acquisition of the Bank of America building
- \$1.4 million net increase in the County's contribution toward the cost of non-retirement benefits: \$1.8 million net increase in state mandated employer contributions to the various state retirement system; \$1.4 million increase for the County's contribution to individual employees' Health Savings Accounts
- \$2.5 million increase in mileage costs charged to various departments
- \$2.4 million for a 10% increase in the step plan for commissioned officers effective January 6, 2008, a 5% increase in the step plan for correction officers and corrections specialists effective January 6, 2008, and a 10% increase in the step plan for corrections sergeants effective January 6, 2008
- \$1.0 million reserved for potential increases to critically deficient starting salaries - to be based on a pending market study
- \$500,000 reserve to cover the impact of the implementation of voter approved Proposition 100
- \$500,000 reserve for potential Solid Waste Program operating losses
- \$527,000 of various increases identified for General Fund departments that underwent a zero-base budget process
- \$400,000 increase in Restoration to Competency funding
- \$1.5 million net reduction for the primary and general elections held in 2006 partially offset by cost of the planned Presidential Preference Primary scheduled for early 2008
- \$18.7 million reduction in various fiscal year 2006/07 one-time expenditure items
- also includes the annualization of fiscal year 2006/07 supplemental requests, annualization of fiscal year 2006/07 salary adjustments, other position related adjustments, and adjustments for one time 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 and Risk Management Department, 130 W. Congress, 6th Floor, Tucson, AZ, 85701.

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Basic Financial Statements

PIMA COUNTY, ARIZONA
Statement of Net Assets
As of June 30, 2007
(in thousands)

Exhibit A-1

	Primary Government			Component Unit Southwestern Fair Commission
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 280,806	\$ 71,047	\$ 351,853	\$ 1,368
Property taxes receivable (net)	9,219		9,219	
Interest receivable	1,702	524	2,226	
Internal balances	2,343	(2,343)		
Due from other governments	52,665	5,140	57,805	
Accounts receivable (net)	4,941	24,287	29,228	58
Inventories	2,411	3,200	5,611	30
Prepays	8,466	257	8,723	
Special assessments receivable	1,781		1,781	
Other assets	1,532	1,109	2,641	2
Restricted assets:				
Cash and cash equivalents	2,158	50,006	52,164	
Loans receivable	1,756		1,756	
Capital assets not being depreciated:				
Land	257,387	9,695	267,082	
Construction in progress	109,307	35,637	144,944	3
Capital assets being depreciated (net):				
Buildings and improvements	355,608	239,576	595,184	1,598
Sewage conveyance system		349,455	349,455	
Equipment	39,560	11,946	51,506	475
Infrastructure	496,900		496,900	
Total assets	1,628,542	799,536	2,428,078	3,534
LIABILITIES				
Accounts payable	44,546	16,382	60,928	235
Accrued medical and healthcare claims		25,780	25,780	
Interest payable	30	1,359	1,389	
Contract retentions	1,297		1,297	
Employee compensation	34,648	6,575	41,223	
Due to other governments	1,495	181	1,676	
Deposits and rebates	2,410		2,410	24
Deferred revenues	6,136	1,050	7,186	93
Noncurrent liabilities:				
Due within one year	55,616	13,072	68,688	
Due in more than one year	482,913	162,675	645,588	
Total liabilities	629,091	227,074	856,165	352
NET ASSETS				
Invested in capital assets, net of related debt	774,000	476,950	1,250,950	2,076
Restricted for:				
Special revenue	63,014		63,014	
Highways and streets	16,734		16,734	
Debt service	8,980	574	9,554	
Capital projects	90,467	35,480	125,947	8
Wastewater management		38,628	38,628	
Healthcare		9,985	9,985	
Unrestricted	46,256	10,845	57,101	1,098
Total net assets	\$ 999,451	\$ 572,462	\$ 1,571,913	\$ 3,182

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2007
(in thousands)

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 223,266	\$ 26,663	\$ 28,574	\$ 1,461
Public safety	148,831	9,797	8,523	234
Highways and streets	92,985	11,732	62,000	11,996
Sanitation	9,623	4,747	1,196	
Health	33,800	10,270	11,940	
Welfare	97,154		607	
Culture and recreation	55,482	2,991	8,894	1,373
Education and economic opportunity	42,483	698	17,590	21
Amortization - unallocated	168			
Interest on long-term debt	18,924			
Total governmental activities	722,716	66,898	139,324	15,085
Business-type activities:				
Wastewater Management	98,222	106,266	436	803
Pima Health System & Services	261,859	257,142	4,738	
Development Services	15,400	11,239		
Parking Garages	1,579	1,548		
Total business-type activities	377,060	376,195	5,174	803
Total primary government	\$ 1,099,776	\$ 443,093	\$ 144,498	\$ 15,888
Component unit:				
Southwestern Fair Commission	\$ 4,771	\$ 4,934	\$ 88	
Total component units	\$ 4,771	\$ 4,934	\$ 88	
General revenues:				
Property taxes, levied for general purposes				
Property taxes, levied for regional flood control district				
Property taxes, levied for library district				
Property taxes, levied for debt service				
Hotel/motel taxes, levied for sports facility and tourism				
Other taxes, levied for stadium district				
Unrestricted share of state sales tax				
Unrestricted share of state vehicle license tax				
Grants and contributions not restricted to specific programs				
Interest and penalties on delinquent taxes				
Investment earnings				
Miscellaneous				
Capital and other contributions				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year, as restated				
Net assets at end of year				

See accompanying notes to financial statements

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Southwestern Fair Commission
\$ (166,568)		\$ (166,568)	
(130,277)		(130,277)	
(7,257)		(7,257)	
(3,680)		(3,680)	
(11,590)		(11,590)	
(96,547)		(96,547)	
(42,224)		(42,224)	
(24,174)		(24,174)	
(168)		(168)	
(18,924)		(18,924)	
(501,409)		(501,409)	
	\$ 9,283	9,283	
	21	21	
	(4,161)	(4,161)	
	(31)	(31)	
	5,112	5,112	
(501,409)	5,112	(496,297)	
			\$ 251
			251
246,640		246,640	
22,832		22,832	
25,144		25,144	
48,909		48,909	
8,715		8,715	
1,884		1,884	
106,985		106,985	
26,967		26,967	
9,468		9,468	
5,149		5,149	
16,439	5,510	21,949	
16,309	1,522	17,831	127
5,051	25,217	30,268	15
721	(721)		
541,213	31,528	572,741	142
39,804	36,640	76,444	393
959,647	535,822	1,495,469	2,789
\$ 999,451	\$ 572,462	\$ 1,571,913	\$ 3,182

Functions/Programs

Primary government:

Governmental activities:

- General government
- Public safety
- Highways and streets
- Sanitation
- Health
- Welfare
- Culture and recreation
- Education and economic opportunity
- Amortization - unallocated
- Interest on long-term debt

Total governmental activities

Business-type activities:

- Wastewater Management
- Pima Health System & Services
- Development Services
- Parking Garages

Total business-type activities

Total primary government

Component unit:

- Southwestern Fair Commission

Total component units

General revenues:

- Property taxes, levied for general purposes
- Property taxes, levied for regional flood control district
- Property taxes, levied for library district
- Property taxes, levied for debt service
- Hotel/motel taxes, levied for sports facility and tourism
- Other taxes, levied for stadium district
- Unrestricted share of state sales tax
- Unrestricted share of state vehicle license tax
- Grants and contributions not restricted to specific programs
- Interest and penalties on delinquent taxes
- Investment earnings
- Miscellaneous
- Capital and other contributions

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year, as restated

Net assets at end of year

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Balance Sheet - Governmental Funds
June 30, 2007
(in thousands)

Exhibit A-3

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 47,916	\$ 104,320	\$ 81,827	\$ 234,063
Property taxes receivable (net)	6,255		2,964	9,219
Interest receivable	321	614	431	1,366
Due from other funds	1,704	971	1,790	4,465
Due from other governments	24,088	5,491	22,994	52,573
Accounts receivable	1,835	54	2,841	4,730
Inventory			1,954	1,954
Prepaid expenditures	7,448	120	104	7,672
Special assessments receivable			1,781	1,781
Loan receivable	1,441		315	1,756
Other assets	160			160
Restricted cash equivalents		2,158		2,158
Total assets	\$ 91,168	\$ 113,728	\$ 117,001	\$ 321,897
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 11,172	\$ 18,732	\$ 12,514	\$ 42,418
Interest payable		20	9	29
Contract retentions		1,213	84	1,297
Employee compensation	6,517	27	2,716	9,260
Due to other funds	624	1,472	2,144	4,240
Due to other governments	22	518	955	1,495
Deposits and rebates	252	2,158		2,410
Deferred revenues	15,021	140	14,927	30,088
Total liabilities	33,608	24,280	33,349	91,237
Fund balances:				
Reserved for:				
Inventory			1,954	1,954
Prepaid expenditures	7,448	120	104	7,672
Debt service			8,155	8,155
Capital repairs and refurbishments			75	75
Specified programs			3,276	3,276
Loan receivable	1,441		315	1,756
Unreserved, undesignated:				
General fund	48,671			48,671
Capital projects		89,328		89,328
Special revenue			69,773	69,773
Total fund balances	57,560	89,448	83,652	230,660
Total liabilities and fund balances	\$ 91,168	\$ 113,728	\$ 117,001	\$ 321,897

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2007
(in thousands)

Exhibit A-4

Fund balances - total governmental funds		\$ 230,660
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p>		
Governmental capital assets	\$ 1,827,695	
Less accumulated depreciation	<u>(587,424)</u>	1,240,271
<p>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</p>		
Bonds payable	(428,161)	
Certificates of participation payable	(31,731)	
Loans and leases payable	(28,450)	
Unamortized deferred issuance costs reported as other assets	<u>1,372</u>	(486,970)
<p>Some compensated absences are not due and payable shortly after June 30, 2007, and therefore are not reported in the governmental funds</p>		
Employee compensation		(24,743)
<p>Some liabilities are not due and payable shortly after June 30, 2007, and are therefore not reported in the governmental funds</p>		
Landfill liability		(17,330)
<p>Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements</p>		
		23,952
<p>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</p>		
		33,611
Net assets of governmental activities		<u><u>\$ 999,451</u></u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007
(in thousands)

Exhibit A-5

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 252,350		\$ 96,350	\$ 348,700
Special assessments			521	521
Licenses and permits	2,795		4,337	7,132
Intergovernmental	152,271	\$ 11,027	140,094	303,392
Charges for services	33,604	12,417	17,487	63,508
Fines and forfeits	5,526		1,024	6,550
Investment earnings	3,321	5,313	5,354	13,988
Miscellaneous	6,828	263	10,453	17,544
Total revenues	<u>456,695</u>	<u>29,020</u>	<u>275,620</u>	<u>761,335</u>
Expenditures:				
Current:				
General government	181,329		41,105	222,434
Public safety	106,825		26,105	132,930
Highways and streets			42,683	42,683
Sanitation			6,766	6,766
Health	2,526		29,785	32,311
Welfare	96,684		484	97,168
Culture and recreation	14,694		30,503	45,197
Education and economic opportunity	16,407		22,067	38,474
Capital outlay		202,659		202,659
Debt service - principal	1,785		51,948	53,733
- interest	1,230		17,735	18,965
- miscellaneous	6		6	12
Total expenditures	<u>421,486</u>	<u>202,659</u>	<u>269,187</u>	<u>893,332</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,209</u>	<u>(173,639)</u>	<u>6,433</u>	<u>(131,997)</u>
Other financing sources (uses):				
Premium on bonds		1,427	2	1,429
Face amount of long-term debt		146,320		146,320
Proceeds from sale of capital assets		390		1,426
Transfers in	3,560	30,549	1,036	86,089
Transfers (out)	(32,784)	(71)	(53,833)	(86,688)
Total other financing sources (uses)	<u>(29,224)</u>	<u>178,615</u>	<u>(815)</u>	<u>148,576</u>
Net change in fund balances	5,985	4,976	5,618	16,579
Fund balance at beginning of year, as restated	51,575	84,472	78,245	214,292
Change in reserve for inventory			(209)	(209)
Change in reserve for prepaids			(2)	(2)
Fund balance at end of year	<u>\$ 57,560</u>	<u>\$ 89,448</u>	<u>\$ 83,652</u>	<u>\$ 230,660</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2007
(in thousands)

Exhibit A-6

Net change in fund balances - total governmental funds \$ 16,579

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	\$ 157,162	
Less current year depreciation	<u>(46,784)</u>	110,378

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

707

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds but increases long-term liabilities in the statement of net assets. Repayment of the principal of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items

Face amount of long-term debt	(146,320)	
Premium on bonds	(1,429)	
Debt service - principal payments	53,733	
Deferred issuance costs	902	
Amortization expense	<u>(168)</u>	(93,282)

Some revenues reported in the statement of activities do not represent the collection of current financial resources and therefore are not reported as revenues in the governmental funds.

Donations of capital assets	4,937	
Property tax revenues	(26)	
Other	<u>2,760</u>	7,671

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	(3,012)	
Change in landfill liability	(1,062)	
Net book value of capital asset disposals	(4,309)	
Change in reservation of fund balances	<u>(211)</u>	(8,594)

Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net expense of the internal service funds is reported with governmental activities

6,345

Change in net assets of governmental activities

\$ 39,804

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Net Assets - Proprietary Funds
June 30, 2007
(in thousands)

Exhibit A-7

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Pima Health System & Services	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	
Assets					
Current assets:					
Cash and cash equivalents	\$ 20,546	\$ 35,692	\$ 14,809	\$ 71,047	\$ 46,743
Restricted cash and cash equivalents		49,352		49,352	
Interest receivable	66	408	50	524	336
Due from other funds	5		108	113	1,043
Due from other governments	2,975	2,165		5,140	92
Accounts receivable (net)	15,052	9,210	25	24,287	211
Inventory	88	3,112		3,200	457
Prepaid expense	11	189	57	257	794
Total current assets	<u>38,743</u>	<u>100,128</u>	<u>15,049</u>	<u>153,920</u>	<u>49,676</u>
Noncurrent assets:					
Restricted cash and cash equivalents		654		654	
Capital assets:					
Land and other improvements		7,834	1,861	9,695	592
Buildings and improvements	694	341,639	12,927	355,260	614
Sewage conveyance system		522,795		522,795	
Equipment	943	17,467	1,842	20,252	30,890
Less accumulated depreciation	(1,029)	(287,648)	(8,653)	(297,330)	(13,675)
Construction in progress	19	35,618		35,637	70
Total capital assets (net of accumulated depreciation)	<u>627</u>	<u>637,705</u>	<u>7,977</u>	<u>646,309</u>	<u>18,491</u>
Deferred financing costs		1,109		1,109	
Total noncurrent assets	<u>627</u>	<u>639,468</u>	<u>7,977</u>	<u>648,072</u>	<u>18,491</u>
Total assets	<u>39,370</u>	<u>739,596</u>	<u>23,026</u>	<u>801,992</u>	<u>68,167</u>
Liabilities					
Current liabilities:					
Accounts payable	753	14,937	692	16,382	2,128
Accrued medical and health care claims	25,780			25,780	
Employee compensation	2,280	3,189	1,106	6,575	645
Interest payable		1,359		1,359	1
Due to other funds	1,152	205	1	1,358	23
Due to other governments		82	99	181	
Deferred revenues	1	1,049		1,050	
Current portion of sewer revenue bonds		7,350		7,350	
Current portion of wastewater loans payable		5,722		5,722	
Current portion reported but unpaid losses					4,200
Current portion incurred but not reported losses					1,785
Total current liabilities	<u>29,966</u>	<u>33,893</u>	<u>1,898</u>	<u>65,757</u>	<u>8,782</u>
Noncurrent liabilities:					
Contracts and notes		5,280		5,280	
Sewer revenue bonds		87,006		87,006	
Wastewater loans payable		70,389		70,389	
Reported but unpaid losses					18,739
Incurred but not reported losses					8,133
Total noncurrent liabilities		<u>162,675</u>		<u>162,675</u>	<u>26,872</u>
Total liabilities	<u>29,966</u>	<u>196,568</u>	<u>1,898</u>	<u>228,432</u>	<u>35,654</u>
Net assets					
Invested in capital assets, net of related debt	627	468,346	7,977	476,950	18,491
Restricted for:					
Debt service		574		574	
Capital projects		35,480		35,480	
Wastewater management		5,110		5,110	
Healthcare	9,985			9,985	
Unrestricted	(1,208)	33,518	13,151	45,461	14,022
Total net assets	<u>\$ 9,404</u>	<u>\$ 543,028</u>	<u>\$ 21,128</u>	<u>573,560</u>	<u>\$ 32,513</u>

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.

(1,098)

Net assets of business-type activities

\$ 572,462

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007
(in thousands)

Exhibit A-8

	Business-type Activities Enterprise Funds			Total Enterprise Funds	Governmental Activities- Internal Service Funds
	Pima Health System & Services	Wastewater Management	Other Enterprise Funds		
Operating revenues:					
Net patient services	\$ 255,275			\$ 255,275	
Charges for services	1,867	\$ 69,453	\$ 12,786	84,106	\$ 38,126
Other	979	330	217	1,526	2,123
Total net operating revenues	258,121	69,783	13,003	340,907	40,249
Operating expenses:					
Employee compensation	36,677	29,681	11,269	77,627	6,751
Medical claims	208,122			208,122	
Operating supplies and services	1,647	8,579	914	11,140	5,966
Utilities	376	6,520	357	7,253	832
Sludge and refuse disposal		1,649		1,649	
Repair and maintenance	596	5,610	235	6,441	4,089
Incurred losses					8,118
Insurance premiums					5,016
General and administrative	7,692	8,477	2,592	18,761	2,593
Consultants and professional services	1,450	7,145	1,054	9,649	419
Depreciation	221	22,990	633	23,844	2,579
Total operating expenses	256,781	90,651	17,054	364,486	36,363
Operating income (loss)	1,340	(20,868)	(4,051)	(23,579)	3,886
Nonoperating revenues (expenses):					
Intergovernmental revenue	4,738	7,291		12,029	
Investment earnings	1,028	3,684	844	5,556	2,418
Sewer connection fees		30,757		30,757	
Interest expense	(41)	(6,499)		(6,540)	
Loss on disposal of capital assets	(146)	(1,454)	(1)	(1,601)	(21)
Amortization of deferred charges		(109)		(109)	
Premium tax	(5,091)			(5,091)	
Total nonoperating revenues (expenses)	488	33,670	843	35,001	2,397
Income (loss) before contributions and transfers	1,828	12,802	(3,208)	11,422	6,283
Capital contributions		25,217		25,217	114
Transfers in	17			17	696
Transfers (out)		(654)	(84)	(738)	(26)
Change in net assets	1,845	37,365	(3,292)	35,918	7,067
Net assets at beginning of year	7,559	505,663	24,420	537,642	25,446
Net assets at end of year	\$ 9,404	\$ 543,028	\$ 21,128	573,560	32,513

Some amounts reported for business-type activities in the Statement of Activities are different because a portion of the net expense of certain internal service funds is reported with business-type activities.

722

Change in net assets of business-type activities \$ 36,640

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007
(in thousands)

Exhibit A-9

	Pima Health System & Services	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			\$ 117	\$ 117	\$ 38,124
Cash received from customers for goods and services provided	\$ 254,741	\$ 66,689	12,787	334,217	
Cash received from miscellaneous operations	1,031	330	193	1,554	2,173
Cash payments to suppliers for goods and services	(209,920)	(28,832)	(3,680)	(242,432)	(15,501)
Cash payments to other funds for goods and services		(7,741)	(3,245)	(10,986)	(2,745)
Cash payments for incurred losses					(10,768)
Cash payments to employees for services	(38,182)	(29,483)	(10,222)	(77,887)	(6,702)
Net cash provided by (used for) operating activities	7,670	963	(4,050)	4,583	4,581
Cash flows from noncapital financing activities:					
Interest paid on short-term credit	(36)			(36)	
Cash transfers in from other funds					599
Cash transfers out to other funds					(17)
Loans with other funds	(514)	29	(108)	(593)	170
Premium tax	(5,091)			(5,091)	
Intergovernmental revenues	4,902	557		5,459	
Net cash provided by (used for) noncapital financing activities	(739)	586	(108)	(261)	752
Cash flows from capital and related financing activities:					
Proceeds from issuance of bonds and loans		51,429		51,429	
Principal paid on bonds and loans		(13,738)		(13,738)	
Interest paid on bonds and loans		(6,121)		(6,121)	
Sewer connection fees		30,650		30,650	
Proceeds from sale or transfer of capital assets	17	128	30	175	337
Proceeds from intergovernmental contract		4,820		4,820	
Purchase of capital assets	(104)	(43,720)	(204)	(44,028)	(3,507)
Net cash provided by (used for) capital and related financing activities	(87)	23,448	(174)	23,187	(3,170)
Cash flows from investing activities:					
Interest received on cash and investments	963	3,276	794	5,033	2,215
Net cash provided by investing activities	963	3,276	794	5,033	2,215
Net increase (decrease) in cash and cash equivalents	7,807	28,273	(3,538)	32,542	4,378
Cash and cash equivalents at beginning of year	12,739	57,425	18,347	88,511	42,365
Cash and cash equivalents at end of year	\$ 20,546	\$ 85,698	\$ 14,809	\$ 121,053	\$ 46,743

(Continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007
(in thousands)

Exhibit A-9.1

(Continued)

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	Pima Health System & Services	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Operating income (loss)	\$ 1,340	\$ (20,868)	\$ (4,051)	\$ (23,579)	\$ 3,886
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	221	22,990	633	23,844	2,579
Changes in assets and liabilities:					
Decrease (increase) in assets:					
Accounts receivable	(428)	(892)	(23)	(1,343)	46
Due from other governments	(297)	(1,872)		(2,169)	2
Inventory and other assets	28	(81)		(53)	25
Prepaid expenses	(11)	(96)	(55)	(162)	(3)
Increase (decrease) in liabilities:					
Accounts payable	6,886	1,526	(633)	7,779	647
Due to other funds			(6)	(6)	
Due to other governments		58	9	67	
Reported but unpaid losses					(2,825)
Incurred but not reported losses					174
Other current liabilities	(69)	198	76	205	50
Net cash provided by (used for) operating activities	<u>\$ 7,670</u>	<u>\$ 963</u>	<u>\$ (4,050)</u>	<u>\$ 4,583</u>	<u>\$ 4,581</u>

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2007:

Pima Health System and Services disposed of equipment with an original cost of \$867 and accumulated depreciation of \$721 for a loss on disposal of equipment of \$146.

Wastewater Management Enterprise Fund retired capital assets with a net book value of \$1,582.

Wastewater Management Enterprise Fund received contributed developer-built conveyance systems with estimated fair values totaling \$25,421, and from other governments, capital assets with a fair value of \$36. These contributions were recorded as an increase in capital assets and capital contributions.

Wastewater Management Enterprise Fund recorded a Board of Supervisor approved connection fee credit agreement of \$282. This credit was recorded as an increase to deferred revenue and a decrease to capital contributions.

Wastewater Management Enterprise Fund retired expired sewer credit agreements totaling \$42. This transaction was recorded as a decrease to deferred revenue and an increase in capital contributions.

Wastewater Management Enterprise Fund transferred the capital assets of the Solid Waste Management division with a net book value of \$644 to the County's general government and capital assets with a net book value of \$10 to Internal Service Funds.

Wastewater Management Enterprise Fund received fully-depreciated capital assets from the County's general capital assets of \$80 and \$7 from Other Enterprise Funds.

Other Enterprise Funds transferred capital assets with a net book value of \$84 and disposed of capital assets with a net book value of \$1.

Other Enterprise Funds transferred completely depreciated capital assets of \$31 to the County's general government, \$8 to the Wastewater Management Enterprise Fund, and \$23 to the Transportation Fund.

Internal Service Funds sold assets with a net book value of \$358, resulting in a loss on disposal of \$21.

Internal Service Funds had unpaid transfers of \$11.

Internal Service Funds transferred in \$57 for noncash personal services and \$30 of capital assets from governmental activities.

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Fiduciary Net Assets - Fiduciary Funds
June 30, 2007
(in thousands)

Exhibit A-10

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 297,267	\$ 75,225
Interest receivable	1,485	
Due from other governments		2,636
Total assets	298,752	\$ 77,861
LIABILITIES		
Employee compensation		\$ 5,428
Due to other governments		45,680
Deposits and rebates		26,753
Total liabilities		\$ 77,861
NET ASSETS		
Held in trust for participants	\$ 298,752	

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2007
(in thousands)

Exhibit A-11

	<u>Investment Trust Funds</u>
ADDITIONS	
Contributions from participants	\$ 2,393,233
Total contributions	<u>2,393,233</u>
Investment earnings	13,551
Total investment earnings	<u>13,551</u>
Total additions	<u>2,406,784</u>
DEDUCTIONS	
Distributions to participants	2,345,253
Total deductions	<u>2,345,253</u>
Change in net assets	61,531
Net assets held in trust July 1, 2006	237,221
Net assets held in trust June 30, 2007	<u><u>\$ 298,752</u></u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Pima County (County) conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the regulatory requirements of the State of Arizona. A summary of the County's significant accounting policies follows.

A. Reporting Entity

The County is a general-purpose local government that is governed by a separately elected board of Pima County supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended and discretely presented component unit discussed below has a June 30 year-end.

The Pima County Stadium District, a legally separate entity, was formed to promote and establish major league baseball spring training in Pima County. The County Board of Supervisors is the Board of Directors of the District. Acting in the capacity of the Board of Directors, the Pima County Board of Supervisors is able to impose its will on the District. The Board of Directors levies the car rental surcharge rates and the recreation vehicle (RV) park tax for the District. The District is reported as a special revenue fund (blended component unit) in these financial statements. Complete financial statements for the District can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

The Pima County Library District was established in 1986 when legislation allowed full taxing authority and the ability to enter into agreements with other jurisdictions for the provision of library services. The County Board of Supervisors is the Board of Directors of the District. On July 1, 2006, the District assumed control of the operations of all library branches in the City of Tucson. The transition of operations from the City of Tucson to the District is governed by an intergovernmental agreement. The Library District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Pima County Regional Flood Control District was established in 1978. The District is responsible for floodplain management activities for the unincorporated areas of Pima County (except national forests, parks, monuments and Native American Nations), the City of South Tucson, and the Town of Sahuarita. The County Board of Supervisors is the Board of Directors for the Flood Control District. The Regional Flood Control District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Southwestern Fair Commission, Inc. (SFC) is a nonprofit corporation, which manages and maintains the fairgrounds owned by the County and conducts an annual fair and other events at the fairgrounds. During the year ended June 30, 2007, the Commission and Pima County extended the lease agreement an additional twenty-five years. The Commission's members are appointed, and can be removed at any time, by the Pima County Board of Supervisors. Based on these factors, and because SFC does not provide services entirely, or almost entirely to the County, but rather to the

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

general citizenry, SFC is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements for SFC can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

Related Organization

The Industrial Authority of Pima County (Authority) is a legally separate entity that was created to promote economic development and the development of affordable housing. The Authority fulfills its function through the issuance of tax-exempt bonds. The County Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County and the County is not financially accountable for the Authority. Therefore, the financial activities of the Authority have not been included in the accompanying financial statements.

B. Basis of Accounting

Primary government:

The government-wide, proprietary funds and fiduciary funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, with the exception of agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds in the fund-based financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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. Revenues that are collected after 30 days are reported as deferred revenues. The County's major revenue sources that are susceptible to accrual are property taxes, intergovernmental and charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The County applies grant resources to such programs before using general revenues.

The County's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

Discretely presented component unit:

SFC's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Commission's policy is to apply all FASB pronouncements issued after November 30, 1989.

C. Basis of Presentation

The basic financial statements include both government-wide statements and fund-based financial statements. The government-wide statements focus on the County as a whole, while the fund-based financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component unit. Governmental activities are financed primarily through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- Charges for services (fines and forfeitures, licenses and permits, and special assessments)
- Operating grants and contributions
- Capital grants and contributions

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues. The net effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities.

Fund-based financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund-based financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary funds are financed mainly by fees and charges received from users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The **Capital Projects Fund** accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The County reports the following major enterprise funds:

Pima Health System and Services provides payment for health care services including inpatient hospital care and outpatient clinical care for medical and psychiatric problems, indigent health care under the Arizona Health Care Cost Containment System (AHCCCS), an alternative to Medicaid, home health services and long-term nursing care.

The **Wastewater Management Fund** accounts for the management and operation of wastewater treatment and water pollution control programs.

The County reports the following fund types:

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis. These funds account for fleet maintenance and operation, insurance, printing and graphic services, and telecommunications services.

Investment Trust Funds account for assets held by the County Treasurer in an external investment pool and individual investment accounts for the benefit of outside jurisdictions.

Agency Funds account for the assets, held by the County as an agent, for individuals, private organizations or other governmental units. The agency fund is custodial in nature and does not present results of operations.

D. Cash and Investments

Primary government:

For purposes of its statements of cash flows, the County considers only those highly liquid investments, with a maturity period of 3 months or less when purchased, to be cash equivalents. All investments are stated at fair value.

If an individual fund has a deficit balance in the amount on deposit with the County Treasurer at year-end, that balance is reclassified as an amount due to other funds.

Discretely presented component unit:

SFC's cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

E. Inventories and Prepaids

The County accounts for its inventories in the governmental funds using the purchases method. 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 in the government-wide and proprietary funds' financial statements are recorded as assets when purchased and expensed when consumed.

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

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

Prepaid expenses/expenditures are accounted for using the consumption method, except for the School Reserve Fund reported as an Other Governmental Fund, which uses the purchases 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.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All	N/A	N/A
Land improvements	All	Straight Line	20 - 30 Years
Buildings and building improvements	\$100	Straight Line	10 - 50 Years
Equipment	\$5	Straight Line	4 - 25 Years
Fleet service vehicles	\$5	Units of Production based on number of hours or miles	5 - 15 Years
Infrastructure	\$100	Straight Line	10 - 50 Years

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

Discretely presented component unit:

SFC capital assets are reported at actual cost. Depreciation is provided by the straight-line method over the assets' estimated useful life, which range from 3 to 40 years.

H. Investment Earnings

Investment 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 their year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate up to 1920 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees; however employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability in the government-wide financial statements.

Note 2: Net Asset Beginning Balances Restated

The School Reserve fund reclassified certain financial activities from the County requiring the restatement of beginning net assets.

The following summarizes the restatement of net assets:

Governmental Activities	
Fund balance, Other Governmental Funds - June 30, 2006	\$77,951
Restatement of financial activity	294
Fund balance, Other Governmental Funds - July 1, 2006	\$78,245
Net assets – June 30, 2006, as previously reported	\$959,353
School reserve	294
Net assets – July 1, 2006, as restated	\$959,647

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 3: Cash and Investments

Primary Government

The County's cash and investment policies are governed by State statutes and by bond covenants. The County Treasurer is authorized to invest public monies in the State Treasurer's Investment Pool; interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations issued or guaranteed by the United States government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States; and bonds of the State of Arizona or any of its counties, cities, towns, or school districts as specified by statute. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk—The State statutes have the following requirements for credit risk;

1. Commercial paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's Investors Service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk—Statutes also require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk—Statutes do not include any requirements for concentration of credit risk.

Interest rate risk—Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk—Statutes do not allow foreign investments.

Deposits—At June 30, 2007, the carrying amount of the County's deposits was \$28,919 and the bank balance was \$50,807.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 3: Cash and Investments (continued)

Custodial credit risk—Custodial credit risk is the risk that the County will not be able to recover its deposits if a financial institution fails. The County does not have a formal policy with respect to custodial credit risk. As of June 30, 2007, \$907 of the County's bank balance was exposed to custodial credit risk as follows:

Uninsured with collateral held by the bank's safekeeping department	\$ 93
Uninsured and uncollateralized	814
Total	\$ 907

Investments—At June 30, 2007, the County's investments consisted of \$468,073 invested in marketable securities and \$279,434 invested in the State Treasurer's Investment Pool. Cash from the County and from externally legally separate governments are pooled to purchase the investments in marketable securities and the State Treasurer's Pool. The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

Credit risk—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk. At June 30, 2007, credit risk for the County's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
Commercial paper	A1/P1	S&P / Moody's	\$ 123,847
Corporate bonds	A/A1	S&P / Moody's	73,051
Federal Farm Credit Bank	AAA/Aaa	S&P / Moody's	24,918
Federal Home Loan Bank	AAA/Aaa	S&P / Moody's	34,606
Fannie Mae (Federal National Mortgage Association)	AA-/Aa2	S&P / Moody's	92,579
Freddie Mac (Federal Home Loan Mortgage Corp)	AAA/Aaa	S&P / Moody's	68,442
U. S. Treasury money market fund	AAA/Aaa	S&P / Moody's	6,212
State Treasurer Investment Pool	Unrated		279,434
Total			\$ 703,089

Custodial credit risk—For an investment, custodial risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy with respect to custodial credit risk. Of the County's \$747,507 of investments, \$461,861, consisting of the commercial paper, corporate bonds, Federal Farm Credit, Federal Home Loan Bank, Fannie Mae and Freddie Mac discount notes, U. S. Treasury notes and tri-party repurchase agreement, is uninsured and held by a counterparty in the County's name in book form. An additional \$6,212 in a U.S. Treasury money market fund is held by a counterparty as trustee.

Concentration of credit risk—The County has no formal policy with respect to limiting the amount the Treasurer may invest in any one issuer. Five (5) percent or more of the County's investments were with the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. These investments were 12% and 9%, respectively, of the County's total investments.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 3: Cash and Investments (continued)

Interest rate risk—Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal investment policy with respect to interest rate risk.

As of June 30, 2007, the County had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity (Years)</u>
State Treasurer Investment Pool 5	\$ 197,569	0.21
State Treasurer Investment Pool 7	81,865	0.14
Commercial paper	123,847	0.11
Corporate bonds	73,051	1.84
Federal Farm Credit Bank	24,918	1.71
Federal Home Loan Bank	34,606	2.11
Fannie Mae (Federal National Mortgage Association)	92,579	0.55
Freddie Mac (Federal Home Loan Mortgage Corp)	68,442	0.60
U.S. Treasury	38,675	1.98
U.S. Treasury money market fund	6,212	0.00
Tri-party repurchase agreement	5,743	0.00
Total	<u>\$ 747,507</u>	

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Assets follows:

	<u>Cash on Hand</u>	<u>Amount of Deposits</u>	<u>Amount of Investments</u>	<u>Total</u>
Cash, deposits and investments:	\$ 83	\$ 28,919	\$ 747,507	\$ 776,509

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Investment Trust Funds</u>	<u>Agency Funds</u>	<u>Totals</u>
Statement of Net Assets:					
Cash and cash equivalents	\$ 280,806	\$ 71,047	\$ 297,267	\$ 75,225	\$ 724,345
Restricted cash and cash equivalents	2,158	50,006			52,164
Total	<u>\$ 282,964</u>	<u>\$ 121,053</u>	<u>\$ 297,267</u>	<u>\$ 75,225</u>	<u>\$ 776,509</u>

County Treasurer's Investment Pool—Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The County Treasurer has a fiduciary responsibility to administer those and the County monies under her stewardship. The County Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the County Treasurer determines the fair value of those pooled investments annually at June 30. The County Treasurer's Investment Pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. The structure of the Pool does not provide for shares and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments. The County Treasurer allocates interest earnings to each of the Pool's participants.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 3: Cash and Investments (continued)

The Pool's assets are subject to applicable risks as discussed above and consist of the following:

	<u>Principal</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Fair Value</u>
Commerical Paper	\$ 124,560	5.2-5.3%	4/07-5/07	\$ 123,847
Corporate Bonds	73,958	4.9-5.8%	7/07-2/11	73,051
Federal Farm Credit Bank	25,000	4.8-5.4%	7/07-9/10	24,918
Federal Home Loan Bank	35,000	4.9-5.5%	7/07-8/10	34,606
Fannie Mae (Federal National Mortgage Association)	93,655	5.0-5.5%	7/07-6/10	92,579
Freddie Mac (Federal Home Loan Mortgage Corp)	69,200	4.8-5.5%	7/07-10/10	68,442
U.S. Treasury	39,300	4.5-5.3%	2/08-5/10	38,675
Tri-party repurchase agreement	5,743	4.30%	7/07	5,743
State Treasurer Investment Pool	102,118	N/A	N/A	102,118
Cash	1,900	N/A	N/A	1,900
Interest Recievable	643	N/A	N/A	643
				<u>\$ 566,522</u>

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

Statement of Net Assets

Assets held in trust for:	
Internal participants	\$ 350,463
External Participants	216,059
	<u>566,522</u>
Total liabilities	0
Total net assets held in trust	<u>\$ 566,522</u>

Statement of Changes in Net Assets

Total additions	\$ 6,284,599
Total deductions	<u>(6,176,560)</u>
Net increase	108,039
Net assets held in trust:	
July 1, 2006	<u>458,483</u>
June 30, 2007	<u>\$ 566,522</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 3: Cash and Investments (continued)

Discretely Presented Component Units

Southwestern Fair Commission—At June 30, 2007, the commission's cash and cash equivalents of \$1,368 consisted of deposits with financial institutions. Of the total balance, \$970 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4: Due from Other Governments

Governmental activities:

	General Fund	Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal government:					
Grants and contributions	\$ 152	\$ 849	\$ 10,441		\$ 11,442
State of Arizona:					
Taxes and shared revenues	21,806		9,632		31,438
Grants and contributions		1,718	1,369	\$ 4	3,091
City of Tucson:					
Reimbursement for services	1,671		1,076		2,747
Due from other governments:					
Reimbursement for services	<u>459</u>	<u>2,924</u>	<u>476</u>	<u>88</u>	<u>3,947</u>
Total due from other governments fund based statements	<u>\$ 24,088</u>	<u>\$ 5,491</u>	<u>\$ 22,994</u>	<u>\$ 92</u>	<u>\$ 52,665</u>

Business-type activities:

	Pima Health System and Services	Wastewater Management	Business-type Activities Total
Federal government:			
Grants and contributions		\$ 2,165	\$ 2,165
Reimbursement for services	\$ 127		127
State of Arizona:			
Grants and contributions	<u>2,848</u>		<u>2,848</u>
Total due from other Governments	<u>\$ 2,975</u>	<u>\$ 2,165</u>	<u>\$ 5,140</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006 (as reclassified)	Increases	Decreases	Balance June 30, 2007
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 222,918	\$ 38,459	\$ (3,990)	\$ 257,387
Construction in Progress	115,305	82,922	(88,920)	109,307
Total capital assets not being depreciated	<u>338,223</u>	<u>121,381</u>	<u>(92,910)</u>	<u>366,694</u>
Capital assets being depreciated:				
Buildings & Improvements	384,056	93,128	(250)	476,934
Infrastructure	889,651	29,146		918,797
Equipment	93,224	11,878	(7,666)	97,436
Total capital assets being depreciated	<u>1,366,931</u>	<u>134,152</u>	<u>(7,916)</u>	<u>1,493,167</u>
Less accumulated depreciation for:				
Buildings & Improvements	(112,249)	(9,220)	143	(121,326)
Infrastructure	(391,981)	(29,916)		(421,897)
Equipment	(54,590)	(10,382)	7,096	(57,876)
Total accumulated depreciation	<u>(558,820)</u>	<u>(49,518)</u>	<u>7,239</u>	<u>(601,099)</u>
Total capital assets, being depreciated, net	<u>808,111</u>	<u>84,634</u>	<u>(677)</u>	<u>892,068</u>
Governmental activities capital assets, net	<u>\$ 1,146,334</u>	<u>\$ 206,015</u>	<u>\$ (93,587)</u>	<u>\$ 1,258,762</u>
	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 8,706	\$ 1,610	\$ (621)	\$ 9,695
Construction in Progress	14,842	28,910	(8,115)	35,637
Total capital assets not being depreciated	<u>23,548</u>	<u>30,520</u>	<u>(8,736)</u>	<u>45,332</u>
Capital assets being depreciated:				
Buildings & Improvements	354,303	12,877	(11,920)	355,260
Infrastructure	490,600	33,064	(869)	522,795
Equipment	16,265	6,918	(2,931)	20,252
Total capital assets being depreciated	<u>861,168</u>	<u>52,859</u>	<u>(15,720)</u>	<u>898,307</u>
Less accumulated depreciation for:				
Buildings & Improvements	(114,504)	(11,793)	10,613	(115,684)
Infrastructure	(163,265)	(10,695)	620	(173,340)
Equipment	(9,582)	(1,442)	2,718	(8,306)
Total accumulated depreciation	<u>(287,351)</u>	<u>(23,930)</u>	<u>13,951</u>	<u>(297,330)</u>
Total capital assets, being depreciated, net	<u>573,817</u>	<u>28,929</u>	<u>(1,769)</u>	<u>600,977</u>
Business-type activities capital assets, net	<u>\$ 597,365</u>	<u>\$ 59,449</u>	<u>\$ (10,505)</u>	<u>\$ 646,309</u>

At July 1, 2006, the School Reserve Land Improvements of \$36 were reclassified from Land to Buildings and Improvements. The Buildings and Improvements classification is appropriate due to the depreciable nature of the assets.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 5: Capital Assets (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	6,295
Public safety		9,484
Highway and streets		25,629
Sanitation		457
Health		761
Welfare		8
Culture and recreation		3,604
Education and economic opportunity		546
Internal service funds		<u>2,579</u>
Total governmental activities depreciation expense	\$	<u>49,363</u>

Business-type activities:

Pima Health System & Services	\$	221
Parking Garages		336
Wastewater Management		22,990
Development Services		<u>297</u>
Total business-type activities depreciation expense	\$	<u>23,844</u>

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Discretely presented component units:				
Southwestern Fair Commission (SFC):				
Capital assets not being depreciated:				
Construction in Progress		\$ 3		\$ 3
Total capital assets not being depreciated		<u>3</u>		<u>3</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 3,707	199		3,906
Equipment	<u>1,612</u>	<u>161</u>		<u>1,773</u>
Total capital assets being depreciated	<u>5,319</u>	<u>360</u>		<u>5,679</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,200)	(108)		(2,308)
Equipment	<u>(1,210)</u>	<u>(88)</u>		<u>(1,298)</u>
Total accumulated depreciation	<u>(3,410)</u>	<u>(196)</u>		<u>(3,606)</u>
Total capital assets being depreciated, net	<u>1,909</u>	<u>164</u>		<u>2,073</u>
SFC capital assets, net	<u>\$ 1,909</u>	<u>\$ 167</u>		<u>\$ 2,076</u>

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.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 6: Claims, Judgments, and Risk Management (continued)

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; environmental claims; and natural disasters. Claims against the County are accounted for in the Self Insurance Trust Fund (the Fund), an internal service fund. Annually, an actuarial evaluation is performed to determine the County's anticipated losses except for environmental, unemployment and dental losses. Environmental losses are based on reported claims and the County risk manager's knowledge and experience. Unemployment and dental losses are based on claims that have been submitted but not yet paid by the Fund. Losses accounted for include reported and paid, reported but unpaid, and incurred but not reported. All liabilities of the Fund except for environmental, unemployment and dental losses are reported at their present value using an expected future investment yield assumption of four percent. The 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, unemployment and dental losses, payments to the Fund are based on actuarial estimates of the amounts needed to pay prior and current-year claims. Payments to the Fund for environmental losses are based on historical experience, since an actuarial basis is not available. Payments for unemployment and dental losses are based on actual claims made.

The claims liability of \$32,857 reported in the Fund at June 30, 2007, 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.

	<u>2007</u>	<u>2006</u>
Claims liability balance - beginning	\$ 35,508	\$ 30,273
Current year claims and changes in estimates	8,118	12,185
Claims payments	<u>(10,769)</u>	<u>(6,950)</u>
Claims liability balance - ending	<u>\$ 32,857</u>	<u>\$ 35,508</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2007.

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>July 1, 2007</u>	<u>Due within</u> <u>1 year</u>
Governmental activities:					
General obligation bonds	\$ 231,310	\$ 95,000	\$ 36,720	\$ 289,590	\$ 31,255
Plus unamortized deferred amount	608	1	49	560	49
Total general obligation bonds	<u>231,918</u>	<u>95,001</u>	<u>36,769</u>	<u>290,150</u>	<u>31,304</u>
Flood control bonds	<u>2,230</u>		<u>760</u>	<u>1,470</u>	<u>745</u>
Transportation revenue bonds	126,835	21,000	11,435	136,400	11,745
Plus unamortized deferred amount	165	1	25	141	26
Total transportation revenue bonds	<u>127,000</u>	<u>21,001</u>	<u>11,460</u>	<u>136,541</u>	<u>11,771</u>
Special assessment bonds with governmental commitment	<u>911</u>		<u>911</u>		
Certificates of participation		30,320		30,320	1,245
Plus unamortized deferred amount		1,427	16	1,411	94
Total certificates of participation		<u>31,747</u>	<u>16</u>	<u>31,731</u>	<u>1,339</u>
Loans and Leases:					
Transportation loans payable	<u>5,739</u>		<u>2,025</u>	<u>3,714</u>	<u>2,714</u>
Capital leases payable:					
Jail capital lease	28,335		1,785	26,550	1,870
Less unamortized deferred amount	(2,106)		(192)	(1,914)	(192)
Other capital leases	197		97	100	80
Total capital leases	<u>26,426</u>		<u>1,690</u>	<u>24,736</u>	<u>1,758</u>
Total loans and leases	<u>32,165</u>		<u>3,715</u>	<u>28,450</u>	<u>4,472</u>
Reported but unpaid losses (Note 6)	25,764	7,944	10,769	22,939	4,200
Incurred but not reported losses (Note 6)	9,744	174		9,918	1,785
Landfill closure and post-closure care costs (Note 8)	16,268	1,062		17,330	
Total governmental activities long-term liabilities	<u>\$ 445,089</u>	<u>\$ 156,929</u>	<u>\$ 63,489</u>	<u>\$ 538,529</u>	<u>\$ 55,616</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities (continued)

	Balance July 1, 2006	Additions	Reductions	Balance July 1, 2007	Due within 1 year
Business-type activities:					
Sewer revenue bonds	\$ 55,525	\$ 50,000	\$ 8,235	\$ 97,290	\$ 7,350
Less unamortized deferred amount	(3,815)	442	(439)	(2,934)	
Total revenue bonds payable	<u>51,710</u>	<u>50,442</u>	<u>7,796</u>	<u>94,356</u>	<u>7,350</u>
Wastewater loans payable	80,367	1,429	5,503	76,293	5,722
Less unamortized deferred amount	(219)		(37)	(182)	
Total loans payable	<u>80,148</u>	<u>1,429</u>	<u>5,466</u>	<u>76,111</u>	<u>5,722</u>
Contracts and notes	4,562	787	69	5,280	
Total business-type activities long-term liabilities	<u>\$ 136,420</u>	<u>\$ 52,658</u>	<u>\$ 13,331</u>	<u>\$ 175,747</u>	<u>\$ 13,072</u>
Discretely presented component unit:					
Southwestern Fair Commission notes payable	<u>\$ 244</u>		<u>\$ 244</u>		

GENERAL OBLIGATION BONDS OUTSTANDING

Governmental Activities

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

General obligation bonds payable at June 30, 2007, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, \$28,371 from the May 20, 1997, \$398,465 from the May 18, 2004, and \$51,845 from the May 16, 2006 bond election remain unissued. The following table presents amounts outstanding by issue.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2007
Series of 1998	\$ 42,420	4.50 - 4.60%	2008-13	\$ 14,050
Series of 1999	50,000	5.00 - 5.08%	2008-10	11,115
Series of 2000	50,000	4.00 - 5.00%	2008-14	21,000
Series of 2001 Refunding	17,835	4.50 - 5.00%	2008-09	4,465
Series of 2002	20,000	4.13 - 4.50%	2008-16	8,500
Series of 2003	50,000	3.25 - 4.25%	2008-17	37,100
Series of 2004	65,000	3.00 - 5.00%	2008-19	50,430
Series of 2005	65,000	3.50 - 5.00%	2008-20	52,315
Series of 2007	95,000	3.00 - 4.50%	2008-21	90,615
G.O. bonds outstanding				<u>289,590</u>
Plus unamortized deferred amount:				560
Total G.O. bonds outstanding				<u>\$ 290,150</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2007.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 31,255	\$ 12,343
2009	25,660	10,939
2010	25,080	9,782
2011	22,740	8,657
2012	23,355	7,638
2013 - 2017	107,675	23,079
2018 - 2021	53,825	3,811
Total	<u>\$ 289,590</u>	<u>\$ 76,249</u>

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, 2007, the following outstanding bonds were considered defeased:

	<u>Outstanding June 30, 2007</u>
1979 General Obligation Refunding Bonds	\$ 980
Series of 1999	\$ 5,785

FLOOD CONTROL REFUNDING BONDS OUTSTANDING
Governmental Activities

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

The Pima County Regional Flood Control District outstanding bonds payable at June 30, 2007 is presented below.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2007</u>
Series 2001 Refunding	\$ 4,585	4.10 - 4.20%	2008-09	\$ 1,470

The following schedule details flood control bond debt service requirements to maturity at June 30, 2007.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 745	\$ 61
2009	725	30
Total	<u>\$ 1,470</u>	<u>\$ 91</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities (continued)

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, \$147,800 from the November 4, 1997 bond election remains unissued.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2007</u>
Series of 1998	\$ 40,000	4.50%	2008	\$ 4,000
Series of 2002	55,000	4.00 - 4.38%	2008-12	30,410
Series of 2003	35,000	3.38 - 4.38%	2008-18	29,790
Series of 2005	51,200	3.50 - 5.00%	2008-20	51,200
Series of 2007	21,000	3.25 - 4.75%	2008-22	21,000
Transportation bonds outstanding				136,400
Plus unamortized deferred amount:				141
			Total transportation bonds outstanding	<u>\$ 136,541</u>

The following schedule details transportation bond debt service requirements to maturity at June 30, 2007.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 11,745	\$ 5,659
2009	12,215	5,183
2010	12,720	4,692
2011	13,280	4,136
2012	13,865	3,552
2013 - 2017	43,900	11,309
2018 - 2022	28,675	2,373
Total	<u>\$ 136,400</u>	<u>\$ 36,904</u>

TRANSPORTATION LOANS PAYABLE
Governmental Activities

During the fiscal year ended June 30, 2006, Pima County Transportation Department entered into a loan agreement to provide funds for roadway improvements of Alvernon Way. Interest on the Alvernon HELP loan is calculated and paid on an annual basis.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Outstanding June 30, 2007</u>
2006 HELP Loan - Alvernon	\$ 4,836	3.06%	2008-09	\$ 3,714
			Total transportation loan payable	<u>\$ 3,714</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details transportation loans debt service requirements to maturity at June 30, 2007.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,714	\$ 114
2009	1,000	61
Total	<u>\$ 3,714</u>	<u>\$ 175</u>

CERTIFICATES OF PARTICIPATION
Governmental Activities
(Payments made from General Fund revenues)

Certificates of Participation represent proportionate interests in semiannual lease payments. The County's obligation to make lease payments is subject to annual appropriations being made by the County for that purpose. On May 1, 2007, the County issued Certificates of Participation Series 2007-A for \$28,765 to finance the acquisition of and improvements to a 22-story office tower located in downtown Tucson, and Taxable Series 2007-B for \$1,555 to acquire and construct replacement facilities for the Pima County Community Services Department. These projects are collectively referred to as the "Justice Building Project."

The following schedule details outstanding Certificates of Participation payable at June 30, 2007.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2007</u>
Series 2007-A Justice Building Project	\$ 28,765	4.00 - 5.00%	2008-2022	\$ 28,765
Series 2007-B Justice Building Project - Taxable	1,555	5.04 - 5.22%	2008-2009	1,555
Certificates of participation outstanding				30,320
Plus unamortized deferred amount				1,411
Total certificates of participation outstanding				<u>\$ 31,731</u>

The following schedule details debt service requirements to maturity for the County's Certificates of Participation payable at June 30, 2007.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,245	\$ 1,667
2009	1,545	1,364
2010	1,610	1,298
2011	1,675	1,234
2012	1,740	1,167
2013 - 2017	9,905	4,639
2018 - 2022	12,600	1,951
Total	<u>\$ 30,320</u>	<u>\$ 13,320</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities (continued)

CAPITAL LEASES
Governmental Activities

On February 1, 1997, the County entered into an agreement to sell certain jail facilities and then lease them back for a 15-year term. The jail facilities were sold for \$34,500, and the proceeds were used to finance the construction of the baseball stadium. On September 1, 1999 and October 1, 2003, Pima County amended the capital lease agreement between U.S. Bank Trust National Association and Pima County. The amendments extended the lease term to 2014 and 2018 respectively, increased the range of interest rates and increased the County's obligation under the lease agreement.

The County has also entered into capital leases for telephone and computer equipment. The outstanding balance as of June 30, 2007, for these leases totaled \$100.

The net book value of assets acquired through capital leases consists of \$19,394 of buildings and \$171 of equipment.

The following schedule details capital lease debt service requirements to maturity at June 30, 2007.

Governmental Activities:

<u>Year Ending June 30.</u>	<u>Buildings</u>		<u>Equipment</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,870	\$ 1,139	\$ 80	\$ 2
2009	1,965	1,062	20	
2010	2,025	982		
2011	2,125	879		
2012	2,230	774		
2013 - 2017	13,400	2,032		
2018 - 2022	2,935	61		
	<u>\$ 26,550</u>	<u>\$ 6,929</u>	<u>\$ 100</u>	<u>\$ 2</u>

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, \$3,666 from the May 20, 1997, and \$100,277 from the May 18, 2004 bond election remain unissued.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2007</u>
Series of 1998	\$ 29,185	4.00 - 5.50%	2008-15	\$ 15,555
Series 2001 Refunding	19,440	4.00 - 5.38%	2008-15	13,845
Series of 2004 Refunding	25,770	3.25 - 5.50%	2008-15	20,555
Series of 2007	50,000	3.75 - 5.00%	2008-26	47,335
Sewer revenue bonds outstanding				97,290
Less unamortized deferred amount:				(2,934)
Total sewer revenue bonds outstanding				<u>\$ 94,356</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2007.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 7,350	\$ 4,352
2009	7,650	4,049
2010	6,990	3,706
2011	7,310	3,409
2012	8,395	3,078
2013 - 2017	31,755	9,619
2018 - 2022	13,955	4,744
2023 - 2026	13,885	1,439
	<u>\$ 97,290</u>	<u>\$ 34,396</u>

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.

During fiscal year 05-06 the 2004 WIFA loan was amended to a total of \$19,967. On March 21, 2007, the remaining balance of \$1,490 was drawn down.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2007</u>
1996 Loans Payable	\$ 11,313	3.19%	2008-12	\$ 7,132
1997 Loans Payable	7,500	2.95%	2008-11	3,102
2000 Loans Payable	61,180	2.20%	2008-16	46,092
2004 Loans Payable	19,967	1.81%	2008-24	19,967
Loans payable				76,293
Less unamortized deferred amount				(182)
Total loans payable				<u>\$ 76,111</u>

The following schedule details loans payable debt service requirements to maturity at June 30, 2007.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 5,722	\$ 2,624
2009	5,955	2,423
2010	6,317	2,200
2011	7,604	1,949
2012	7,891	1,667
2013 - 2017	32,480	4,665
2018 - 2022	6,134	1,214
2023 - 2024	4,190	210
	<u>\$ 76,293</u>	<u>\$ 16,952</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities (continued)

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.

NOTES PAYABLE

Component Unit - Southwestern Fair Commission (SFC)

(Payments made from user charges)

In prior years, the Commission had incurred long-term debt to construct the drag strip. The debt had an original maturity of July 2008. During the year ended June 30, 2007, the Commission paid off \$ 244 in total debt, leaving no balance on their long-term debt.

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, 2007, is as follows:

Net assessed valuation		\$ 6,869,955
Debt Limit (15% of net assessed valuation):		1,030,493
<u>Amount of debt applicable to debt limit:</u>		
General obligation bonds outstanding	\$ 289,590	
Less net assets in debt service fund available for payment of general obligation bond principal	(7,431)	(282,159)
Legal debt margin available		\$ 748,334

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 7: Long-Term Liabilities (continued)

Flood Control General Obligation Bonds

Flood Control general obligation debt may not exceed 5 percent of the value of the Flood Control District's taxable property as of the latest assessment. Legal debt margin at June 30, 2007, is as follows:

Net assessed valuation		\$ 6,113,953
Debt Limit (5% of net assessed valuation):		305,698
<u>Amount of debt applicable to debt limit:</u>		
Flood control general obligation bonds outstanding	\$ 1,470	
Less net assets in debt service fund available for payment of flood control bond principal	(23)	(1,447)
Legal debt margin available		\$ 304,251

Note 8: Landfill Liabilities

SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS:

State and Federal laws and regulations require the County to place a final cover on its solid waste landfill sites when these sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after their closure. Although closure and post-closure care costs will not be paid until near or after the date the landfills stop accepting waste, the County records a portion of these closure and post-closure care costs as a long-term liability in each period, based on landfill capacity used as of each balance sheet date. The \$17,330 reported as landfill closure and post-closure care long-term liability within the governmental activities represents the cumulative amount reported to date, based on the percentage used of each landfill's total estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of \$6,278 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and post-closure care in the fiscal year ended June 30, 2007; actual costs may change due to inflation, changes in technology, or changes in regulations.

Landfill Site	Capacity Used June 30, 2007	Estimated Remaining Service Life
Ajo *	100%	0 Year
Sahuarita	43%	16 Years
Tangerine	86%	3 Years

*Life extending facility development options are presently being considered for the Ajo Landfill, including vertical and/or horizontal expansion.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 8: Landfill Liabilities (continued)

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

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, post-closure, and corrective action when needed. The County is in compliance with these requirements. The Ina Road Landfill facility is closed to municipal solid waste and only receives construction debris. It is not subject to the closure and post-closure cost requirements referred to above. Pima County estimates that it will cost approximately \$9,272 when closure occurs and plans to fund the cost with proceeds of general obligation bonds and with solid waste tipping fees. At this time, there is no closure date available.

Note 9: 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 212 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's Departments of Corrections and Juvenile Corrections, and County employees whose primary duties require direct inmate contact. The CORP is governed by the Fund Manager of PSPRS and 21 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
Phoenix, AZ 85012
(602) 240-2000 or
(800) 621-3778

PSPRS and CORP

3010 East Camelback Road
Suite 200
Phoenix, AZ 85016-4416
(602) 255-5575

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 9: Retirement Plans (continued)

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, 2007, active **ASRS** members and the County were each required by statute to contribute at the actuarially determined rate of 9.10 percent (8.60 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, 2007, 2006 and 2005 were \$23,105, \$17,551 and \$12,602 respectively, which were equal to the required contributions for the applicable year.

Agent plans For the year ended June 30, 2007, active **PSPRS** members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 18.85 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 8.46 percent.

Annual Pension Cost: The County's pension cost for the two agent plans for the year ended June 30, 2007, and related information follow:

	<u>PSPRS</u>	<u>CORP</u>
Contribution rates:		
County	22.50%	8.46%
Plan members	4.00%	8.50%
Annual pension cost	\$ 5,422	\$ 1,224
Contributions made	\$ 5,422	\$ 1,224
Actuarial valuation date	June 30, 2005	June 30, 2005
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial Assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases includes inflation at	5.50% - 8.50%	5.50% - 8.50%
	5.00%	5.00%
Amortization method	Level percentage open	Level percentage open
Remaining amortization period	30 Years	30 Years
Asset valuation method	Smoothed market value	Smoothed market value

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 9: Retirement Plans (continued)

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	2007	\$ 5,422	100%	\$ -
	2006	4,720	100%	-
	2005	3,325	100%	-
CORP	2007	\$ 1,224	100%	\$ -
	2006	1,088	100%	-
	2005	782	100%	-

Note 10: Interfund Transactions

A. Interfund Assets/ Liabilities

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

Amounts recorded as due from:

	General	Capital Projects	Other Governmental	PHS & Services	Other Enterprise	Internal Services	Total
General		\$ 497	\$ 3	\$ 108	\$ 16	\$ 624	
Capital Projects	\$ 21		1,243			208	1,472
Other Governmental	499	\$ 793	33	1		818	2,144
Pima Health System & Services	1,152						1,152
Wastewater Management	10	178	17				205
Other Enterprise	1						1
Internal Service	21			1		1	23
Total	\$ 1,704	\$ 971	\$ 1,790	\$ 5	\$ 108	\$ 1,043	\$ 5,621

Amounts recorded as due to:

B. Transfers

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

Amounts recorded as transfers out:

	General	Capital Projects	Other Governmental	Wastewater Management	Internal Services	Total
General		\$ 71	\$ 3,489		\$ 3,560	
Capital Projects			30,549		30,549	
Other Governmental	\$ 32,186		19,794		51,980	
Pima Health System & Services				\$ 17	17	
Internal Service	598		1	10	609	
Total	\$ 32,784	\$ 71	\$ 53,833	\$ 10	\$ 17	\$ 86,715

Amounts recorded as transfers in:

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 10: Interfund Transactions (continued)

The table above does not include transfers of capital assets and long-term liabilities from the proprietary funds to the governmental activities because these are not reported in the governmental funds. During the year, the County transferred in to the Internal Service Funds \$57 to record the transfer of a long-term liability to the Governmental Activities. In addition, the following proprietary funds transferred capital assets with Governmental Activities:

<u>Transfer from</u>	<u>Transfer to</u>		<u>Transfer from</u>	<u>Transfer to</u>
Wastewater Management Enterprise Fund	Capital assets	\$ 644		
Other Enterprise	Capital assets	84		
Internal Services	Capital assets	9		
	Subtotal	<u>737</u>		
		<u>(30)</u>	Capital assets	Internal Services
	Total	<u>\$ 707</u>		

Note 11: Construction and Other Significant Commitments

At June 30, 2007, Pima County had the following major contractual commitments related to Cultural Resources, Facilities Management, General Government, Pima Health System and Services, Transportation and Wastewater Management.

Cultural Resources

At June 30, 2007, the Pima County Cultural Resources Department had construction contractual commitments of \$6,654. Funding for these expenditures will be provided from general obligation bonds.

Facilities Management

At June 30, 2007, the Pima County Facilities Management Department had construction contractual commitments of \$11,670. Funding for these expenditures will be provided from general obligation bonds.

General Government

At June 30, 2007, Pima County had contractual commitments related to service contracts for Institutional Health of \$79,166 and Risk Management of \$1,663. Funding for these expenditures will be primarily provided from general fund revenues.

Pima Health System & Services

At June 30, 2007, Pima County had contractual commitments related to service contracts for Pima Health System & Services of \$89,388. Funding for these expenditures will be primarily provided from federal and state funding sources.

Transportation

At June 30, 2007, the Pima County Transportation Department had construction contractual commitments of \$7,651 and other contractual commitments related to service contracts of \$14,317. Funding for these expenditures will be primarily provided from Transportation Revenue Bonds and Highway User Tax Revenue, the primary source of revenue for the Transportation Department.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2007
(in thousands)

Note 11: Construction and Other Significant Commitments (continued)

Wastewater Management

At June 30, 2007, the Wastewater Management Enterprise fund had construction contractual commitments of \$18,350 and other contractual commitments related to service contracts of \$4,051. Funding for these expenditures will be primarily from Sewer Revenue Bonds and related fees.

Note 12: Stewardship, Compliance and Accountability (Deficit Fund Balances)

The Special Revenue Other Grants Fund and the Special Districts Fund (both non-major governmental funds) had deficit fund balances at June 30, 2007, of \$740 and \$593 respectively. These deficits can be eliminated in the future through normal operations.

Note 13: Contingent Liabilities

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 litigation is uncertain and the amount of the loss cannot be reasonably estimated.

Pima County has been named a co-defendant, along with the State of Arizona in lawsuits filed by the Qwest and Cox companies. The litigation challenges the taxes assessed on their assets. The future outcome of this litigation is uncertain and any potential liability is not estimable.

Note 14: Subsequent Event

On October 17, 2007, the town of Marana, Arizona filed a lawsuit against Pima County after negotiations over the transfer of the sewer treatment facilities and conveyance system, failed to produce an agreement. The town of Marana rescinded the 1979 agreement with Pima County to operate and supply sewer services to the town. The liability and future outcome of this litigation is unknown at this time.

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**\$25,000,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2008**

**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 \$25,000,000 aggregate principal amount of Street and Highway Revenue Bonds, Series 2008 (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 February 12, 2008, 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

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Phone: (212) 771-6999; 800-689-8466
Fax: (212) 771-7390
E-mail: NRMSIR@interactivedata.com

Standard & Poor’s Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

The names and addresses of all current NRMSIRs should be verified each time information is delivered pursuant to this Undertaking.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“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 February 12, 2008.

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.

[Signature page to follow]

PIMA COUNTY, ARIZONA

By: _____
Thomas Burke
Finance and Risk Management Director

Date: February 28, 2008

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, 2009. 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

\$25,000,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2008

**BOND REGISTRAR, TRANSFER AGENT AND
PAYING AGENT AGREEMENT**

This Bond Registrar, Transfer Agent and Paying Agent Agreement, dated as of February 1, 2008 (the "Agreement"), between Pima County, Arizona (the "County"), and U.S. Bank National Association (the "Registrar"), and the Treasurer of the County (the "Treasurer"):

WITNESSETH

WHEREAS, the County proposes to issue its Street and Highway Revenue Bonds, Series 2008, in the aggregate principal amount of \$25,000,000 (the "Bonds"); and

WHEREAS, the Bonds will be issued in fully registered form; and

WHEREAS, the County desires to employ a bond registrar, a transfer agent and a paying agent to administer the registration, transfer and payment of the Bonds; and

WHEREAS, the Treasurer is charged with the responsibility of maintaining the principal and interest redemption funds for the County; and

WHEREAS, the County desires to enter into an agreement with the Registrar for services as bond registrar, transfer agent and paying agent with respect to the Bonds; and

WHEREAS, the Registrar is willing to act as bond registrar, transfer agent and paying agent with respect to the Bonds,

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

Section 1. The Registrar is hereby requested to provide the following services:

- (a) Bond registrar services, which shall include, but not be limited to:
 - (1) initial authentication of the Bonds;
 - (2) maintenance of registration books sufficient to comply with Section 149(a) of the Internal Revenue Code of 1986, as amended (the "Code");

(3) prompt recording of transfers of ownership and exchanges of the Bonds as such transfers and exchanges occur;

(4) protection against double or overissuance of the Bonds;

(5) authentication of the Bonds prepared for delivery to transferees of original purchasers or subsequent owners, or to owners of the Bonds upon any exchange, of the Bonds;

(6) informing the County of the need for additional printings of the Bonds as needed; and

(7) providing the Treasurer and the County access to specimens of the signatures of the persons authorized from time to time to authenticate the Bonds.

(b) Transfer agent services, which shall include, but not be limited to:

(1) receipt and verification of all Bonds tendered for transfer or exchange;

(2) preparation of new Bonds for delivery to transferees or owners wishing to exchange Bonds and delivery of the same;

(3) destruction of Bonds submitted for transfer or exchange; and

(4) provision of necessary information for recordation in the registration books relating to the Bonds.

(c) Paying agent services, which shall include, but not be limited to:

(1) provision of a billing to the Treasurer and the County's Finance and Risk Management Director at least thirty (30) days prior to each principal and interest payment date with respect to the Bonds setting forth the amount of principal and interest due on the Bonds on such payment date;

(2) preparation, execution and mailing, by first class mail, of checks representing (or, to the extent requested in writing by an owner of \$1,000,000 or more in aggregate principal amount of the Bonds not less than ten (10) days prior to an interest payment date, transmission by wire transfer to a bank or trust company in the continental United States of America) interest payments due on the Bonds to each registered owner of the Bonds on or prior to each scheduled interest payment date;

(3) verification of all matured Bonds upon their surrender for final payment;

(4) payment of all principal due on the Bonds upon proper surrender thereof to the Registrar or, if so requested in writing by any owner of \$1,000,000 or more in aggregate principal amount of the Bonds, and if provision for surrender of the Bonds satisfactory to the Registrar has been made, by wire transfer to a bank or trust company in the continental United States, in the manner provided for therein;

(5) preparation of semiannual reconciliations following each interest payment date showing all principal and interest paid with respect to the Bonds during the preceding six-month period and providing copies thereof to the Treasurer, the County's Finance and Risk Management Director and the Arizona Department of Revenue (the "Department"); and

(6) taking inventory of all canceled checks, or microfilm proof of such checks, showing interest payments on the Bonds.

Section 2. Upon written request of the County, the Registrar will cause its authorized officer(s) to authenticate the Bonds in an aggregate original principal amount not to exceed \$25,000,000 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 July 1, 2008, 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. A copy of any redemption notices sent by the Registrar with respect to the Bonds shall also be provided to the Treasurer.

Section 10. In the event any check for payment of interest on a Bond is returned to the Registrar unendorsed or is not presented for payment within two (2) years from its payment date or any Bond is not presented for payment of principal at the maturity or redemption date, if funds sufficient to pay such interest or principal due upon such Bond shall have been made available to the Registrar for the benefit of the owner thereof, it shall be the duty of the Registrar to hold such funds without liability for interest thereon, for the benefit of the owner of such Bond who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to such Bond or amounts due thereunder. The Registrar's obligation to hold such funds shall continue for two (2) years and six (6) months following the date on which such interest or principal payment became due, whether at maturity, or at the date fixed for redemption, or otherwise, at which time the Registrar shall surrender such unclaimed funds so held to the Treasurer, whereupon any claim of whatever nature by the owner of such Bond arising under such Bond shall be made upon the Treasurer and shall be subject to the provisions of applicable law.

Section 11. The Registrar shall secure or collateralize the funds on deposit at the Registrar pursuant to this Agreement in the manner provided in Arizona Revised Statutes, 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. In lieu of destruction and immediately prior to the date the Registrar would destroy any Bondholder or Bond payment records maintained by the Registrar pursuant to this Agreement, such records shall be provided to the Treasurer.

Section 16. The County or its duly authorized agents may examine the records relating to the Bonds at the office of the Registrar where such records are kept at reasonable times as agreed upon with the Registrar and such records shall be subject to audit from time to time at the request of the County and or the Treasurer. On request, the Registrar will furnish the County with a list of the names, addresses and other information concerning the registered owners of the Bonds.

Section 17. The Registrar shall indemnify and hold harmless the County, the Treasurer, and all boards, commissions, officials, officers and employees of the County, individually and collectively, from the Registrar's negligence or misconduct in the performance of any of its duties hereunder. Similarly, the County shall, to the extent permitted by law, indemnify and hold harmless the Registrar, its officers, directors, employees, and agents, individually and collectively, from the County's negligence or misconduct in the performance of any of its duties hereunder.

Section 18. When the Registrar deems it necessary or reasonable, it may apply to a law firm or attorney approved by the County for instructions or advice with respect to the Bonds. All fees incurred in obtaining such counsel shall be added to the fees, costs and expenses to be paid to the Registrar pursuant hereto.

Section 19. By signature of its authorized officer below, the Registrar hereby acknowledges receipt of copies of (a) the resolutions of the County authorizing the issuance of the Bonds, (b) the receipt of the Treasurer acknowledging payment of the entire principal amount of the Bonds and any interest due thereon, (c) the opinion of Squire, Sanders & Dempsey L.L.P. as Bond Counsel to the County, and (d) the debt service payment schedule relating to the Bonds.

Section 20. The County and the Registrar each reserve the right to terminate any individual service set forth in this Agreement, or all of the services set forth in this Agreement, upon sixty (60) days prior written notice to the other party hereto.

Section 21. In the event the Registrar resigns or is replaced, the County reserves the right to appoint a successor bond registrar, transfer agent and/or paying agent hereunder. In such

event, the provisions of this Agreement with respect to payment for expenses hereunder by the County shall remain in full force and effect, but the Treasurer shall then be authorized to use the funds designated for such payment to pay any fees and expenses of any bond registrar, transfer agent and/or paying agent chosen to replace the Registrar or to reimburse the County if the Treasurer acts as bond registrar, transfer agent and/or paying agent. In the event that any corporation or association (i) into which the Registrar may be converted or merged (ii), with which the Registrar may or any successor to it may be consolidated, or (iii) to which the Registrar may sell or transfer all or substantially all of its corporate trust business, or any corporation or association resulting from such conversion, merger, consolidations, sale or transfer, ipso facto, shall be and become successor Registrar without the execution or filing of any paper or any further act on the part of any of the parties hereto, and that corporation or association shall be vested further as was its predecessor.

Section 22. This Agreement shall commence on the date first written above and shall continue until the date that the last payment due under the Bonds has been made.

Section 23. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof, and no waiver, alteration or modification of any of the provisions hereof, or assignment of any rights hereunder, shall be binding unless in writing and signed by a duly authorized representative of all parties hereto.

Section 24. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision.

Section 25. Any request, demand, authorization, direction, notice, consent, waiver, statement or other document provided or permitted to be given or furnished to the County or the Registrar shall be mailed or delivered to the County or the Registrar, respectively, at the addresses shown herein, or such other address as may have been given by one party to the other by fifteen (15) days written notice.

If to the County: Pima County, Arizona
130 West Congress Street
Tucson, Arizona 85701
Attention: County Administrator

If to the Treasurer: Pima County Treasurer's Office
115 North Church Ave.
Tucson, Arizona 85701

If to the Registrar: 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.

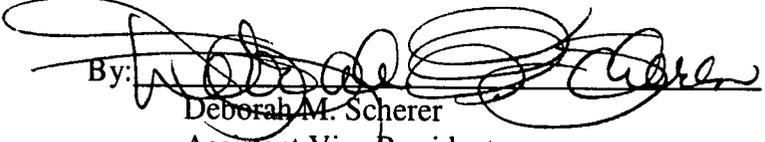
Section 27. This Agreement may be executed in multiple counterparts, all of which shall constitute one and the same Agreement and each of which shall be deemed an original.

Section 28. This Agreement shall be governed by the laws of the State of Arizona.

[Signature page to follow]

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: _____
Beth Ford
County Treasurer

PIMA COUNTY, ARIZONA

By: _____
Richard Elías
Chairman, Board of Supervisors

ATTEST:

By: _____
Lori Godoshian
Clerk, Board of Supervisors

APPROVED AS TO FORM:

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

By: _____
Timothy E. Pickrell

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as Registrar

By: _____
Deborah M. Scherer
Assistant Vice President

PIMA COUNTY, ARIZONA

By:  _____
Beth Ford
County Treasurer

PIMA COUNTY, ARIZONA

By: _____
Richard Elías
Chairman, Board of Supervisors

ATTEST:

By: _____
Lori Godoshian
Clerk, Board of Supervisors

APPROVED AS TO FORM:

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

By: _____
Timothy E. Pickrell

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as Registrar

By: _____
Deborah M. Scherer
Assistant Vice President

PIMA COUNTY, ARIZONA

By: _____
Beth Ford
County Treasurer

PIMA COUNTY, ARIZONA

By:  _____
Richard Elías
Chairman, Board of Supervisors

ATTEST:

By:  _____
Lori Godoshian
Clerk, Board of Supervisors

APPROVED AS TO FORM:

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

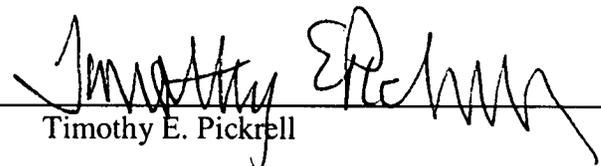
By:  _____
Timothy E. Pickrell

EXHIBIT A

\$25,000,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2008

MATURITY SCHEDULE

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2009	\$150,000	3.000%
2010	150,000	3.000%
2011	150,000	3.000%
2012	150,000	3.000%
2013	1,940,000	3.250%
2014	2,035,000	3.250%
2015	2,140,000	3.500%
2016	2,245,000	3.500%
2017	2,360,000	4.500%
2018	2,475,000	4.000%
2019	2,600,000	4.250%
2020	2,730,000	4.000%
2021	2,865,000	4.000%
2022	3,010,000	4.125%

EXHIBIT B

Registrar and Paying Agent Fee Schedule



Corporate Trust Services
60 Livingston Ave
St. Paul, MN 55107

**Schedule of Fees for Services as
Registrar and Paying Agent**

**For
Pima County Street and Highway User Revenue Bonds, Series 208**

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: February 13, 2008

\$25,000,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2008

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 \$25,000,000 aggregate principal amount of Street and Highway Revenue Bonds, Series 2008 (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 February 12, 2008, 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

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Phone: (212) 771-6999; 800-689-8466
Fax: (212) 771-7390
E-mail: NRMSIR@interactivedata.com

Standard & Poor’s Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

The names and addresses of all current NRMSIRs should be verified each time information is delivered pursuant to this Undertaking.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“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 February 12, 2008.

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 D), 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.

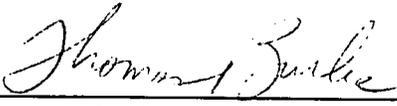
15. Recordkeeping. The County shall maintain records of all Annual Information Disclosure and notices of occurrence of Material Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure 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.

[Signature page to follow]

PIMA COUNTY, ARIZONA

By: 

Thomas Burke
Finance and Risk Management Director

Date: February 28, 2008

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, 2009. 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:

[Signature of C. H. Huckelberry]

[Authorized Officer's Signature]

C. H. HUCKELBERRY, COUNTY ADMINISTRATOR

[Typewrite Name & Title]

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

[Signature of Roger Bondar]

By:

130 W. Congress, 10th floor

[Street Address]

Tucson, AZ 85701

[City]

[State]

[Zip]

(520) 740-8661

[Phone Number]

**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.

\$25,000,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2008

GENERAL CERTIFICATE OF THE COUNTY

The undersigned, Chairman (the "Chairman") and Clerk (the "Clerk") of the Board of Supervisors of Pima County, Arizona (the "County"), acting for and on behalf of the County, do hereby certify as follows with respect to the \$25,000,000 aggregate principal amount of Pima County, Arizona, Street and Highway Revenue Bonds, Series 2008 (the "Bonds"), issued by the County pursuant to Resolution No. 2008-43, passed, adopted and approved by the Board of Supervisors of the County on February 12, 2008 (the "Resolution"), authorizing and providing for the issuance and sale of the Bonds:

1. They are the duly elected or appointed, qualified and acting Chairman and Clerk, respectively, of the Board of Supervisors of the County and, as such, are familiar with the matters set forth below and the books, records and proceedings of the County.

2. Regular meetings of the Board of Supervisors of the County were duly called, noticed and held on December 18, 2007 and February 12, 2008, 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 Chairman and attested by the Clerk, is in the same form and text as the copy of such Resolution that was before and adopted by the Board of Supervisors of the County at the meeting of February 12, 2008.

3. The persons named below were on December 18, 2007 and February 12, 2008 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:

<u>Name</u>	<u>Office</u>
Richard Elías	Chairman and Supervisor
Ray Carroll	Supervisor
Ann Day	Supervisor
Sharon Bronson	Supervisor
Ramón Valadez	Supervisor

To the best of our knowledge, there is no litigation pending or threatened affecting or questioning in any manner whatsoever the rights of the Chairman or the Supervisors of the County to their respective offices or affecting the organization, existence or powers of the County.

4. The County is a political subdivision duly organized and validly existing under the Constitution and laws of the State of Arizona and had, and has, full legal right, power and authority to adopt, execute and deliver, as appropriate, the Resolution, the Bonds, the Bond Registrar, Transfer Agent and Paying Agent Agreement, dated as of February 1, 2008 (the "Bond Registrar and Paying Agent Agreement"), between the County and U.S. Bank National Association. (the "Registrar"), the Continuing Disclosure Undertaking, dated February 28, 2008 (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 Chairman and the Clerk hereby authorize, ratify and adopt the facsimile signatures of the Chairman and the Clerk executing and attesting, respectively, the Bonds in the aggregate principal amount of \$25,000,000 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	\$150,000	3.000%
2010	150,000	3.000%
2011	150,000	3.000%
2012	150,000	3.000%
2013	1,940,000	3.250%
2014	2,035,000	3.250%
2015	2,140,000	3.500%
2016	2,245,000	3.500%
2017	2,360,000	4.500%
2018	2,475,000	4.000%
2019	2,600,000	4.250%
2020	2,730,000	4.000%
2021	2,865,000	4.000%
2022	3,010,000	4.125%

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 February 12, 2008 (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 Robert W. Baird & Co., 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 \$25,066,456.35 representing \$25,000,000.00 principal amount thereof plus a net premium of \$31,633.50 and accrued interest of \$ 34,822.85. 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 February 12, 2008, 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, the 2003 Bonds, the 2005 Bonds and the 2007 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 \$136,400,000 outstanding aggregate principal amount of the 1998 Bonds, the 2002 Bonds, the 2003 Bonds, the 2005 Bonds and the 2007 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.

[Signature page to follow]

Dated: February 28, 2008

PIMA COUNTY, ARIZONA

By: 
Richard Elías
Chairman, Board of Supervisors

By: 
Lori Godoshian
Clerk, Board of Supervisors

AGENDA

**Pima County Board of Supervisors' Meeting
130 W. Congress St., Hearing Room, 1st Fl.
December 18, 2007 9:00 a.m.**

1. **ROLL CALL**
2. **INVOCATION**
3. **PLEDGE OF ALLEGIANCE**
- ... **EXECUTIVE SESSION**

(Clerk's Note: As of the posting date of 12/12/06, no executive session item has been placed on the regular agenda. However, this is subject to any addendum.)

(Clerk's Note: See Zoning Enforcement Board of Appeals.)

BOARD OF SUPERVISORS SITTING AS OTHER BOARDS

- ... **ZONING ENFORCEMENT BOARD OF APPEALS**

UNFINISHED BUSINESS (RM 12/4/07)

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. P07ZV00234, Anthony A. Fuentes. The Board may also during the course of the hearing and upon motion, enter into executive session.

B. Appeal of Hearing Officer's Decision

P07ZV00234 – Anthony A. Fuentes

In accordance with the Pima County Code 18.95.030.D, Anthony A. Fuentes, through his legal counsel, William Wissler, hereby appeals the decision of the Hearing Officer in Case No. P07ZV00234, regarding violations of the Pima

County Zoning Code Section 18.01.030.E, pertaining to a cargo container not in conformance with permit requirements and not a permitted accessory use in the SR Zone on property located at 10000 E. Catalina Highway. (District 4)

BOARD OF SUPERVISORS SITTING IN REGULAR SESSION

4. **CONSENT CALENDAR:** For consideration and approval
 - A. **CALL TO THE PUBLIC**
 - B. **APPROVAL OF CONSENT CALENDAR**

5. **COUNTY ADMINISTRATOR**
 - A. **Revisions to Merit System Rules**

Merit System Rule 11.5.1
Federal and State law require employment authorization or identity verification for all employees. An employee who fails to establish this identity or authorization must be terminated. Therefore, in order to comply with Federal and State law, this condition needs to be established in "reasons for terminations."
 - B. **Long Term Green Valley Water Supply**

Public review and comment on future Green Valley Water Supply relating to a Report from the County Administrator dated October 2, 2007.

6. **INDUSTRIAL DEVELOPMENT AUTHORITY**

RESOLUTION NO. 2007 - **336**, of the Board of Supervisors of Pima County, Arizona, approving the proceedings of the Industrial Development Authority of the County of Pima regarding the issuance of its not-to-exceed \$9,000,000.00 Education Revenue Bonds (Griffin Foundation Project), Series 2007 and declaring an emergency.

7. **COMMUNITY DEVELOPMENT AND NEIGHBORHOOD CONSERVATION**

RESOLUTION NO. 2007 - **337**, authorizing Pima County to enter into an Intergovernmental Agreement in the amount of \$685,000.00

with the Pascua Yaqui Tribe (PYT) for the management and implementation of the distribution of PYT's Annual 12% Local Revenue-Sharing contribution that includes the University Physicians Healthcare Navigating the Health Care Maze Program for women challenged by the health care system.

8. **CULTURAL RESOURCES AND HISTORIC PRESERVATION**

RESOLUTION NO. 2007 - 338, of the Pima County Board of Supervisors, approving and authorizing the application for Historic Preservation Heritage Funds, in the amount of \$59,730.00, to rehabilitate the Immaculate Conception Church in Ajo, Arizona.

9. **FINANCE AND RISK MANAGEMENT**

A. RESOLUTION NO. 2007 - 339, of the Board of Supervisors of Pima County, Arizona, ordering the sale of not to exceed \$100,000,000.00 principal amount of Pima County, Arizona, General Obligation Bonds.

B. RESOLUTION NO. 2007 - 340, of the Board of Supervisors of Pima County, Arizona, ordering the sale of not to exceed \$75,000,000.00 principal amount of Pima County, Arizona, Sewer Revenue Bonds.

C. RESOLUTION NO. 2007 - 341, of the Board of Supervisors of Pima County, Arizona, ordering the sale of not to exceed \$25,000,000.00 principal amount of Pima County, Arizona, Street and Highway Revenue Bonds.

TRANSPORTATION

10. **Acceptance of Projects/Roadways for Maintenance**

A. P1204-006, Caddis Haley Estates, Lots 1-161 and Common Area A. Developer: The Hadd Company. (District 3)

B. P1205-005, Las Campanas, Blocks D and E and Common Area A, Lots 1-268. Developer: Meritage Homes. (District 4)

***** HEARINGS *****

FRANCHISES/LICENSES/PERMITS

Agent Change/Acquisition of Control/Restructure

11. 07-06-015, Jeffrey Howard Roff, Wild Oats Natural Marketplace, 7133 N. Oracle Road, Tucson, Agent Change/Acquisition of Control.

Liquor Licenses

*(Clerk's Note: See Sheriff's Report.)

- *12. 07-29-8913, Augustine Coronado, Augie's, 4535 W. Valencia Road, Tucson, Series 06, Bar License, Person Transfer.
13. 07-28-8912, Diana Mendez de Arai, Ginza Sushi, 5425 N. Kolb Road, No. 115, Tucson, Series 12, Restaurant License, New License.

DEVELOPMENT SERVICES

UNFINISHED BUSINESS (RM 11/20/07)

Rezoning

*(Clerk's Note: Applicant requests a 90-day continuance to the Board of Supervisors Meeting of March 11, 2008.)

- *14. Co9-07-17, WICK – CAMINO DESIERTO REZONING
Request of Brian Wick, represented by GRS Landscaping Architects, for a rezoning of 2.18 acres from SR (Suburban Ranch) to CR-1 (Single Residence), on property located on the south side of Camino Desierto, approximately 1,900 feet south of Magee Road and approximately 900 feet west of Paseo del Norte. The proposed rezoning conforms to the Pima County Comprehensive Plan, Co7-00-20. On motion, the Planning and Zoning Commission voted 4-2 (Commissioners Cook and Membrilla voted **NAY**, Commissioners Cuyugan, Hirsh and Poulos were absent) to recommend **DENIAL**. Staff recommends **APPROVAL WITH CONDITIONS** and special and standard requirements. (District 1)

NEW BUSINESS**Plat Note Waiver**

15. Co12-85-05, KACHINA RIDGE, LOTS 1 THRU 27 AND COMMON AREA A SUBDIVISION PLAT BK. 40 PG. 97 - PLAT NOTE WAIVER
Request of Robert Sanford, for a plat note waiver to remove the platted 30 foot building setback line on Lot No. 1 of the Kachina Ridge Lots 1 thru 27 and Common Area A Subdivision Plat (Bk. 40 Pg. 97). The applicants request to remove the 30 foot platted building setback line as shown on the plat, therefore, removing the setback restriction that affects Lot 1. The parcel is zoned CR-4 and is located on the northwest corner of Kananwha Street and Overton Road, approximately 700 feet east of North Shannon Road and Overton Road. Staff recommends **APPROVAL** subject to a condition. (District 1)

Plat Note Modification

16. P1201-047, VENTANA CANYON MOUNTAIN ESTATES II LOTS 24 THROUGH 26 SUBDIVISION PLAT BK. 56 PG. 24
Request of Don Mackey, represented by Michael Franks of Seaver Franks Architects, for a plat note modification to allow platted natural open space to be evenly exchanged for natural open space in different area of Lot 26. Lot 26 (Tax Parcel No. 114-03-7000) is approximately 503,757 square feet in size. The above action, if approved, will allow the applicant to change the physical location of the Natural Open Space. The parcel is zoned CR-1 and located at 7121 North Eagle Point Dr., approximately 3/4 of a mile east of North Kolb Road, and approximately 1 1/2 miles north of Sunrise Drive. Staff recommends **APPROVAL**. (District 1)

Rezoning Ordinances

17. ORDINANCE NO. 2007 - 111, Co9-04-30, White - Oracle Jaynes Station Road Rezoning. Owner: Daniel White. (District 1)
18. ORDINANCE NO. 2007 - 112, Co9-05-15, Ferganchick Trust – Old Vail Road Rezoning. Owner: Sonya and Mark Ferganchick Trust. (District 4)
19. ORDINANCE NO. 2007 - 113, Co9-06-13, Pima County, et. al. – Canoa Ranch No. 2 Rezoning. Owner: Pima County. (Districts 3 and 4)

Rezoning Resolution

20. RESOLUTION NO. 2007 - **342**, Co9-86-71, Cutler–Turkey Lane Rezoning. Owner: Mark and Keria Ritz. (District 1)

TRANSPORTATION

Pima County Code Text Amendment

21. An ordinance of the Pima County Board of Supervisors, establishing a Special Events Ordinance for the unincorporated areas of Pima County, Arizona. (All Districts)

If approved, pass and adopt:

ORDINANCE NO. 2007 - **114**

22. **CALL TO THE PUBLIC**

23. **ADJOURNMENT**

POSTED: Levels A & B, 1st & 5th Floors, Pima County Administration Bldg.

DATE POSTED: 12/12/07

TIME POSTED: 5:00 P.M.

CONSENT CALENDAR, DECEMBER 18, 2007**1. CONTRACTS AND AWARDS****A. Community Development and Neighborhood Conservation**

1. RESOLUTION NO. 2007 - 330, approving an Intergovernmental Agreement with the Why Fire District, to provide for the purchase of fire safety equipment, CDBG Grant Fund, contract amount \$10,000.00 (01-70-W-140455-1007)
2. City of South Tucson, Amendment No. 2, to provide management and implementation of the Community Development Block Grant Program and extend contract term to 12/31/08, CDBG Grant Fund, no cost (01-70-S-137787-0406)
3. City of South Tucson, Amendment No. 1, to provide management and implementation of the Community Development Block Grant Program, extend contract term to 12/31/08 and amend contractual language, CDBG Grant Fund, no cost (01-70-S-138940-1006)

B. County Attorney

4. Hunton and Williams, L.L.P., to provide legal advice and representation regarding issues relating to environmental, natural resources, land use, toxic tort and related insurance coverage, Risk Management Tort Fund, contract amount \$100,000.00 (17-02-H-140458-0707)

C. Health

5. Arizona Dept. of Health Services, Amendment No. 9, to provide a local Tobacco Education Prevention Program and amend contractual language, Tobacco Education Prevention Program Grant Fund, contract amount \$55,000.00 revenue (01-01-A-132475-0703)

D. Procurement

6. Burns and Wald-Hopkins Architects, Inc., Amendment No. 10, to provide master planning and architectural design services for the Community Performing Arts and Learning Center in Green Valley and amend contractual language, 2004 Bond Fund, contract amount \$4,180.00 (16-13-B-125697-0299) Facilities Management
7. Sanitors Services, Inc., Amendment No. 2, to provide janitorial services for Outlying "B" Facilities, extend contract term to 1/31/09 and amend contractual language, General Fund, contract amount \$950,000.00 (11-13-S-139107-0207) Facilities Management
8. Sanitors Services, Inc., Amendment No. 1, to provide janitorial services for Downtown Facilities and extend contract term to 1/31/09, General Fund, contract amount \$1,800,000.00 (11-13-S-139109-0207) Facilities Management
9. Sanitors Services, Inc., Amendment No. 1, to provide janitorial services for Outlying "A" Facilities, extend contract term to 1/31/09 and amend contractual language, General Fund, contract amount \$650,000.00 (11-13-S-139110-0207) Facilities Management
10. Engineering and Environmental Consultants, Amendment No. 5, to provide for the Valencia Road: CAP to Camino de la Tierra Project and amend contractual language, 1997 HURF Fund, no cost (16-04-E-128404-1200) Transportation

Awards

11. Cooperative Procurement: Award of Contract, Requisition No. 0800966, in the amount of \$1,541,450.00 to American Cadastre, L.L.C., (Headquarters: Herndon, VA) for the Pima County Recorder's Office Confidential Information Redaction Project, Phase II. Contract is for a one-year term. Funding Source: Other Special Revenue Fund. Administering Department: Recorder.

12. Low Bid: Award of Contract, Requisition No. 0703312, in the annual amount of \$505,000.00 for sewer maintenance parts to Balar Holding Corporation, d.b.a. Balar Equipment Corporation (Headquarters: Phoenix, AZ). Contract is for a one-year term and includes four one-year renewals. The Procurement Director, or his designee, may execute this award by issue of blanket contracts or purchase orders pursuant to this action. Funding Source: WWM Enterprise Fund. Administering Department: Wastewater.
13. Low Bid: Award of Contract, Requisition No. 0801028, in the annual amount of \$830,000.00 for carbon change-out for granulated activated carbon units to Norit Americas, Inc. (Headquarters: Marshall, TX). Contract is for a one-year term and includes four one-year renewals. The Procurement Director, or his designee, may execute this award by issue of blanket contracts or purchase orders pursuant to this action. Funding Source: WWM Enterprise Fund. Administering Department: Wastewater.

E. Sheriff

14. RESOLUTION NO. 2007 - 331, approving an Intergovernmental Agreement with the U.S. Border Patrol, to provide law enforcement services, no cost (01-11-U-140467-1207)

F. Transportation

15. RESOLUTION NO. 2007 - 332, approving an Intergovernmental Agreement with the Regional Transportation Authority, to provide for construction of five foot sidewalks along 3.3 miles of roadway on Continental Road from La Canada to the Pima Community College Campus and Flowing Wells Road from River to Roger Roads, RTA Fund, contract amount \$737,500.00 revenue (01-04-R-140462-1207)

16. RESOLUTION NO. 2007 - 333, approving an Intergovernmental Agreement with the Regional Transportation Authority, to provide for construction of six-foot sidewalks along E. Limberlost Road from N. Melpomene Way to Aqua Caliente School and along Melpomene Way from E. Fort Lowell Road to Catalina Highway and ten-foot multi-use paths along the west side of Melpomene Way from E. Limberlost Road to Camino Miramonte, RTA Fund, contract amount \$697,000.00 revenue (01-04-R-140463-1207)
17. RESOLUTION NO. 2007 - 334, approving an Intergovernmental Agreement with the Regional Transportation Authority, to provide for the installation of traffic signal wireless communication systems at 98 existing signalized intersections, which allow staff to remotely monitor intersections and resolve emergencies, RTA Fund, contract amount \$1,000,000.00 revenue (01-04-R-140464-1207)
18. RESOLUTION NO. 2007 - 335, approving an Intergovernmental Agreement with the Regional Transportation Authority, to provide for installation of traffic signal battery back-up systems at 25 existing signalized intersections, which will allow the traffic signals to operate without disruption during periods of power outage, RTA Fund, contract amount \$250,000.00 revenue (01-04-R-140465-1207)

2. **RECORDER**

Pursuant to Resolution No. 1993-200, ratification of the Document Storage and Retrieval Fund for the month of September, 2007.

3. **RATIFY AND/OR APPROVE**

Minutes: November 6, 2007

ADDENDUM**Pima County Board of Supervisors' Meeting****130 W. Congress St., Hearing Room, 1st Fl.****December 18, 2007 9:00 a.m.****... 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 a request that Pima County waive a conflict of interest to allow Mesch, Clark and Rothschild to represent South Wilmot Investors and their subsidiaries to negotiate an agreement implementing the Specific Plan Development Agreement executed by Pima County and South Wilmot Land Investors, L.L.C.
- B. Pursuant to A.R.S. §38-431.03(A) (3) and (4), for legal advice and direction regarding a proposed settlement in Johnson v. Pima County, et. al., Pima County Superior Court Cause No. C20044037.
- C. Pursuant to A.R.S. §38-431.03(A) (3) and (4), for legal advice and direction regarding the settlement conference in Desert American Builders, Corp. v. Pima County, Pima County Superior Court Cause No. C20063999.
- D. Pursuant to A.R.S. §38-431.03(A) (3) and (4), for legal advice and direction to seek approval of a tax appeal settlement recommendation on the following matter:
 - McLaughlin v. Pima County
Tax Parcel No. 114-18-1720
Case No. C20076479
- E. Pursuant to A.R.S. §38-431.03(A) (3) and (4), for legal advice and direction regarding delegation to the County Attorney, upon recommendation by the County Assessor, the authority to settle tax cases where the resulting decrease in taxes for a single year does not exceed \$5,000.00.

BOARD OF SUPERVISORS SITTING IN REGULAR SESSION**1. BOARD OF SUPERVISORS**

RESOLUTION NO. 2007 - **343**, of the Board of Supervisors of Pima County, in opposition to construction of an interstate highway link that bypasses Tucson and traverses pristine and invaluable Sonoran Desert areas. (District 5)

*(**Clerk's Note**: This item should replace Regular Agenda Item No. 5B.)

2. COUNTY ADMINISTRATOR*Long Term Green Valley Water Supply**

Public review and comment on future Green Valley Water Supply relating to a Report from the County Administrator dated October 2, 2007. Discussion/direction to staff.

UNFINISHED BUSINESS (RM 12/11/07)**3. DEPARTMENT OF ENVIRONMENTAL QUALITY**

Stage Two Vapor Recovery Report. Discussion/Direction/Action.

NEW BUSINESS**4. ECONOMIC DEVELOPMENT AND TOURISM**

Staff requests the Board of Supervisors review and consider the Native American Coop/Reservation Creations Women's Circle Charitable Trust request that the Board waive the \$6,900.00 fee for the use of the Rillito Racetrack infield for the third quadrennial Thunder-in-the-Desert Pow-Wow, December 28, 2007 through January 8, 2008.

5. BOARD, COMMISSION AND/OR COMMITTEE**Board of Adjustment, District 4**

Reappointments of George H. Richard – term expiration: 5/31/11; Richard A. Schaefer and Robert Fee – term expirations: 3/31/12; and Jack Mann – term expiration: 5/31/12. (District 4)

6. CONTRACTS AND AWARD**A. County Administrator**

1. Tucson Regional Economic Opportunities, Inc., Amendment No. 2, to provide for economic development activities to assist in the creation and retention of jobs and extend contract term to 6/30/08, General Fund, contract amount \$1,199,600.00 (11-71-T-137167-0705)

B. Finance and Risk Management

2. Squire, Sanders and Dempsey, L.L.P., Amendment No. 3, to provide bond counsel services, extend contract term to 11/14/08 and amend contractual language, General Obligation, Sewer and HURF Bond Funds, contract amount \$150,000.00 (07-09-S-135350-1104)

C. Fleet Services

3. Award of Contracts, Requisition No. 0800890, in the cumulative annual amount of \$4,344,786.00 for light vehicle purchases, as defined by the list, to the responsive and responsible bidders that submitted the lowest item bids: O'Rielly Chevrolet (Tucson, AZ); Jim Click Ford (Tucson, AZ); Jim Click Dodge (Tucson, AZ); Holmes Tuttle Ford (Tucson, AZ); Bill Luke Dodge (Phoenix, AZ); Tucson Dodge (Tucson, AZ); Courtesy Chevrolet (Phoenix, AZ); D. Longo, Inc. (El Monte, CA); Five Star Ford (Phoenix, AZ); Desert Toyota of Tucson (Tucson, AZ). Contracts are for a one-year term and include four one-year renewal periods. The award includes authority for the Procurement Department to reallocate the award amounts among the contracts, considering actual usage and anticipated requirements, without further action by the Board of Supervisors provided that the sum of the revised contract amounts do not exceed the sum of the contract award amounts. Funding Source: Internal Service Fund. Administering Department: Fleet Services.

POSTED: Levels A & B, 1st & 5th Floors, Pima County Administration Bldg.

DATE POSTED: 12/14/07

TIME POSTED: 12:00 NOON

ADDENDUM

**Pima County Board of Supervisors' Meeting
130 W. Congress St., Hearing Room, 1st Fl.
December 18, 2007 9:00 a.m.**

BOARD OF SUPERVISORS SITTING IN REGULAR SESSION

1. BOARD OF SUPERVISORS

Discussion of and possible action on the proposed Home Health Care Support Services Transition Plan. (District 5)

CONTRACT

2. Regional Wastewater Reclamation

RESOLUTION NO. 2007 - **344**, of the Pima County Board of Supervisors, approving and authorizing the execution of an Intergovernmental Agreement with the Town of Sahuarita, to provide for wastewater treatment support services, revenue, contract amount based on actual costs incurred (01-03-S-140518-0108)

POSTED: Levels A & B, 1st & 5th Floors, Pima County Administration Bldg.
DATE POSTED: 12/14/07
TIME POSTED: 4:45 P.M.

AGENDA**Pima County Board of Supervisors' Meeting****130 W. Congress St., Hearing Room, 1st Fl.****February 12, 2008 9:00 a.m.**

1. **ROLL CALL**
2. **INVOCATION**
3. **PLEDGE OF ALLEGIANCE**
4. **PAUSE 4 PAWS**
- ... **EXECUTIVE SESSION**

Public discussion and action may occur on the executive session item listed below during the regularly scheduled meeting.

Pursuant to A.R.S. §38-431.03(A)(3) and (4), for legal advice and direction regarding approval of an abatement recommendation on George and Margo Foley, Parcel No. 210-19-023B, abatement amount \$862.36.

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**

Board of Supervisors Policy Revision

Staff requests the adoption of the revision to Board of Supervisors Policy No. C 3.12, Electronic Mail.

7. **DIVISION OF ELECTIONS**

In accordance with A.R.S. §16-642, the Board of Supervisors shall canvass the Presidential Preference Election held on February 5, 2008.

8. FIRE DISTRICTS**A. Golder Ranch Fire District**

Pursuant to A.R.S. §48-262.A.12, validation of the petitions presented from the Golder Ranch Fire District for the proposed Canada Hills/La Cholla Annexation. (District 1)

B. Northwest Fire District

Pursuant to A.R.S. §48-262.A.12, validation of the petitions presented from the Northwest Fire District for the proposed Sonoran Preserve Annexation. (District 1)

DEVELOPMENT SERVICES**9. Final Plat with Assurances**

P1205-126, Rancho Coronado, Lots 1-43 and Common Areas A-1 – A-2, B-1 – B-10, C-1 – C-4 and D-1 – D-2. (District 4)

TREASURER**10. Certificate of Removal and Abatement**

Pursuant to A.R.S. §42-18353, staff requests approval of a Certificate of Removal and Abatement for the following:

Real Property Abatement No. 400099	\$862.36
Tax Parcel No. 210-19-023B	

***** HEARINGS *******FRANCHISE/LICENSE/PERMIT****Liquor License**

11. 07-38-8922, Kim Kenneth Kwiatkowski, Circle K Store No. 6470, 5365 N. La Cholla Boulevard, Tucson, Series 9, Liquor Store License, Person and Location Transfer License.

DEVELOPMENT SERVICES**12. Conditional Use Permit****P21-07-025, TRUJILLO – MARSH STATION ROAD, KIRK S. AND LUZ E. TRUJILLO**

Roger Carter, applicant, on property located at 15700 E. Marsh Station Road in an RH zone, requests a conditional use permit for a water pumping and distribution station. Chapter 18.97, in accordance with Section 18.13.030.B28 of the Pima County Zoning Code, allows a water pumping and distribution station as a Type II Conditional Use in an RH zone. The Hearing Administrator recommends **APPROVAL, SUBJECT TO CONDITIONS.** (District 4)

Rezoning Ordinances

13. ORDINANCE NO. 2008 - **10**, Co9-07-11, Gugino – Esperero Vista Trail Easement Rezoning. Owner: Robert and Karolyn Gugino. (District 1)
14. ORDINANCE NO. 2008 - **11**, Co9-07-09, Moreno – Meadowlark Avenue Rezoning. Owner: Elizabeth Moreno. (District 5)
15. ORDINANCE NO. 2008 - **12**, Co9-07-12, Sagasta – Elvado Road Rezoning. Owner: Manuel & Ramona Sagasta. (District 5)

Rezoning Resolution

16. RESOLUTION NO. 2008 - **37**, Co23-00-01, Riverside Crossing Specific Plan Rezoning. Owner: Stewart Title and Trust, Trust 3073. (District 1)

17. Comprehensive Plan Amendment Resolutions

- A. RESOLUTION NO. 2008 - **38**, Co7-07-07, Kelley – E. Colossal Cave Road Plan Amendment. Owner: Jonathan Kelley and Patricia Kelley. (District 4)
- B. RESOLUTION NO. 2008 - **39**, Co7-07-10, Reay's Ranch Investors, et. al. – N. Sandario Road Plan Amendment. Owner: Reay's Ranch Investors, L.L.C., and Gordon and Lois Reay. (District 3)

- C. RESOLUTION NO. 2008 - 40, Co7-07-11, Reay – N. Trico Road Plan Amendment. Owner: Gordon and Lois Reay. (District 3)
- D. RESOLUTION NO. 2008 - 41, Co7-07-28, Fidelity National Title Agency, Inc., Trust No. 10,756 – E. Old Vail Road Plan Amendment. Owner: Fidelity National Title Agency, Inc., Trust No. 10,756. (District 4)

18. **CALL TO THE PUBLIC**

19. **ADJOURNMENT**

POSTED: Levels A & B, 1st & 5th Floors, Pima County Administration Bldg.
DATE POSTED: 2/6/08
TIME POSTED: 5:00 P.M.

CONSENT CALENDAR, FEBRUARY 12, 2008**1. CONTRACTS AND AWARD****A. Community Development and Neighborhood Conservation**

1. Drexel Heights Fire District, Amendment No. 1, to provide for the Family Safety Program and extend contract term to 2/28/08, no cost (01-70-D-138824-1006)

B. Health Department

2. RESOLUTION NO. 2008 - 35, approving an Intergovernmental Agreement with the Arizona Department of Health Services, to provide for the Teen Pregnancy Prevention Program, Federal Fund, contract amount \$125,000.00 revenue (01-01-A-140608-0108)
3. The Susan G. Komen Breast Cancer Foundation, to provide for Bridging the Gap Project - breast cancer screening and diagnostic services, Susan G. Komen Breast Cancer Foundation Fund, contract amount \$20,000.00 revenue (02-01-K-140609-1207)

C. Procurement**Award**

4. Award of Contract for Requisition No. 0801274 to Poster Frost Associates, Inc. (Headquarters: Tucson, AZ), the highest-ranked respondent for professional planning services for Historic Fort Lowell Park Master Plan and Restoration Plan. Services are estimated not to exceed \$300,000.00. In the event a fee agreement cannot be reached with the highest ranked firm, request authorization to negotiate with the next highest ranked firms in the following order: Burns Wald-Hopkins Architects, then Atkin Olshin Schade Architects, until a contract is executed or the final list is exhausted. Funding Source: 2004 Bond Fund. Administering Department: Cultural Resources.

D. Sheriff

5. RESOLUTION NO. 2008 - 36, approving an Intergovernmental Agreement with the Arizona Department of Homeland Security, to provide for the 2007 Homeland Security Grant, Arizona Department of Homeland Security Grant Fund, contract amount \$190,000.00 revenue (01-11-A-140618-0707)

2. BOARDS, COMMISSIONS AND/OR COMMITTEES**A. Design Review Committee**

Appointment of Wayne Swan, Architect, to replace George E. Holguin. Term expiration: 2/28/11. (Staff recommendation)

B. Pima County/Tucson Women's Commission

Appointments of Mary Lee Wright, Youth Commissioner - Term expiration: 1/16/10; and Lucinda Hughes-Juan to replace Victoria W. Evans - Term expiration: 1/16/12. (Commission recommendations)

3. SPECIAL EVENT LIQUOR LICENSES APPROVED PURSUANT TO RESOLUTION NO. 2002-273

- A. Sharon P. Stringer, Tohono Chul Park, 7366 N. Paseo del Norte, Tucson, April 6, 2008.
- B. William J. Dawson, Sr., Boys and Girls Clubs of Tucson, La Encantada, 2905 E. Skyline Drive, Tucson, April 13, 2008.

4. RATIFY AND/OR APPROVE

Minutes: December 18, 2007

ADDENDUM**Pima County Board of Supervisors' Meeting****130 W. Congress St., Hearing Room, 1st Fl.****February 12, 2008 9:00 a.m.****... 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 a request that Pima County waive a potential conflict of interest to allow Gabroy, Rollman & Bossé, P.C. to represent Richard A. Sack and Roy H. Long Realty Co., Inc., in Valles et. al. vs. Pima County and Roy H. Long Realty Co., Inc., United States District Court Cause No. CV-08-00009-TUC.
- B. Pursuant to A.R.S. §38-431.03(A)(3) and (4), for legal advice and direction regarding Pima County v. Arizona State Land Department et. al., Maricopa County Superior Court Cause No. CV2007-009686.

BOARD OF SUPERVISORS SITTING IN REGULAR SESSION**1. COMMUNITY DEVELOPMENT AND NEIGHBORHOOD CONSERVATION**

The Pima County Neighborhood Reinvestment Oversight Committee recommends approval of the following Neighborhood Reinvestment Projects and authorization for staff to negotiate future Intergovernmental Agreements:

<u>Neighborhood</u>	<u>Project</u>	<u>Estimated Budget</u>
Catalina Village Council	Health Clinic	\$250,000.00
Kino Weed & Seed Coalition	Park Improvements	\$500,000.00

*(**CLERK'S NOTE**: These items should be heard after 10:15 a.m., after the final bid openings.)

2. FINANCE AND RISK MANAGEMENT

- *A. RESOLUTION NO. 2008 - 42, of the Board of Supervisors of Pima County, Arizona, providing for the issuance and sale

of \$100,000,000.00 principal amount of Pima County, Arizona, General Obligation Bonds, Series 2008; 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. 2008 - 43, of the Board of Supervisors of Pima County, Arizona, providing for the issuance and sale of \$25,000,000.00 principal amount of Pima County, Arizona, Street and Highway Revenue Bonds, Series 2008; 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.

3. **CONTRACT**

Community Services Employment and Training

RESOLUTION NO. 2008 - 44, of the Board of Supervisors approving and authorizing execution of an Intergovernmental Agreement with the Arizona Board of Regents on behalf of the Arizona State University to administer a workforce innovation in the Regional Economic Development Program, Arizona Grant Fund, contract amount \$50,000.00 (01-69-A-140656-0707)

4. **REAL PROPERTY**

Abandonment and Quit Claim Deed

- A. RESOLUTION NO. 2008 - 45, of the Pima County Board of Supervisors providing for the vacation of a portion of unnamed public road right-of-way within Section 18, T13S, R13E, G&SRM, Pima County Road Abandonment A-08-01. (District 3)
- B. Quit Claim Deed to William A. and Terrill L. Holland for vacation of a portion of unnamed public road right-of-way within Section 18, T13S, R13E, G&SRM. No revenue. (District 3)

POSTED: Levels A & B, 1st & 5th Floors, Pima County Administration Bldg.

DATE POSTED: 2/8/08

TIME POSTED: 11:00 A.M.

DOCUMENT AND MICROGRAPHICS MANAGEMENT
1640 EAST BENSON HIGHWAY
TUCSON, ARIZONA 85714

PHONE: (520) 547-8454
FAX: (520) 547-8456



ROBIN M. BRIGODE
DEPUTY CLERK

PHONE: (520) 740-8449
FAX: (520) 622-0448

LORI GODOSHIAN
PIMA COUNTY CLERK OF THE BOARD
130 WEST CONGRESS STREET, 5TH FLOOR
TUCSON, ARIZONA 85701

NOTICE OF CONTINUATION

PIMA COUNTY BOARD OF SUPERVISORS

REGULAR MEETING OF FEBRUARY 12, 2008

NOTICE IS HEREBY GIVEN that the Pima County Board of Supervisors' recessed their Regular Meeting of February 12, 2008 to Thursday, February 14, 2008 at 9:00 a.m. located at the Pima County Administration Building, Board of Supervisors' Hearing Room, 130 West Congress, 1st Floor, Tucson, Arizona, to hear the following:

DIVISION OF ELECTIONS

In accordance with A.R.S. §16-642, the Board of Supervisors shall canvass the Presidential Preference Election held on February 5, 2008.

Members of the Pima County Board of Supervisors will attend either in person or by telephone conference call.

Dated this 12th day of February, 2008.

A handwritten signature in cursive script that reads "Lori Godoshian".

Lori Godoshian
Clerk of the Board

POSTED: Levels A & B, 1st and 5th Floors,
Pima County Administration Building.

DATE POSTED: 2/12/08

TIME POSTED: 3:00 P.M.

c: Board of Supervisors (5)
County Administrator

**TAX COMPLIANCE CERTIFICATE
OF ISSUER**

Pertaining to

**\$25,000,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY USER BONDS, SERIES 2008**

Dated as of February 28, 2008

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 February 12, 2008 (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.

"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 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 Robert W. Baird & Co., Inc.

1.30. References. Reference to a Section means a section of the Code. Reference by number only (for example, "2.10") means that numbered paragraph of this Certificate. Reference to an Attachment means an attachment to this Certificate.

II. ISSUE DATA

2.10. Issuer. The Issuer is a Governmental Unit.

2.20. Purpose of Issue. The Issue is being issued to provide funds to (A) pay costs of the Project and (B) pay Issuance Costs.

2.30. Dates. The Sale Date is February 12, 2008 and the Issuance Date is February 28, 2008. The final maturity date of the Issue is July 1, 2022.

2.40. Issue Price. The Issue Price is set forth in Attachment B and is computed as follows:

Par amount	\$25,000,000.00
Net original issue premium (discount)	301,671.00
Pre-Issuance Accrued Interest	<u>34,822.85</u>
Issue Price	\$ <u>25,336,493.85</u>

2.50. Sale Proceeds, Net Proceeds and Net Sale Proceeds. The Sale Proceeds, Net Proceeds and Net Sale Proceeds are as follows:

Issue Price	\$ 25,336,493.85
Pre-Issuance Accrued Interest	<u>(34,822.85)</u>
Sale Proceeds	\$ 25,301,671.00
Deposit to Reserve Fund	<u>(0.00)</u>
Net Proceeds	\$ 25,301,671.00
Minor Portion	<u>(100,000.00)</u>
Net Sale Proceeds	\$ <u>25,201,671.00</u>

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	\$25,000,000.00
To pay Underwriter's Discount	270,037.50
Deposit to Bond Fund	<u>31,633.50</u>
Total Sale Proceeds	\$ <u>25,301,671.00</u>

2.70. Higher Yielding Investments. Gross Proceeds will not be invested in Higher Yielding Investments except for (A) those Gross Proceeds identified in 3.10, 3.20, and 3.30, but only during the applicable Temporary Periods there described for those Gross Proceeds, and (B) the Minor Portion to the extent provided in 3.70.

2.80. Single Issue. All of the obligations of the Issue were sold on the Sale Date pursuant to the same plan of financing and are expected to be paid from substantially the same source of funds. Accordingly, all of the obligations of the Issue constitute a single "issue" for

federal income tax purposes. No obligations, other than those comprising the Issue, have been or will be sold less than 15 days before or after the Sale Date that are expected to be paid from substantially the same source of funds as the Issue. Whether obligations are expected to be paid from substantially the same source of funds is determined without regard to guarantees from a person who is not a Related Party to the Issuer. Accordingly, no obligations other than those comprising the Issue are a part of a single issue with the Issue.

III. ARBITRAGE (NONREBATE) MATTERS

3.10. Use of Sale Proceeds and Pre-Issuance Accrued Interest; Temporary Periods; Transferred Proceeds.

(A) Pre-Issuance Accrued Interest and Premium. The aggregate amount received as Pre-Issuance Accrued Interest and \$ 31,633.50 representing premium received on the Issue, will be deposited in the Bond Fund and, 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. Sale Proceeds in the amount of \$ 270,037.50 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.

(C) Payment of Issuance Costs and Project Costs.

(1) Sale Proceeds of the Issue in the amount of \$25,000,000.00 will be used to pay Issuance Costs and a portion of the costs of the Project. Sale Proceeds in the amount of \$79,300.00 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 \$24,920,700.00 will be used for costs of the Project and may be used to acquire or hold Higher Yielding Investments for a period ending on the third anniversary of the Issuance Date (such period being the Temporary Period for such amount) because the following three tests are reasonably expected to be satisfied:

(a) At least 85% of the Net Sale Proceeds of the Issue will be allocated to expenditures on the Project by the end of the Temporary Period for such Net Sale Proceeds;

(b) Within 6 months of the Issuance Date, the Issuer will incur substantial binding obligations to one or more third parties to expend at least 5% of the Net Sale Proceeds on the Project; and

(c) Completion of the Project and the allocation of the Net Sale Proceeds to expenditures with respect to the Project will proceed with due diligence.

Any Sale Proceeds that remain unspent on the third anniversary of the Issuance Date, which is the expiration date of the Temporary Period for such Proceeds, shall not be invested in Higher Yielding Investments with respect to the Issue after that date except as part of the Minor Portion. In

complying with the foregoing sentence, the Issuer may take into account “yield reduction payments” (within the meaning of Regulations §1.148-5(c)) timely paid to the United States.

(2) A Reimbursement Allocation is hereby made on this date in the financial records of the Issuer kept with respect to the Issue showing that \$5,936,537.75 of the Sale Proceeds 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. Except for Capital Expenditures that constitute Preliminary Expenditures, (A) none of the Capital Expenditures were paid more than 60 days prior to the date on which the Issuer adopted or made a declaration of official intent with respect to such Capital Expenditure that satisfies Regulations §1.150-2(e) (copies attached as Attachment C), and (B) no Reimbursement Allocation has been made more than (i) 18 months after the later of the date the Capital Expenditures relating to such Reimbursement Allocation 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 (ii) three years from the date the Capital Expenditures were paid.

3.20. Investment Proceeds. Any Investment Proceeds will be used to pay costs of the Project and may be invested in Higher Yielding Investments during the Temporary Period identified in 3.10(C)(1) 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 is Placed in Service, payments of the Rebate Amount, and costs, other than those already described, that do not exceed 5% of the Sale Proceeds and that are directly related to Capital Expenditures financed, principal or interest on an issue paid from unexpected excess Sale Proceeds or Investment Proceeds, principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a Bona Fide Debt Service Fund and expenditures for extraordinary, nonrecurring items that are not customarily payable from current revenues, such as casualty losses or extraordinary legal judgments in amounts in excess of reasonable insurance coverage), or

(F) to reimburse any expenditures made prior to the Issuance Date that do not satisfy the requirements for a Reimbursement Allocation.

No portion of the Issue is being issued solely for the purpose of investing Proceeds in Higher Yielding Investments.

3.70. 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 Capital Expenditures has a weighted average maturity that does not exceed 120% of the weighted average reasonably expected economic life of the property resulting from such Capital Expenditures.

IV. REBATE MATTERS

4.10. Issuer Obligation Regarding Rebate. In accordance with its covenants contained in the Resolution, the Issuer will calculate and make, or cause to be calculated and made, payments of the Rebate Amount in the amounts and at the times and in the manner provided in Section 148(f) and the Instructions with respect to Gross Proceeds to the extent not exempted under Section 148(f)(4) and the Instructions.

4.20. No Avoidance of Rebate Amount. No amounts that are required to be paid to the United States will be used to make any payment to a party other than the United States through a transaction or a series of transactions that reduces the amount earned on any Investment Property or that results in a smaller profit or a larger loss on any Investment Property than would have resulted in an arm's length transaction in which the Yield on the Issue was not relevant to either party to the transaction.

4.30. Exceptions.

(A) Notwithstanding the foregoing, the computations and payments of amounts to the United States referred to in IV. need not be made to the extent that such failure will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Issue, based on an Opinion of Bond Counsel.

(B) The Issue is a Construction Issue. The Issuer hereby elects to apply the 2-year spending exception to the rebate requirement on the basis of actual facts instead of the Issuer's reasonable expectations.

V. OTHER TAX MATTERS

5.10. Not Private Activity Bonds or Pool Bonds. No obligation of the Issue will be a Private Activity Bond or a pooled financing bond (within the meaning of Section 149(f)), based on the following:

(A) Not more than 5% of the Proceeds, if any, directly or indirectly, will be used for a Private Business Use and not more than 5%, if any, of the Debt Service, directly or indirectly, will be derived from or secured by Private Security or Payments.

(B) Less than 5% or \$5,000,000, whichever is less, of the Proceeds, if any, will be used to make or finance loans to any Private Person or Governmental Unit other than the Issuer.

(C) The lesser of the Proceeds that are being or will be used for any Private Business Use or the Proceeds with respect to which there are Private Security or Payments does not exceed \$15,000,000 and none of the Proceeds will be used with respect to an "output facility" (other than a facility for the furnishing of water) within the meaning of Section 141(b)(4).

(D) The Issuer does not intend to sell or otherwise dispose of the Project or any portion thereof during the term of the Issue except for dispositions of property in the normal course at the end of such property's useful life to the Issuer. With respect to tangible personal property, if any, that is part of the Project financed by the Issue, the Issuer reasonably expects that:

(1) Dispositions of such tangible personal property, if any, will be in the ordinary course of an established governmental program;

(2) The weighted average maturity of the bonds of the Issue financing or refinancing such property (treating the bonds of the Issue properly allocable to such personal property, as a separate issue for this purpose) will not be greater than 120% of the reasonably expected actual use of such property for governmental purposes;

(3) The fair market value of such property on the date of disposition will not be greater than 25% of its cost;

(4) The property will no longer be suitable for its governmental purposes on the date of disposition; and

(5) The amounts received from any disposition of such property are required to, and will be, deposited in the Issuer's General Fund and commingled with substantial tax or other governmental revenues and will be spent on governmental programs within 6 months from the date of such deposit and commingling.

5.20. Issue Not Federally Guaranteed. The Issue is not Federally Guaranteed.

5.30. 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.

5.40. Hedge Contracts. The Issuer has not entered into, and does not reasonably expect to enter into, any Hedge with respect to the Issue, or any portion thereof. The Issuer acknowledges that entering into a Hedge with respect to the Issue, or any portion thereof, may change the Yield and that Bond Counsel should be contacted prior to entering into any Hedge with respect to the Issue in order to determine whether payments/receipts pursuant to the Hedge are to be taken into account in computing the Yield on the Issue.

5.50. 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.

5.60. Responsibility of Officer.

(A) The officer signing this Certificate is one of the officers of the Issuer responsible for issuing the Issue.

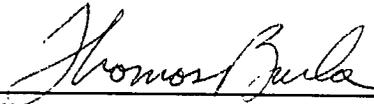
(B) In making the representations in this Certificate, the Issuer relies in part on the representations of the Underwriter as set forth in the Underwriter's Certificate attached hereto as Attachment B. To the best of the knowledge, information, and belief of the undersigned, all expectations stated in this Certificate and in Attachments B 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. The certifications and representations made in this Certificate

and in Attachments B 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 may result in different requirements or a change in status of the Issue or interest thereon under the Code, and that bond counsel should be contacted if such changes are to occur or have occurred.

[Signature page to follow]

The date of this Certificate is February 28, 2008.

PIMA COUNTY, ARIZONA

By: 

Thomas Burke
Finance and Risk Management Director

[Signature page to Tax Compliance Certificate]

List of Attachments

Attachment A – Definitions for Tax Compliance Certificate

Attachment A-1 – Rebate Instructions

Attachment B – Underwriter’s Certificate

Attachment C – Declarations of Official Intent to Reimburse

Attachment A

Definitions for Tax Compliance Certificate

The following terms, as used in Attachment A and in the Tax Compliance Certificate to which it is attached and in the other Attachments to the Tax Compliance Certificate, have the following meanings unless therein otherwise defined or unless a different meaning is indicated by the context in which the term is used. Capitalized terms used within these definitions that are not defined in Attachment A have the meanings ascribed to them in the Tax Compliance Certificate to which this Attachment A is attached. The word “Issue,” in lower case, refers either to the Issue or to another issue of obligations or portion thereof treated as a separate issue for the applicable purposes of Section 148, as the context requires. The word “obligation” or “obligations,” in lower case, includes any obligation, whether in the form of bonds, notes, certificates, or any other obligation that is a “bond” within the meaning of Section 150(a)(1). All capitalized terms used in this Certificate include either the singular or the plural. All terms used in this Attachment A or in the Tax Compliance Certificate to which this Attachment A is attached, including terms specifically defined, shall be interpreted in a manner consistent with Sections 103 and 141-150 and the applicable Regulations thereunder except as otherwise specified. All references to Section, unless otherwise noted, refer to the Code.

“Advance Refunding Issue” means any Refunding Issue that is not a Current Refunding Issue.

“Advance Refunding Portion” means that portion of a Multipurpose Issue that constitutes a separate governmental purpose and that would be treated as an Advance Refunding Issue if it had been issued as a separate issue.

“Available Construction Proceeds” means an amount equal to (a) the sum of (i) the Issue Price of an issue, (ii) Investment Proceeds on that Issue Price, (iii) earnings on any reasonably required reserve or replacement fund allocable to the issue not funded from the Issue Price, and (iv) Investment Proceeds and earnings on (ii) and (iii), (b) reduced by the portions, if any, of the Issue Price of the issue (i) attributable to Pre-Issuance Accrued Interest and earnings thereon, (ii) allocable to the underwriter’s discount, (iii) used to pay other Issuance Costs of the issue, and (iv) deposited in a reasonably required reserve or replacement fund allocable to the issue. “Available Construction Proceeds” does not include Investment Proceeds or earnings on a reasonably required reserve or replacement fund allocable to the issue for any period after the earlier of (a) the close of the 2-year period that begins on the Issuance Date or (b) the date the construction of the project financed by the issue is substantially completed, provided, however, that such Investment Proceeds or earnings shall be excluded from “Available Construction Proceeds” if the Issuer has timely elected such exclusion. If an issue is a Multipurpose Issue that includes a New Money Portion that is a Construction Issue, this definition shall be applied by substituting “New Money Portion” for “issue” each place the latter term appears. If an issue or the New Money Portion of a Multipurpose Issue, as applicable, is not a Construction Issue, and the Issuer makes the bifurcation election under Regulations §1.148-7(j)(1) and Section 148(f)(4)(C)(v) to treat the issue

or the New Money Portion as two separate issues consisting of the Construction Portion and the Nonconstruction Portion, this definition shall be applied by substituting “Construction Portion” for “issue” each place the latter term appears.

“Bifurcated Issue” means a New Money Issue or the New Money Portion of a Multipurpose Issue that the Issuer, pursuant to Section 148(f)(4)(C)(v) and Regulations §1.148-7(j), has elected in its Tax Compliance Certificate to bifurcate into a Construction Portion, which finances 100% of the Construction Expenditures, and a Nonconstruction Portion.

“Bona Fide Debt Service Fund” means a fund, including a portion of or an account in that fund (or in the case of a fund established for two or more issues, the portion of that fund properly allocable to an issue), or a combination of such funds, accounts or portions that is used primarily to achieve a proper matching of revenues with Debt Service on an issue within each Bond Year and that is depleted at least once each year except for a reasonable carryover amount not to exceed the greater of the earnings thereon for the immediately preceding Bond Year or one-twelfth of the annual Debt Service on the issue for the immediately preceding Bond Year.

“Bond Counsel’s Opinion” or **“Opinion of Bond Counsel”** means an opinion or opinions of a nationally recognized bond counsel firm whose opinion is given with respect to the Issue when issued, or its successors or other nationally recognized bond counsel appointed by the Issuer.

“Bond Year” means the annual period relevant to the application of Section 148(f) to an issue, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the Issuance Date of an issue unless the Issuer selects another date on which to end a Bond Year in the manner permitted by the Code.

“Capital Expenditures” means costs of a type that are properly chargeable to a capital account (or would be so chargeable with a proper election) under general federal income tax principles, including capitalized interest computed taking into account the Placed in Service date.

“Code” means the Internal Revenue Code of 1986, the Regulations (whether temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a Section includes any applicable successor section or provision and such applicable Regulations, rulings, announcements, notices, procedures and determinations pertinent to that Section.

“Commingled Fund” means any fund or account of the Issuer that contains both Gross Proceeds of an issue and amounts in excess of \$25,000 that are not Gross Proceeds of the issue if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of funds deposited in the fund or account.

“Commingled Investment Proceeds” means Investment Proceeds of an issue (other than Investment Proceeds held in a Refunding Escrow) that are deposited in a Commingled Fund with substantial tax or other revenues from governmental operations of the Issuer and that are reasonably expected to be spent for governmental purposes within 6 months from the date of deposit in the Commingled Fund, using any reasonable accounting assumptions.

“Computational Base” means the amount of Gross Proceeds the Issuer or Conduit Borrower reasonably expects, as of the date a Guaranteed Investment Contract is required, to be deposited in that Guaranteed Investment Contract over its term.

“Computation Date” means each date on which the Rebate Amount for an issue is required to be computed under Regulations §1.148-3(e). In the case of a Fixed Yield Issue, the first Computation Date shall not be later than five years after the Issuance Date of the issue. Subsequent Computation Dates shall be not later than five years after the immediately preceding Computation Date for which an installment payment of the Rebate Amount was paid. In the case of a Variable Yield Issue, the first Computation Date shall be the last day of any Bond Year irrevocably selected by the Issuer ending on or before the fifth anniversary of the Issuance Date of such issue and subsequent Computation Dates shall be the last day of each Bond Year thereafter or each fifth Bond Year thereafter, whichever is irrevocably selected by the Issuer after the first date on which any portion of the Rebate Amount is required to be paid to the United States. The final Computation Date is the date an issue is retired.

“Conduit Borrower” means the obligor on a purpose investment.

“Conduit Financing Issue” means an issue the Proceeds of which are reasonably expected to be used to finance one or more Conduit Loans.

“Conduit Loan” means a purpose investment acquired by the Issuer with Proceeds of a Conduit Financing Issue, thereby effecting a loan to the Conduit Borrower.

“Construction Expenditures” means Capital Expenditures allocable to the cost of real property (including the construction or making of improvements to real property, but excluding acquisitions of interests in land or other existing real property) or constructed personal property within the meaning of Regulations §1.148-7(g).

“Construction Issue” means an issue at least 75% of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property that is, or upon completion will be, owned by a Governmental Unit or a 501(c)(3) Organization. If an issue is a Multipurpose Issue that includes a New Money Portion, this definition shall be applied by substituting “New Money Portion” for “Construction Issue” each place the latter term appears. If an election under Section 148(f)(4)(C)(v) and Regulations §1.148-7(j) is made to bifurcate an issue or the New Money Portion of a Multipurpose Issue, this definition shall be applied by substituting “Construction Portion” for “Construction Issue” each place the latter term appears.

“Construction Portion” means that portion of an issue or the New Money Portion of a Multipurpose Issue at least 75% of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property that is, or upon completion will be, owned

by a Governmental Unit or a 501(c)(3) Organization and that finances 100% of the Construction Expenditures.

“Controlled Group” means a group of entities controlled directly or indirectly by the same entity or group of entities within the meaning of Regulations §1.150-1(e).

“Current Refunding Issue” means a Refunding Issue that is issued not more than 90 days before the last expenditure of any Proceeds of the Refunding Issue for the payment of Debt Service on the Refunded Bonds.

“Current Refunding Portion” means that portion of a Multipurpose Issue that constitutes a separate governmental purpose and that would be treated as a Current Refunding Issue if it had been issued as a separate issue.

“Debt Service” means principal of and interest and any redemption premium on an issue.

“Excess Gross Proceeds” means all Gross Proceeds of an Advance Refunding Issue that exceed an amount equal to 1% of the Sale Proceeds of such Advance Refunding Issue, other than Gross Proceeds allocable to: (a) payment of Debt Service on the Refunded Bonds; (b) payment of Pre-Issuance Accrued Interest on the Advance Refunding Issue and interest on the Advance Refunding Issue that accrues for a period up to the completion date of any capital project financed by the Prior Issue, plus one year; (c) a reasonably required reserve or replacement fund for the Advance Refunding Issue or Investment Proceeds of such fund; (d) payment of Issuance Costs of the Advance Refunding Issue; (e) payment of administrative costs allocable to repaying the Refunded Bonds, carrying and repaying the Advance Refunding Issue, or investments of the Advance Refunding Issue; (f) Transferred Proceeds allocable to expenditures for the governmental purpose of the Prior Issue (treating for this purpose all unspent Proceeds of the Prior Issue properly allocable to the Refunded Bonds as of the Issuance Date of the Advance Refunding Issue as Transferred Proceeds); (g) interest on purpose investments; (h) Replacement Proceeds in a sinking fund for the Advance Refunding Issue; and (i) fees for a Qualified Guarantee for the Advance Refunding Issue or the Prior Issue. If an Issue is a Multipurpose Issue that includes an Advance Refunding Portion, this definition shall be applied by substituting “Advance Refunding Portion” for “Advance Refunding Issue” each place the latter term appears.

“Federally Guaranteed” means that (a) the payment of Debt Service on an issue, or the payment of principal or interest with respect to any loans made from the Proceeds of the issue, is directly or indirectly guaranteed in whole or in part by the United States or by an agency or instrumentality of the United States, within the meaning of Section 149(b), or (b) more than 5% of the Proceeds of an issue will be invested directly or indirectly in federally insured deposits or accounts. The preceding sentence does not apply to (a) Proceeds invested during an initial Temporary Period until such Proceeds are needed to pay costs of the project, (b) investments of a Bona Fide Debt Service Fund, (c) direct purchases from the United States of obligations issued by the United States Treasury, or (d) other investments permitted by Section 149(b) or Regulations §1.149(b)-1(b).

“501(c)(3) Organization” means an organization described in Section 501(c)(3) and exempt from tax under Section 501(a).

“Fixed Yield Issue” means an issue of obligations the Yield on which is fixed and determinable on the Issuance Date.

“Future Value” means the value of a Payment or Receipt at the end of a period determined using the economic accrual method as the value of that Payment or Receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the Yield on the applicable issue, using the same compounding interval and financial conventions that were used to compute that Yield.

“Guaranteed Investment Contract” means any Nonpurpose Investment that has specifically negotiated withdrawal or retirement provisions and a specifically negotiated interest rate and any agreement to supply investments on two or more future dates (*e.g.*, a forward supply contract).

“Governmental Unit” means a state, territory or possession of the United States, the District of Columbia, or any political subdivision thereof referred to as a “State or local governmental unit” in Regulations §1.103-1(a). “Governmental Unit” does not include the United States or any agency or instrumentality of the United States.

“Gross Proceeds” means Proceeds and Replacement Proceeds of an issue.

“Hedge” means a contract entered into by the Issuer or the Conduit Borrower primarily to modify the Issuer’s or the Conduit Borrower’s risk of interest rate changes with respect to an obligation (*e.g.*, an interest rate swap, an interest rate cap, a futures contract, a forward contract or an option).

“Higher Yielding Investments” means any Investment Property that produces a Yield that (a) in the case of Investment Property allocable to Replacement Proceeds of an issue and Investment Property in a Refunding Escrow, is more than one thousandth of one percentage point (.00001) higher than the Yield on the applicable issue, and (b) for all other purposes is more than one-eighth of one percentage point (.00125) higher than the Yield on the issue.

“Investment Proceeds” means any amounts actually or constructively received from investing Proceeds of an issue in Investment Property.

“Investment Property” means investment property within the meaning of Sections 148(b)(2) and 148(b)(3), including any security (within the meaning of Section 165(g)(2)(A) or (B)), any obligation, any annuity contract and any other investment-type property (including certain residential rental property for family units as described in Section 148(b)(2)(E) in the case of any bond other than a Private Activity Bond). Investment Property includes a Tax-Exempt Obligation that is a “specified private activity bond” as defined in Section 57(a)(5)(C), but does not include other Tax-Exempt Obligations.

“Issuance Costs” means costs to the extent incurred in connection with, and allocable to, the issuance of an issue, and includes underwriter’s compensation withheld from the Issue Price, counsel fees, financial advisory fees, rating agency fees, trustee fees, paying agent fees, bond registrar, certification and authentication fees, accounting fees, printing costs for bonds and offering documents, public approval process costs, engineering and feasibility study costs, guarantee fees other than for a Qualified Guarantee and similar costs, but does not include fees charged by the Issuer.

“Issuance Date” means the date of physical delivery of an issue by the Issuer in exchange for the purchase price of the issue.

“Issue Price” means in the circumstances applicable to an issue:

(1) **Public Offering.** In the case of obligations actually offered to the general public in a bona fide public offering at the initial offering price for each maturity set forth in the certificate of the underwriter or placement agent attached to the Tax Compliance Certificate of the Issuer, the aggregate of the initial offering price for each maturity (including any Pre-Issuance Accrued Interest and taking into account any original issue premium and original issue discount), which price is not more than the fair market value thereof as of the Sale Date, and at which initial offering price not less than 10% of the principal amount of each maturity, as of the Sale Date, was sold or reasonably expected to be sold (other than to bond houses, brokers or other intermediaries). In the case of publicly offered obligations that are not described in the preceding sentence, Issue Price means the aggregate of the initial offering price to the public of each maturity set forth in the certificate of the underwriter or placement agent attached to the Tax Compliance Certificate of the Issuer, at which initial offering price not less than 10% of the principal amount of each maturity was sold to the public. Notwithstanding the foregoing, in no event shall the Issue Price of an issue exceed the fair market value of the issue as of the Sale Date thereof.

(2) **Private Placement.** In the case of obligations sold by private placement, the aggregate of the prices (including any Pre-Issuance Accrued Interest and original issue premium, but excluding any original issue discount) paid to the Issuer by the first purchaser(s) (other than bond houses, brokers or other intermediaries). Notwithstanding the foregoing, in no event shall the Issue Price of an issue exceed the fair market value of the issue as of the Sale Date thereof.

“Minor Portion” means an amount equal to the lesser of \$100,000 or 5% of the Sale Proceeds of an issue.

“Multipurpose Issue” means an issue the bonds of which are allocable to two or more separate governmental purposes within the meaning of Regulations §1.148-9(h).

“Net Proceeds” means the Sale Proceeds of an issue less the portion thereof, if any, deposited in a reasonably required reserve or replacement fund for the issue.

“Net Sale Proceeds” means the Sale Proceeds of an issue less (a) the portion thereof, if any, deposited in a reasonably required reserve or replacement fund for the issue and (b) the portion invested as a part of a Minor Portion for the issue.

“New Money Issue” means an issue that is not a Refunding Issue.

“New Money Portion” means that portion of a Multipurpose Issue other than the Refunding Portion.

“Nonconstruction Portion” means that portion of a New Money Issue or of the New Money Portion other than the Construction Portion.

“Nonpurpose Investments” means any Investment Property that is acquired with Gross Proceeds as an investment and not in carrying out any governmental purpose of an issue. “Nonpurpose Investments” does not include any investment that is not regarded as “investment property” or a “nonpurpose investment” for the particular purposes of Section 148 (such as certain investments in U.S. Treasury obligations in the State and Local Government Series and certain temporary investments), but does include any other investment that is a “nonpurpose investment” within the applicable meaning of Section 148.

“Payment” means payments actually or constructively made to acquire Nonpurpose Investments, as specified in Regulations §1.148-3(d)(1)(i) through (v).

“Placed in Service” means the date on which, based on all the facts and circumstances, a facility has reached a degree of completion that would permit its operation at substantially its design level and the facility is, in fact, in operation at such level.

“Pre-Issuance Accrued Interest” means interest on an obligation that accrued for a period not greater than one year before its Issuance Date and that will be paid within one year after such Issuance Date.

“Preliminary Expenditures” means any Capital Expenditures that are “preliminary expenditures” within the meaning of Regulations §1.150-2(f)(2), *i.e.*, architectural, engineering, surveying, soil testing, reimbursement bond issuance, and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of a project other than land acquisition, site preparation, and similar costs incident to commencement of construction. The aggregate amount of Preliminary Expenditures may not exceed 20% of the aggregate Issue Price of the issue or issues that financed or are reasonably expected to finance the project for which such Preliminary Expenditures are or were incurred.

“Prior Issue” means an issue of obligations all or a portion of the Debt Service on which is paid or provided for with Proceeds of a Refunding Issue. The Prior Issue may be a Refunding Issue.

“Private Activity Bond” means (a) obligations of an issue more than 10% of the Proceeds of which, directly or indirectly, are or are to be used for a Private Business Use and more than 10% of the Debt Service on which, directly or indirectly, is or is to be paid from or secured by payments with respect to property, or secured by property, used for a Private Business Use, or (b) obligations of an issue, the Proceeds of which are or are to be used to make or finance loans to any Private Person that, in the aggregate, exceed the lesser of 5% of such Proceeds or \$5,000,000. In the event of Unrelated or Disproportionate Use, the tests in (a) shall be applied by substituting 5% for 10% each place the latter term is used.

“Private Business Use” means use (directly or indirectly) in a trade or business carried on by any Private Person other than use as a member of, and on the same basis as, the general public. Any activity carried on by a Private Person (other than a natural person) shall be treated as a trade or business. In the case of a Qualified 501(c)(3) Bond, Private Business Use excludes use by a 501(c)(3) Organization that is not an unrelated trade or business activity by such 501(c)(3) Organization within the meaning of Section 513(a).

“Private Person” means any natural person or any artificial person, including a corporation, partnership, trust or other entity, other than a Governmental Unit. “Private Person” includes the United States and any agency or instrumentality of the United States.

“Private Security or Payments” means (i) any interest in property used or to be used for a Private Business Use, or in payments in respect of such property, that directly or indirectly secures any payment of principal of, or interest on, an issue, or (ii) payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a Private Business Use from which payments of principal of, or interest on, an issue are directly or indirectly derived, all as determined and measured in accordance with Treasury Regulations Section 1.141-4.

“Proceeds” means any Sale Proceeds, Investment Proceeds, and Transferred Proceeds of an issue. “Proceeds” does not include Replacement Proceeds.

“Qualified Administrative Costs” means the reasonable, direct administrative costs, other than carrying costs, of purchasing or selling Nonpurpose Investments such as separately stated brokerage or selling commissions. Qualified Administrative Costs do not include legal and accounting fees, recordkeeping, custody, and similar costs, general overhead costs and similar indirect costs of the Issuer such as employee salaries and office expenses and costs associated with computing the Rebate Amount. In general, Qualified Administrative Costs are not reasonable unless they are comparable to administrative costs that would be charged for the same investment or a reasonably comparable investment if acquired with a source of funds other than Gross Proceeds of Tax-Exempt Obligations.

“Qualified 501(c)(3) Bonds” means an issue of obligations that satisfies the requirements of Section 145(a).

“Qualified Guarantee” means any guarantee of an obligation that constitutes a “qualified guarantee” within the meaning of Regulations §1.148-4(f).

“Qualified Hedge” means a Hedge that is a “qualified hedge” within the meaning of Regulations §1.148-4(h)(2).

“Reasonable Retainage” means an amount, with respect to an issue, not to exceed 5% of the Net Sale Proceeds of the issue, that is retained for reasonable business purposes relating to the property financed with Proceeds of the issue. For example, Reasonable Retainage may include a retention to ensure or promote compliance with a construction contract in circumstances in which the retained amount is not yet payable, or in which the Issuer reasonably determines that a dispute exists regarding completion or payment.

“Rebate Amount” means the excess of the future value, as of any date, of all receipts on Nonpurpose Investments acquired with Gross Proceeds of an issue over the future value, as of that date, of all payments on those Nonpurpose Investments, computed in accordance with Section 148(f) and Regulations §1.148-3.

“Rebate Analyst” means an independent individual, firm or entity experienced in the computation of the Rebate Amount pursuant to Section 148(f).

“Receipt” means amounts actually or constructively received from Nonpurpose Investments as specified in Regulations §1.148-3(d)(2)(i) through (iii).

“Refunded Bonds” means obligations of a Prior Issue the Debt Service on which is or is to be paid from Proceeds of a Refunding Issue.

“Refunding Bonds” means obligations of a Refunding Issue.

“Refunding Issue” means an issue the Proceeds of which are or are to be used to pay Debt Service on Refunded Bonds and includes Issuance Costs, Pre-Issuance Accrued Interest or permitted capitalized interest, a reasonably required reserve or replacement fund and similar costs of the Refunding Issue.

“Refunding Escrow” means one or more funds established as part of a single transaction, or a series of related transactions, containing Proceeds of a Refunding Issue and any other amounts to be used to pay Debt Service on Refunded Bonds of one or more issues.

“Refunding Portion” means that portion of a Multipurpose Issue the Proceeds of which are, or are to be, used to pay Debt Service on Refunded Bonds and includes Issuance Costs, Pre-Issuance Accrued Interest or permitted capitalized interest, a reasonably required reserve or replacement fund and similar costs properly allocable to the Refunding Portion.

“Regulations” or **“Reg.”** means Treasury Regulations.

“Reimbursement Allocation” means an allocation of the Proceeds of an issue for the reimbursement of Capital Expenditures paid prior to the Issuance Date of such issue that: (a) is

evidenced on the books or records of the Issuer maintained with respect to the issue, (b) identifies either actual prior Capital Expenditures, or the fund or account from which the prior Capital Expenditures were paid, (c) evidences the Issuer's use of Proceeds of the issue to reimburse a Capital Expenditure for a governmental purpose that was originally paid from a source other than the Proceeds of the issue, and (d) satisfies the following requirements: except for Preliminary Expenditures, (i) the Issuer adopted an official intent for the Capital Expenditure that satisfies Regulations §1.150-2(e) prior to, or within 60 days after, payment of the Capital Expenditure, and (ii) the allocation in reimbursement of that Capital Expenditure occurs or will occur within 18 months after the later of the date the Capital Expenditure was paid or the date the project resulting from such Capital Expenditure was Placed in Service or abandoned, but in no event more than 3 years after the Capital Expenditure was paid.

“Related Party” means, in reference to a Governmental Unit or 501(c)(3) Organization, any member of the same Controlled Group and, in reference to any person that is not a Governmental Unit or 501(c)(3) Organization, a “related person” as defined in Section 144(a)(3).

“Replacement Proceeds” means, with respect to an issue, amounts (including any investment income, but excluding any Proceeds of any issue) replaced by Proceeds of that issue within the meaning of Section 148(a)(2). “Replacement Proceeds” includes amounts, other than Proceeds, held in a sinking fund, pledged fund or reserve or replacement fund for an issue.

“Sale Date” means, with respect to an issue, the first date on which there is a binding contract in writing with the Issuer for the sale and purchase of an issue (or of respective obligations of the issue if sold by the Issuer on different dates) on specific terms that are not later modified or adjusted in any material respect.

“Sale Proceeds” means that portion of the Issue Price actually or constructively received by the Issuer upon the sale or other disposition of an issue, including any underwriter's compensation withheld from the Issue Price, but excluding Pre-Issuance Accrued Interest.

“Spensible Proceeds” means the Net Sale Proceeds of an issue.

“Tax-Exempt Obligation” means any obligation or issue of obligations (including bonds, notes and lease obligations treated for federal income tax purposes as evidences of indebtedness) the interest on which is excluded from gross income for federal income tax purposes within the meaning of Section 150, and includes any obligation or any investment treated as a “tax-exempt bond” for the applicable purpose of Section 148.

“Tax-Exempt Organization” means a Governmental Unit or a 501(c)(3) Organization.

“Temporary Period” means the period of time, as set forth in the Tax Compliance Certificate, applicable to particular categories of Proceeds of an issue during which such category of Proceeds may be invested in Higher Yielding Investments without the issue being treated as arbitrage bonds under Section 148.

“Transferred Proceeds” means that portion of the Proceeds of an issue (including any Transferred Proceeds of that issue) that remains unexpended at the time that any portion of the principal of the Refunded Bonds of that issue is discharged with the Proceeds of a Refunding Issue and that thereupon becomes Proceeds of the Refunding Issue as provided in Regulations §1.148-9(b). “Transferred Proceeds” does not include any Replacement Proceeds.

“Unrelated or Disproportionate Use” means Private Business Use that is not related to or is disproportionate to use by a Governmental Unit within the meaning of Section 141(b)(3) and Regulations §1.141-9.

“Variable Yield Issue” means any Issue that is not a Fixed Yield Issue.

“Working Capital Expenditures” means any costs of a type that do not constitute Capital Expenditures, including current operating expenses.

“Yield” has the meaning assigned to it for purposes of Section 148, and means that discount rate (stated as an annual percentage) that, when used in computing the present worth of all applicable unconditionally payable payments of Debt Service, all payments for a Qualified Guarantee, if any, and payments and receipts with respect to a Qualified Hedge, if any, as required by the Regulations, paid and to be paid with respect to an obligation (paid and to be paid during and attributable to the Yield Period in the case of a Variable Yield Issue), produces an amount equal to (a) the Issue Price in the case of a Fixed Yield Issue or the present value of the Issue Price at the commencement of the applicable Yield Period in the case of a Variable Yield Issue, or (b) the purchase price for yield purposes in the case of Investment Property, all subject to the applicable methods of computation provided for under Section 148, including variations from the foregoing. The Yield on Investment Property in which Proceeds or Replacement Proceeds of an issue are invested is computed on a basis consistent with the computation of Yield on that issue, including the same compounding interval of not more than one year selected by the Issuer.

“Yield Period” means, in the case of the first Yield Period, the period that commences on the Issuance Date and ends at the close of business on the first Computation Date and, in the case of each succeeding Yield Period, the period that begins immediately after the end of the immediately preceding Yield Period and ends at the close of business on the next succeeding Computation Date.

The terms “bond”, “obligation”, “reasonably required reserve or replacement fund”, “reserve or replacement fund”, “loan”, “sinking fund”, “purpose investment”, “same plan of financing”, “other replacement proceeds”, and other terms relating to Code provisions used but not defined in this Certificate shall have the meanings given to them for purposes of Sections 103 and 141 to 150 unless the context indicates another meaning.

(End of Attachment A)

ATTACHMENT A-1
to
Tax Compliance Certificate of Issuer
Pertaining to

\$25,000,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2008

INSTRUCTIONS FOR COMPLIANCE WITH REBATE
REQUIREMENTS OF SECTION 148(f) OF THE CODE.

The Issuer covenanted in the operative documents (i.e., Ordinance/Resolution/Trust Indenture and Tax Compliance Certificate) to comply with the arbitrage rebate requirement of Section 148(f) of the Code. These Instructions provide guidance for that compliance, including the spending exceptions that free the Issue from all or part of the rebate requirements. Capitalized terms that are not defined in these Rebate Instructions are defined in Attachment A to the Tax Compliance Certificate.

PART I: GENERAL

SECTION 1.01. REBATE GENERALLY.

The Rebate Amount with respect to the Issue must be paid (rebated) to the United States to prevent the bonds of the Issue from being arbitrage bonds, the interest on which is subject to federal income tax. In general, the Rebate Amount is the amount by which the actual earnings on Nonpurpose Investments purchased (or deemed to have been purchased) with Gross Proceeds of the Issue exceed the amount of earnings that would have been received if those Nonpurpose Investments had a Yield equal to the Yield on the Issue. 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.¹

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.

¹ The scope of these Instructions does not permit a detailed description of the computation of the Rebate Amount with respect to the Issue. If you need assistance in computing the Rebate Amount on the Issue or want Squire, Sanders & Dempsey L.L.P. to do the computations, please feel free to contact the Squire, Sanders & Dempsey L.L.P. attorney with whom you normally consult to discuss engaging the Firm to provide such assistance.

PART II: EXCEPTIONS TO REBATE

SECTION 2.01. SPENDING EXCEPTIONS.

The rebate requirements with respect to the Issue are deemed to have been satisfied if any one of three spending exceptions (the 6-Month, the 18-Month, or the 2-Year Spending Exception, collectively, the “Spending Exceptions”) is satisfied. The Spending Exceptions are each independent exceptions. The Issue need not meet the requirements of any other exception in order to use any one of the three exceptions. For example, a Construction Issue may qualify for the 6-Month Spending Exception or the 18-Month Spending Exception even though the Issuer makes one or more elections under the 2-Year Exception with respect to the Issue.

The following rules apply for purposes of all of the Spending Exceptions except as otherwise noted.

Refunding Issues. The only spending exception available for a Refunding Issue² 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.

² For purposes of these Instructions, references to “Refunding Issue” include the Refunding Portion of a Multipurpose Issue.

SECTION 2.02. 6-MONTH SPENDING EXCEPTION.

The Issue will be treated as satisfying the rebate requirements if all of the Gross Proceeds of the Issue are allocated to expenditures for the governmental purposes of the Issue within the 6-month period beginning on the Issuance Date and the Rebate Amount, if any, with respect to earnings on amounts deposited in a reasonably required reserve or replacement fund or a Bona Fide Debt Service Fund if and to the extent that such Fund is subject to rebate (see footnote 3) is timely paid to the United States. If no bond of the Issue is a Private Activity Bond (other than a Qualified 501(c)(3) Bond) or a tax or revenue anticipation bond, the 6-month period is extended for an additional 6 months if the unexpended Gross Proceeds of the Issue at the end of the 6-month period do not exceed 5% of the Proceeds of the Issue.

For purposes of the 6-Month Spending Exception, Gross Proceeds required to be spent within 6 months do not include amounts in a reasonably required reserve or replacement fund for the Issue or in a Bona Fide Debt Service Fund for the Issue.

SECTION 2.03. 18-MONTH SPENDING EXCEPTION.

The Issue (or the New Money Portion if the Issue is a Multipurpose Issue) is treated as satisfying the rebate requirement if the conditions set forth in (A), (B) and (C) are satisfied.

(A) All of the Gross Proceeds of the Issue (excluding amounts in a reasonably required reserve or replacement fund for the Issue or in a Bona Fide Debt Service Fund for the Issue) are allocated to expenditures for the governmental purposes of the Issue in accordance with the following schedule, measured from the Issuance Date:

- (1) at least 15% within 6 months;
- (2) at least 60% within 12 months; and
- (3) 100% within 18 months, subject to the Reasonable Retainage exception described below.

(B) The Rebate Amount, if any, with respect to earnings on amounts deposited in a reasonably required reserve or replacement fund or in a Bona Fide Debt Service Fund for the Issue, to the extent such Fund is subject to rebate (see footnote 3), is timely paid to the United States.

(C) The Gross Proceeds of the Issue qualify for the initial 3-year Temporary Period.

If the only unspent Gross Proceeds at the end of the 18th month are Reasonable Retainage, the requirement that 100% of the Gross Proceeds be spent by the end of the 18th month is treated as met if the Reasonable Retainage, and all earnings thereon, are spent for the governmental purposes of the Issue within 30 months of the Issuance Date.

For purposes of determining whether the spend-down requirements have been met as of the end of each of the first two spending periods, the amount of Investment Proceeds that the

Issuer reasonably expects as of the Issuance Date to earn on the Sale Proceeds and Investment Proceeds of the Issue during the 18-month period are included in Gross Proceeds of the Issue. The final spend-down requirement includes actual Investment Proceeds for the entire 18 months.

The 18-Month Spending Exception does not apply to the Issue (or the New Money Portion, as applicable) if any portion of the Issue (or New Money Portion) is treated as meeting the rebate requirement under the 2-Year Spending Exception discussed below. This rule prohibits use of the 18-Month Spending Exception for the Nonconstruction Portion of a Bifurcated Issue. The only Spending Exception available for the Nonconstruction Portion of a Bifurcated Issue is the 6-Month Spending Exception.

PART III: COMPUTATION AND PAYMENT

SECTION 3.01. COMPUTATION AND PAYMENT OF REBATE AMOUNT.

If none of the Spending Exceptions described above is satisfied (and if the 1-1/2% penalty election for a Construction Issue or the Construction Portion of a Bifurcated Issue has not been made), then within 45 days after each Computation Date, the Issuer shall compute, or cause to be computed, the Rebate Amount as of such Computation Date. The first Computation Date is a date selected by the Issuer, but shall be not later than 5 years after the Issuance Date. Each subsequent Computation Date shall end 5 years after the previous Computation Date except that, in a Variable Yield Issue, the Issuer may select annual Yield Periods. The final Computation Date shall be the date the last obligation of the Issue matures or is finally discharged.

Within 60 days after each Computation Date (except the final Computation Date), the Issuer shall pay to the United States not less than 90% of the Rebate Amount, if any, computed as of such Computation Date. Within 60 days after the final Computation Date, the Issuer shall pay to the United States 100% of the Rebate Amount, if any, computed as of the final Computation Date. In computing the Rebate Amount, a computation credit of \$1,000 may be taken into account on the last day of each Bond Year to the Computation Date during which there are unspent Gross Proceeds that are subject to the rebate requirement, and on the final maturity date.

If the operative documents pertaining to the Issue establish a Rebate Fund and require the computation of the Rebate Amount at the end of each Bond Year, the Issuer shall calculate, or cause to be calculated, within 45 days after the end of each Bond Year the Rebate Amount, taking into account the computation credit of \$1,000 for each Bond Year. Within 50 days after the end of each Bond Year, if the Rebate Amount is positive, the Issuer shall deposit in the Rebate Fund such amount as will cause the amount on deposit therein to equal the Rebate Amount, and may withdraw any amount on deposit in the Rebate Fund in excess of the Rebate Amount. Payments of the Rebate Amount to the Internal Revenue Service on a Computation Date shall be made first from amounts on deposit in the Rebate Fund and second from other amounts specified in the operative documents.

Each payment of the Rebate Amount or portion thereof shall be payable to the Internal Revenue Service and shall be made to the Internal Revenue Service Center, Ogden, UT 84201 by certified mail. Each payment shall be accompanied by Internal Revenue Service Form 8038-T and any other form or forms required to be submitted with such remittance.

SECTION 3.02. BOOKS AND RECORDS.

(A) The Issuer or Trustee, as applicable, shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the Gross Proceeds of the Issue. Such records shall specify the account or fund to which each Nonpurpose Investment (or portion thereof) held by the Issuer or Trustee is to be allocated and shall set forth as to each Nonpurpose Investment (1) its purchase price, (2) identifying information, including par amount, interest rate, and payments dates, (3) the amount received at maturity or its sales price, as the case may be, including accrued interest, (4) the amounts and dates of any payments made with respect thereto, and (5) the dates of acquisition and disposition or maturity.

The Issuer, Trustee, or Rebate Analyst, as applicable, shall retain the records of all calculations and payments of the Rebate Amount until six years after the retirement of the last obligation that is a part of the Issue.

SECTION 3.03. FAIR MARKET VALUE.

No Nonpurpose Investment shall be acquired for an amount in excess of its fair market value. No Nonpurpose Investment shall be sold or otherwise disposed of for an amount less than its fair market value.

The fair market value of any Nonpurpose Investment shall be the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller in an arms-length transaction. Fair market value generally is determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding (*i.e.*, the trade date rather than the settlement date). Except as otherwise provided in this Section, a Nonpurpose Investment that is not of a type traded on an established securities market (within the meaning of Section 1273 of the Code) is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(A) Obligations purchased directly from the Treasury. The fair market value of a United States Treasury obligation that is purchased directly from the United States Treasury is its purchase price.

(B) Safe harbor for Guaranteed Investment Contracts. The purchase price of a Guaranteed Investment Contract shall be treated as its fair market value on the purchase date if all the following conditions are met:

(1) The Issuer or broker makes a bona fide solicitation for a specified Guaranteed Investment Contract and receives at least three bona fide bids from reasonably competitive providers (of Guaranteed Investment Contracts) that have no material financial interest in the Issue.

(2) The Issuer purchases the highest-yielding Guaranteed Investment Contract for which a qualifying bid is made (determined net of broker's fees);

(3) The Yield on the Guaranteed Investment Contract (determined net of broker's fees) is not less than the Yield then available from the provider on reasonably comparable Guaranteed Investment Contracts, if any, offered to other persons from a source of funds other than Gross Proceeds of Tax-Exempt Obligations;

(4) The determination of the terms of the Guaranteed Investment Contract takes into account as a significant factor the Issuer's reasonably expected drawdown schedule for the amounts to be invested, exclusive of amounts deposited in a Bona Fide Debt Service Fund and a reasonably required reserve or replacement fund;

(5) The terms of the Guaranteed Investment Contract, including collateral security requirements, are reasonable; and

(6) The obligor on the Guaranteed Investment Contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the Guaranteed Investment Contract.

(C) Safe harbor for certificates of deposit. The purchase price of a certificate of deposit shall be treated as its fair market value on the purchase date if all of the following requirements are met:

(1) The certificate of deposit has a fixed interest rate, a fixed payment schedule, and a substantial penalty for early withdrawal; and

(2) The Yield on the certificate of deposit is not less than (a) the Yield on reasonably comparable direct obligations of the United States, or (b) the highest Yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

Certificates evidencing the foregoing requirements should be obtained before purchasing any Guaranteed Investment Contract or certificate of deposit.

SECTION 3.04. CONSTRUCTIVE SALE/PURCHASE.

(A) Nonpurpose Investments that are held by the Issuer or Trustee as of any Computation Date (or Bond Year if the computations are required to be done annually) shall be treated for purposes of computing the Rebate Amount as of such date as having been sold for their fair market value as of such date. Investment Property which becomes allocated to Gross Proceeds of the Issue on a date after such Investment Property has actually been purchased shall be treated for purposes of the rebate requirements as having been purchased by the Issuer on such date of allocation at its fair market value on such date.

(B) For purposes of constructive or deemed sales or purchases of Investment Property (other than Investment Property in the Escrow Fund or that is otherwise not invested for a Temporary Period or is not part of a reasonably required reserve or replacement fund for the Issue) must be valued at its fair market value on the date of constructive or deemed sale or purchase.

(C) Except as set forth in (B), fixed rate Investment Property that is (1) issued with not more than 2% of original issue discount or original issue premium, (2) issued with original issue premium that is attributable exclusively to reasonable underwriters' compensation or (3) acquired with not more than 2% of market discount or market premium, may be treated as having a fair market value equal to its outstanding stated principal amount, plus accrued interest. Fixed rate Investment Property also may be treated as having a fair market value equal to its present value.

SECTION 3.05. ADMINISTRATIVE COSTS.

(A) Administrative costs shall not be taken into account in determining the payments for or receipts from a Nonpurpose Investment unless such administrative costs are Qualified Administrative Costs. Thus, administrative costs or expenses paid, directly or indirectly, to purchase, carry, sell, or retire Nonpurpose Investments generally do not increase the Payments for, or reduce the Receipts from, Nonpurpose Investments.

(B) Qualified Administrative Costs are taken into account in determining the Payments and Receipts on Nonpurpose Investments and thus increase the Payments for, or decrease the Receipts from, Nonpurpose Investments. In the case of a Guaranteed Investment Contract, a broker's commission or similar fee paid on behalf of either the Issuer or the provider is a Qualified Administrative Cost to the extent that (1) the amount of the fee treated as a Qualified Administrative Cost does not exceed the lesser of (a) \$32,000, or such higher amount as determined and published by the Internal Revenue Service as the "cost-of-living adjustment" for the calendar year in which the Guaranteed Investment Contract is acquired and (b) 0.2% of the Computational Base or, if more, \$3,000, and (2) the aggregate amount of broker's commissions or similar fees with respect to all Guaranteed Investment Contracts and Nonpurpose Investments acquired for a yield restricted defeasance escrow purchased with Gross Proceeds of the Issue treated as Qualified Administrative Costs does not exceed \$85,000, less the portion of such \$85,000 cap, if any, used in prior years with respect to the Issue.

PART IV: COMPLIANCE AND AMENDMENT

SECTION 4.01. COMPLIANCE.

The Issuer, Trustee or Rebate Analyst, as applicable, shall take all necessary steps to comply with the requirements of these Instructions in order to ensure that interest on the Issue is excluded from gross income for federal income tax purposes under Section 103(a) of the Code. However, compliance shall not be required in the event and to the extent stated therein the Issuer and the Trustee receive a Bond Counsel's Opinion that either (A) compliance with such requirement is not required to maintain the exclusion from gross income for federal income tax purposes of interest on the Issue, or (B) compliance with some other requirement in lieu of such requirement will comply with Section 148(f) of the Code, in which case compliance with the other requirement specified in the Bond Counsel's Opinion shall constitute compliance with such requirement.

SECTION 4.02. LIABILITY.

If for any reason any requirement of these Instructions is not complied with, the Issuer and the Trustee, if applicable, shall take all necessary and desirable steps to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should

have been discovered with the exercise of reasonable diligence. The Trustee shall have no duty or responsibility to independently verify any of the Issuer's, or the Rebate Analyst's, calculations with respect to the payments of the Rebate Amount due and owing to the United States. Under no circumstances whatsoever shall the Trustee be liable to the Issuer, any bondholder or any other person for any inclusion of the interest on the Issue in gross income for federal income tax purposes, or any claims, demands, damages, liabilities, losses, costs or expenses resulting therefrom or in any way connected therewith, so long as the Trustee acts only in accordance with these Instructions and the operative documents pertaining to the Issue.

SQUIRE, SANDERS & DEMPSEY L.L.P.

February 28, 2008

Attachment B
To Tax Compliance Certificate of

\$25,000,000
PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BONDS
SERIES 2008

Dated February 28, 2008

UNDERWRITER'S CERTIFICATE

Robert W. Baird & Co., 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 February 12, 2008, 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 \$34,822.85, is \$25,336,493.85.

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 \$25,301,671.00.

(B) The Yield on the Issue, calculated in accordance with Section 148(h) of the Code and Treasury Regulations §1.148-4, is 3.7875%. 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) and computed with the adjustment stated in paragraph 4.

(C) The Underwriter's discount or compensation is \$270,037.50.

(D) The CUSIP Number assigned to the final maturity of the Issue is 721882DB1.

(E) The weighted average maturity of the Issue is 10.0303 years.

3. Discount Bonds Subject to Mandatory Early Redemption. No bond of the Issue is subject to mandatory early redemption.

4. Premium Bonds. The bonds of the Issue maturing on July 1, 2019 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.

[Signature page to follow]

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: February 28, 2008

ROBERT W. BAIRD & CO., INC.

By: 

Title: Director

Projects Reimbursed with 2008 HURF Bonds

FUND	CENTER	Project Name	PROJECT CODE	CR AMOUNT
4001	TR97006	Magee Road: La Cañada Drive to Oracle Road (PC-RTA-12)	4MRLCOCON3	1,332.05
4001	TR97012	Country Club Road, 36th Street to Milber	4CCTSTCON3	2,921,291.59
4001	TR97018	Cortaro Farms Road, Southern Pacific RR Crossing to Thornydale Rd	4TCFITCON3	16,664.00
4001	TR97023	Thornydale Road, Cortaro Farms Road to Linda Vista Boulevard	4TTCLVCON3	852.31
4001	TR97024	Mainsail Boulevard and Twin Lakes Dr, Twenty-Seven Wash Vicinity	4MBTLTCON3	12,970.60
4001	TR97027	River Rd at Ventana Wash	4TRVENCON3	50,864.39
4001	TR97032	Kolb Road, Sabino Canyon Road to Sunrise Drive	4KRSCSCON3	1,543.75
4001	TR97041	Neighborhood Transportation Improvements	4NCTRPCON3	44,132.50
4001	TR97043	S. 12th Ave, 38th Street to Los Reales	4TSTARCON3	6,625.00
4001	TR97046	Craycroft Road, River Road to Sunrise Drive	4CRRSDCON3	934,731.74
4001	TR97047	Sunrise Drive, Craycroft Road to Kolb Road	4SRCRACON3	177,214.83
4001	TR97049	Valencia Road, Mission Road to Interstate-19	4VRMRICON3	1,463,634.86
4001	TR97050	Kinney Road, Ajo Way to Bopp Road	4KRAWBCON3	103,184.00
4001	TR97057	Safety Improvements	4OGSBICON3	201,496.13
				5,936,537.75

**DECLARATION OF OFFICIAL INTENT
TO REIMBURSE
ORIGINAL EXPENDITURE
FROM PROCEEDS OF FUTURE BOND ISSUE**

The undersigned is authorized to make this declaration on behalf of the Board of Supervisors of Pima County, Arizona (the "County") and hereby declares as follows:

1. This is a Declaration of Official Intent within the meaning of Treasury Regulations Section 1.150-2.
2. The Board intends and reasonably expects that the original expenditures made by the County more fully described in paragraph 3 will be reimbursed with proceeds of bonds, certificates of participation or other obligations to be issued by or for the benefit of the County in a maximum principal amount of \$3,750,000 to be issued over a series of installments for the project described in paragraph 3.
3. The original expenditures to be reimbursed and referred to in paragraph 2 are for planning, design, acquisition, equipping and construction of Magee Road, La Canada Dr. to Oracle Road (DOT-6) at La Canada Dr. to Oracle Rd. (Unincorporated County) in Pima County, Arizona.

Dated as of this 1st day of February, 2001.

PIMA COUNTY, ARIZONA

By: C. Huckelberry
C.H. Huckelberry
Board Representative 2/1/01

**DECLARATION OF OFFICIAL INTENT
TO REIMBURSE
ORIGINAL EXPENDITURE
FROM PROCEEDS OF FUTURE BOND ISSUE**

The undersigned is authorized to make this declaration on behalf of the Board of Supervisors of Pima County, Arizona (the "County") and hereby declares as follows:

1. This is a Declaration of Official Intent within the meaning of Treasury Regulations Section 1.150-2.

2. The Board intends and reasonably expects that the original expenditures made by the County more fully described in paragraph 3 will be reimbursed with proceeds of bonds, certificates of participation or other obligations to be issued by or for the benefit of the County in a maximum principal amount of \$7,000,000 to be issued over a series of installments for the project described in paragraph 3.

3. The original expenditures to be reimbursed and referred to in paragraph 2 are for planning, design, acquisition, equipping and construction of Country Club Road, 36th St. to Irvington Rd. (DOT-12) at 36th St. to Irvington Rd. (Unincorporated County, Tucson) in Pima County, Arizona.

Dated as of this 1st day of February, 2001.

PIMA COUNTY, ARIZONA

By:

C. Huckelberry
C.H. Huckelberry
Board Representative

2/1/01

**DECLARATION OF OFFICIAL INTENT
TO REIMBURSE
ORIGINAL EXPENDITURE
FROM PROCEEDS OF FUTURE BOND ISSUE**

The undersigned is authorized to make this declaration on behalf of the Board of Supervisors of Pima County, Arizona (the "County") and hereby declares as follows:

1. This is a Declaration of Official Intent within the meaning of Treasury Regulations Section 1.150-2.
2. The Board intends and reasonably expects that the original expenditures made by the County more fully described in paragraph 3 will be reimbursed with proceeds of bonds, certificates of participation or other obligations to be issued by or for the benefit of the County in a maximum principal amount of \$8,200,000 to be issued over a series of installments for the project described in paragraph 3.
3. The original expenditures to be reimbursed and referred to in paragraph 2 are for planning, design, acquisition, equipping and construction of Cortaro Farms Rd., Southern Pacific Railroad Crossing to Thornydale Rd. (DOT-18) at Cortaro Farms Rd, Southern Pacific Railroad Crossing to Thornydale Rd. (Unincorporated County, Marana) in Pima County, Arizona.

Dated as of this 1st day of February, 2001.

PIMA COUNTY, ARIZONA

By: C. Huckelberry
C.H. Huckelberry
Board Representative 2/1/01

**DECLARATION OF OFFICIAL INTENT
TO REIMBURSE
ORIGINAL EXPENDITURE
FROM PROCEEDS OF FUTURE BOND ISSUE**

The undersigned is authorized to make this declaration on behalf of the Board of Supervisors of Pima County, Arizona (the "County") and hereby declares as follows:

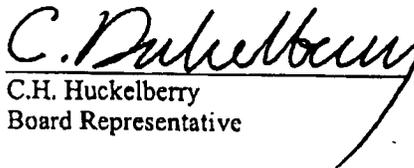
1. This is a Declaration of Official Intent within the meaning of Treasury Regulations Section 1.150-2.

2. The Board intends and reasonably expects that the original expenditures made by the County more fully described in paragraph 3 will be reimbursed with proceeds of bonds, certificates of participation or other obligations to be issued by or for the benefit of the County in a maximum principal amount of \$1,000,000 to be issued over a series of installments for the project described in paragraph 3.

3. The original expenditures to be reimbursed and referred to in paragraph 2 are for planning, design, acquisition, equipping and construction of Thornydale Road: Cortaro Farms Road to Linda Vista Blvd. (DOT-23) at Thornydale Road: Cortaro Farms Road to Linda Vista Blvd. (Unincorporated County) in Pima County, Arizona.

Dated as of this 27th day of April, 1998.

PIMA COUNTY, ARIZONA

By: 
C.H. Huckelberry
Board Representative

**DECLARATION OF OFFICIAL INTENT
TO REIMBURSE
ORIGINAL EXPENDITURE
FROM PROCEEDS OF FUTURE BOND ISSUE**

The undersigned is authorized to make this declaration on behalf of the Board of Supervisors of Pima County, Arizona (the "County") and hereby declares as follows:

1. This is a Declaration of Official Intent within the meaning of Treasury Regulations Section 1.150-2.
2. The Board intends and reasonably expects that the original expenditures made by the County more fully described in paragraph 3 will be reimbursed with proceeds of bonds, certificates of participation or other obligations to be issued by or for the benefit of the County in a maximum principal amount of \$2,700,000 to be issued over a series of installments for the project described in paragraph 3.
3. The original expenditures to be reimbursed and referred to in paragraph 2 are for planning, design, acquisition, equipping and construction of Mainsail Blvd and Twin Lakes Dr., Twenty-Seven Wash Vicinity (DOT-24) at Mainsail Blvd. & Twin Lakes Dr. Twenty-Seven Wash (Unincorporated County (Catalina) in Pima County, Arizona.

Dated as of this 1st day of February, 2001.

PIMA COUNTY, ARIZONA

By: C. Huckelberry
C.H. Huckelberry
Board Representative 2/1/01

**DECLARATION OF OFFICIAL INTENT
TO REIMBURSE
ORIGINAL EXPENDITURE
FROM PROCEEDS OF FUTURE BOND ISSUE**

The undersigned is authorized to make this declaration on behalf of the Board of Supervisors of Pima County, Arizona (the "County") and hereby declares as follows:

1. This is a Declaration of Official Intent within the meaning of Treasury Regulations Section 1.150-2.
2. The Board intends and reasonably expects that the original expenditures made by the County more fully described in paragraph 3 will be reimbursed with proceeds of bonds, certificates of participation or other obligations to be issued by or for the benefit of the County in a maximum principal amount of \$1,900,000 to be issued over a series of installments for the project described in paragraph 3.
3. The original expenditures to be reimbursed and referred to in paragraph 2 are for planning, design, acquisition, equipping and construction of River Road at Ventana Canyon Wash (DOT-27) at River Road at Ventana Canyon Wash (Unincorporated County) in Pima County, Arizona.

Dated as of this 27th day of April, 1998.

PIMA COUNTY, ARIZONA

By: C. Huckelberry
C.H. Huckelberry
Board Representative

**DECLARATION OF OFFICIAL INTENT
TO REIMBURSE
ORIGINAL EXPENDITURE
FROM PROCEEDS OF FUTURE BOND ISSUE**

The undersigned is authorized to make this declaration on behalf of the Board of Supervisors of Pima County, Arizona (the "County") and hereby declares as follows:

1. This is a Declaration of Official Intent within the meaning of Treasury Regulations Section 1.150-2.
2. The Board intends and reasonably expects that the original expenditures made by the County more fully described in paragraph 3 will be reimbursed with proceeds of bonds, certificates of participation or other obligations to be issued by or for the benefit of the County in a maximum principal amount of \$10,000,000 to be issued over a series of installments for the project described in paragraph 3.
3. The original expenditures to be reimbursed and referred to in paragraph 2 are for planning, design, acquisition, equipping and construction of Kolb Rd., Sabino Canyon Rd. to Sunrise Dr. (DOT-32) at Kolb Rd., Sabino Canyon Rd. to Sunrise Dr. (Unincorporated County) in Pima County, Arizona.

Dated as of this 1st day of February, 2001.

PIMA COUNTY, ARIZONA

By: *C. Huckelberry*
C.H. Huckelberry
Board Representative 2/1/01

**DECLARATION OF OFFICIAL INTENT
TO REIMBURSE
ORIGINAL EXPENDITURE
FROM PROCEEDS OF FUTURE BOND ISSUE
1997 Bond Authorization**

The undersigned is authorized to make this declaration on behalf of the Board of Supervisors of Pima County, Arizona (the "County") and hereby declares as follows:

1. This is a Declaration of Official Intent within the meaning of Treasury Regulations Section 1.150-2.

2. The Board intends and reasonably expects that the original expenditures made by the County more fully described in paragraph 3 will be reimbursed with proceeds of bonds, certificates of participation or other obligations to be issued by or for the benefit of the County in a maximum principal amount of \$10,000,000 to be issued over a series of installments for the project described in paragraph 3.

3. The original expenditures to be reimbursed and referred to in paragraph 2 are for planning, design, acquisition, equipping and construction of Neighborhood Transportation Improvements DOT-41, located in Supervisor District 2, Tucson Arizona.

Dated as of this 13th day of September, 2006.

PIMA COUNTY, ARIZONA

By: 

C.H. Huckelberry
Board Representative

**DECLARATION OF OFFICIAL INTENT
TO REIMBURSE
ORIGINAL EXPENDITURE
FROM PROCEEDS OF FUTURE BOND ISSUE**

The undersigned is authorized to make this declaration on behalf of the Board of Supervisors of Pima County, Arizona (the "County") and hereby declares as follows:

1. This is a Declaration of Official Intent within the meaning of Treasury Regulations Section 1.150-2.
2. The Board intends and reasonably expects that the original expenditures made by the County more fully described in paragraph 3 will be reimbursed with proceeds of bonds, certificates of participation or other obligations to be issued by or for the benefit of the County in a maximum principal amount of \$9,000,000 to be issued over a series of installments for the project described in paragraph 3.
3. The original expenditures to be reimbursed and referred to in paragraph 2 are for planning, design, acquisition, equipping and construction of 12th Ave, Veterans Blvd. to Los Reales Rd. (DOT-43) at 12th Ave., Veterans Blvd. to Los Reales Rd. (Tucson) in Pima County, Arizona.

Dated as of this 1st day of February, 2001.

PIMA COUNTY, ARIZONA

By:


C.H. Huckelberry
Board Representative

2/1/01

**DECLARATION OF OFFICIAL INTENT
TO REIMBURSE
ORIGINAL EXPENDITURE
FROM PROCEEDS OF FUTURE BOND ISSUE**

The undersigned is authorized to make this declaration on behalf of the Board of Supervisors of Pima County, Arizona (the "County") and hereby declares as follows:

1. This is a Declaration of Official Intent within the meaning of Treasury Regulations Section 1.150-2.
2. The Board intends and reasonably expects that the original expenditures made by the County more fully described in paragraph 3 will be reimbursed with proceeds of bonds, certificates of participation or other obligations to be issued by or for the benefit of the County in a maximum principal amount of \$12,000,000 to be issued over a series of installments for the project described in paragraph 3.
3. The original expenditures to be reimbursed and referred to in paragraph 2 are for planning, design, acquisition, equipping and construction of Craycroft Rd., River Rd. to Sunrise Drive (DOT-46) at Craycroft Rd., River Rd. to Sunrise Dr. (Unincorporated County) in Pima County, Arizona.

Dated as of this 1st day of February, 2001.

PIMA COUNTY, ARIZONA

By:


C.H. Huckelberry
Board Representative

2/1/01

**DECLARATION OF OFFICIAL INTENT
TO REIMBURSE
ORIGINAL EXPENDITURE
FROM PROCEEDS OF FUTURE BOND ISSUE**

The undersigned is authorized to make this declaration on behalf of the Board of Supervisors of Pima County, Arizona (the "County") and hereby declares as follows:

1. This is a Declaration of Official Intent within the meaning of Treasury Regulations Section 1.150-2.

2. The Board intends and reasonably expects that the original expenditures made by the County more fully described in paragraph 3 will be reimbursed with proceeds of bonds, certificates of participation or other obligations to be issued by or for the benefit of the County in a maximum principal amount of \$12,000,000 to be issued over a series of installments for the project described in paragraph 3.

3. The original expenditures to be reimbursed and referred to in paragraph 2 are for planning, design, acquisition, equipping and construction of Sunrise Dr., Craycroft Rd. to Kolb Rd. (DOT-47) at Sunrise Dr., Craycroft Rd. to Kolb Rd. (Unincorporated County) in Pima County, Arizona.

Dated as of this 1st day of February, 2001.

PIMA COUNTY, ARIZONA

By:


C.H. Huckelberry
Board Representative

2/1/01

**DECLARATION OF OFFICIAL INTENT
TO REIMBURSE
ORIGINAL EXPENDITURE
FROM PROCEEDS OF FUTURE BOND ISSUE**

The undersigned is authorized to make this declaration on behalf of the Board of Supervisors of Pima County, Arizona (the "County") and hereby declares as follows:

1. This is a Declaration of Official Intent within the meaning of Treasury Regulations Section 1.150-2.
2. The Board intends and reasonably expects that the original expenditures made by the County more fully described in paragraph 3 will be reimbursed with proceeds of bonds, certificates of participation or other obligations to be issued by or for the benefit of the County in a maximum principal amount of \$4,000,000 to be issued over a series of installments for the project described in paragraph 3.
3. The original expenditures to be reimbursed and referred to in paragraph 2 are for planning, design, acquisition, equipping and construction of Valencia Rd., Mission Rd. to Interstate-19 (DOT-49) at Valencia Rd., Mission Rd. to Interstate-19 (Unincorporated County, Tucson) in Pima County, Arizona.

Dated as of this 1st day of February, 2001.

PIMA COUNTY, ARIZONA

By: _____

C.H. Huckelberry
C.H. Huckelberry
Board Representative

2/1/01

**DECLARATION OF OFFICIAL INTENT
TO REIMBURSE
ORIGINAL EXPENDITURE
FROM PROCEEDS OF FUTURE BOND ISSUE**

The undersigned is authorized to make this declaration on behalf of the Board of Supervisors of Pima County, Arizona (the "County") and hereby declares as follows:

1. This is a Declaration of Official Intent within the meaning of Treasury Regulations Section 1.150-2.
2. The Board intends and reasonably expects that the original expenditures made by the County more fully described in paragraph 3 will be reimbursed with proceeds of bonds, certificates of participation or other obligations to be issued by or for the benefit of the County in a maximum principal amount of \$3,800,000 to be issued over a series of installments for the project described in paragraph 3.
3. The original expenditures to be reimbursed and referred to in paragraph 2 are for planning, design, acquisition, equipping and construction of Kinney Road, Ajo Way to Bopp Road (DOT-50) at Kinney Rd., Ajo Way to Bopp Rd. (Unincorporated County) in Pima County, Arizona.

Dated as of this 1st day of February, 2001.

PIMA COUNTY, ARIZONA

By: *C.H. Huckelberry*
C.H. Huckelberry
Board Representative 2/1/01

**DECLARATION OF OFFICIAL INTENT
TO REIMBURSE
ORIGINAL EXPENDITURE
FROM PROCEEDS OF FUTURE BOND ISSUE**

The undersigned is authorized to make this declaration on behalf of the Board of Supervisors of Pima County, Arizona (the "County") and hereby declares as follows:

1. This is a Declaration of Official Intent within the meaning of Treasury Regulations Section 1.150-2.
2. The Board intends and reasonably expects that the original expenditures made by the County more fully described in paragraph 3 will be reimbursed with proceeds of bonds, certificates of participation or other obligations to be issued by or for the benefit of the County in a maximum principal amount of \$19,000,000 to be issued over a series of installments for the project described in paragraph 3.
3. The original expenditures to be reimbursed and referred to in paragraph 2 are for planning, design, acquisition, equipping and construction of Safety Improvements (DOT-57) at various locations in Pima County, Arizona.

Dated as of this 1st day of February, 2001.

PIMA COUNTY, ARIZONA

By: *C. Huckelberry*
C.H. Huckelberry
Board Representative 2/1/01

\$25,000,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2008

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 February 1, 2008 (the "Bond Registrar and Paying Agent Agreement"), between Pima County, Arizona (the "County") and the Bank, entered into in connection with the \$25,000,000 Pima County, Arizona, Street and Highway Revenue Bonds, Series 2008 (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,

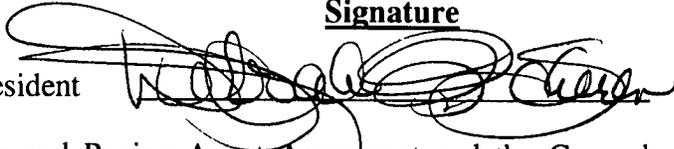
3. The Bank has taken all action necessary for the acceptance of, and has duly accepted the offices of Bond Registrar and Paying Agent pursuant to the Bond Registrar and Paying Agent Agreement, and will comply with the requirements of such agreement, and in accordance therewith will not take or omit 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:

<u>Name</u>	<u>Office</u>	<u>Signature</u>
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 an Assistant Secretary's Certificate 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: February 28, 2008

U.S. BANK NATIONAL ASSOCIATION

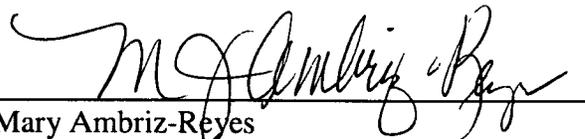
By: 
Mary Ambriz-Reyes
Assistant Vice President

EXHIBIT A

ASSISTANT SECRETARY'S CERTIFICATE AS TO SIGNATURE AUTHORITY



**U.S. BANK NATIONAL ASSOCIATION
ASSISTANT SECRETARY CERTIFICATE**

I, Cara L. Seeley, 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.

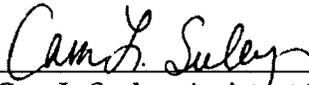
All mortgage satisfactions, releases, all types of loan agreements, all routine transactional documents of the Association, and all other instruments not specifically provided for, whether to be executed in a fiduciary capacity or otherwise, may be signed on behalf of the Association by any elected or 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 Brad Stevenson, Vice President, 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 23rd day of October, 2007.

(No corporate seal)



Cara L. Seeley, Assistant Secretary

\$25,000,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2008

**CERTIFICATE AS TO SATISFACTION OF
DEBT SERVICE COVERAGE REQUIREMENT**

The undersigned Finance and Risk Management Director of Pima County, Arizona (the "County"), acting for and on behalf of the County, does hereby certify as follows with respect to the issuance of the above-described Bonds (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"), Resolution No. 2005-99, adopted by the Board of Supervisors of the County on May 10, 2005 (the "2005 Resolution"), Resolution No. 2007-16, adopted by the Board of Supervisors of the County on January 16, 2007 (the "2007 Resolution"), and Resolution No. 2008-43, adopted by the Board of Supervisors of the County on February 12, 2008 (the "2008 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, the Street and Highway Revenue Bonds, Series 2003 (the "2003 Bonds") authorized by the 2003 Resolution, the Street and Highway Revenue Bonds, Series 2005 (the "2005 Bonds") authorized by the 2005 Resolution, and the Street and Highway Revenue Bonds, Series 2007 (the "2007 Bonds") authorized by the 2007 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, the 2005 Bonds, the 2007 Bonds and the Bonds, (b) all payments and deposits with respect to the 1998 Bonds, the 2002 Bonds, the 2003 Bonds, the 2005 Bonds and the 2007 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.

[Signature page to follow]

Dated: February 28, 2008

PIMA COUNTY, ARIZONA

By: 
Thomas Burke
Finance and Risk Management Director

\$25,000,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2008

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 \$25,000,000 in aggregate principal amount of Pima County, Arizona Street and Highway Revenue Bonds, Series 2008 (the "Bonds"), issued by the County pursuant to Resolution No. 2008-43, passed, adopted and approved by the Board of Supervisors of the County on February 12, 2008 (the "Resolution"), authorizing and providing for the issuance and ordering the sale of the Bonds, the County has received from Robert W. Baird & Co., Inc. (the "Underwriter"), the sum of \$25,066,456.35 (representing \$24,566,456.35 received on the date hereof and a \$500,000.00 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 \$34,822.85.

I do further certify that the proceeds from the sale of the Bonds have been apportioned and applied in the following manner.

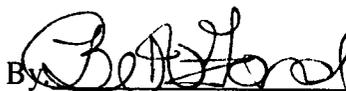
(a) \$66,456.35 representing accrued interest on the Bonds of \$34,822.85 and \$31,633.50 representing the premium paid for the Bonds, has been deposited in the Bond Fund established pursuant to the Resolution.

(b) \$25,000,000.00 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: February 28, 2008

PIMA COUNTY, ARIZONA

Beth Ford, County Treasurer

By  _____

\$25,000,000
Pima County, Arizona
Street and Highway Revenue Bonds
Series 2008

UNDERWRITER'S RECEIPT FOR BONDS

Receipt of the Pima County, Arizona Street and Highway Revenue Bonds, Series 2008 (the "Bonds"), in the aggregate principal amount of \$25,000,000 is hereby acknowledged as of the date hereof on behalf of the undersigned, Robert W. Baird & Co., Inc., as underwriter of the Bonds.

The Bonds are dated February 15, 2008, are in denominations of \$5,000 or integral multiples thereof, mature on July 1 in the years 2009 through and including 2022, and bear interest at the rates per annum from the date of the Bonds to the maturity of each Bond as follows:

<u>Year</u>	<u>Par Amount</u>	<u>Interest Rate</u>
2009	\$ 150,000	3.000%
2010	150,000	3.000
2011	150,000	3.000
2012	150,000	3.000
2013	1,940,000	3.250
2014	2,035,000	3.250
2015	2,140,000	3.500
2016	2,245,000	3.500
2017	2,360,000	4.500
2018	2,475,000	4.000
2019	2,600,000	4.250
2020	2,730,000	4.000
2021	2,865,000	4.000
2022	3,010,000	4.125

Dated: February 28, 2008

Robert W. Baird & Co., Inc.

By: Charles Massaro _____

Name: *Charles Massaro* _____

Its: *Auto* _____

February 28, 2008

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 \$25,000,000 aggregate principal amount of bonds designated the Pima County, Arizona, Street and Highway Revenue Bonds, Series 2008 (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 February 12, 2008 (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.

425459.2

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.

Information Return for Tax-Exempt Governmental Obligations

Under Internal Revenue Code section 149(e)

See separate Instructions.

OMB No. 1545-0720

Caution: If the issue price is under \$100,000, use Form 8038-GC.

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 2/28/2008
7 Name of issue Street and Highway Revenue Bonds, Series 2008	8 CUSIP number 721882DB1
9 Name and title of officer or legal representative whom the IRS may call for more information Thomas Burke, Finance and Risk Management Director	10 Telephone number of officer or legal representative (520) 740-3030

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11 <input type="checkbox"/> Education	11	
12 <input type="checkbox"/> Health and hospital	12	
13 <input checked="" type="checkbox"/> Transportation	13	\$25,301,671.00
14 <input type="checkbox"/> Public safety	14	
15 <input type="checkbox"/> Environment (including sewage bonds)	15	
16 <input type="checkbox"/> Housing	16	
17 <input type="checkbox"/> Utilities	17	
18 <input type="checkbox"/> Other. Describe ▶	18	
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>		
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>		

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, 2022	\$25,301,671.00	\$25,000,000.00	10.0303 years	3.7875 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22 Proceeds used for accrued interest	22	34,822.85
23 Issue price of entire issue (enter amount from line 21, column (b))	23	25,301,671.00
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	349,337.50
25 Proceeds used for credit enhancement	25	0
26 Proceeds allocated to reasonably required reserve or replacement fund	26	0
27 Proceeds used to currently refund prior issues	27	0
28 Proceeds used to advance refund prior issues	28	0
29 Total (add lines 24 through 28)	29	349,337.50
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	24,952,333.50

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

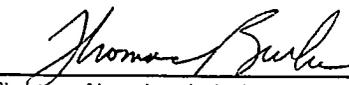
31 Enter the remaining weighted average maturity of the bonds to be currently refunded	N/A years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	N/A years
33 Enter the last date on which the refunded bonds will be called	N/A
34 Enter the date(s) the refunded bonds were issued	

Part VI Miscellaneous

35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	N/A
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	N/A
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	N/A
b If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> 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 <input type="checkbox"/>		
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box <input type="checkbox"/>		
40 If the issuer has identified a hedge, check box <input type="checkbox"/>		

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.

Sign Here


 Signature of Issuer's authorized representative

2/28/2008
 Date

Thomas Burke, Finance and Risk Mngt Director
 Type or print name and title

February 29, 2008

Via Certified Mail

Internal Revenue Service Center
Ogden, Utah 84201

Re: \$25,000,000 Pima County, Arizona
Street and Highway Revenue Bonds, Series 2008

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.

Sincerely,



Christopher J. Dodd

CJD/mn

Enclosure

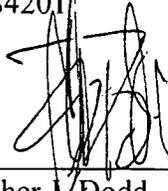
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AFFIDAVIT OF MAILING

STATE OF ARIZONA)
) ss:
County of Maricopa)

I, Christopher J. Dodd, being first duly sworn upon my oath, depose and say that I delivered to the United States Postal Service on the 29th day of February, 2008, an envelope containing a Form 8038-G, Information Return for Tax-Exempt Governmental Obligations, with respect to the Pima County, Arizona \$25,000,000 Street and Highway Revenue Bonds, Series 2008, postage prepaid, certified mail (Certified Number 7006 2760 0002 5235 5059), addressed as follows:

Internal Revenue Service Center
Ogden, Utah 84201



Christopher J. Dodd

SUBSCRIBED AND SWORN to before me this 29th day of February, 2008.



Notary Public

My Commission Expires:



MARGE TUCCI ELZA
Notary Public - Arizona
Maricopa County
Expires 06/09/09

7006 2760 0002 5235 5059

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	\$.86
Certified Fee	2.65
Return Receipt Fee (Endorsement Required)	—
Restricted Delivery Fee (Endorsement Required)	—
Total Postage & Fees	\$ 3.45



Sent To
Internal Revenue Service Center
 Street, Apt. No.;
 or PO Box No. **Ogden, Utah 84201**
 City, State, ZIP+4

PS Form 3800, August 2006

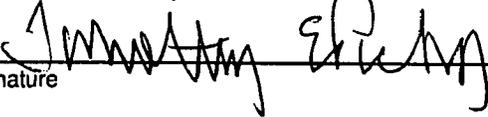
See Reverse for Instructions

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 2008	
3. Dated Date: February 15, 2008/Closing Date: February 28, 2008	4. Par amount: \$25,000,000
5. Overall Interest rate (FIG OR NIC): 3.7975%	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: \$161,400,000	9. Total amount outstanding of senior or subordinate bonds: \$136,400,000
10. Original issue price:	11. Total limitations (Constitutional or Statutory) on the type of bonds/securities issued: N/A
a. Par Amount (Principal Amount) \$25,000,000.00	For general obligation Bonds:
b. Original Issue Discount (-) (\$ 127,618.30)	a. Secondary net assessed value: N/A
c. Premium Amount (+) \$ 429,289.30	b. Debt limit percentage: N/A
d. Original Issue Price (=) \$ 25,301,671.00	c. Total debt limit: N/A
e. Underwriter Compensation (Discount) (-) (\$270,037.50)	12. Available debt limit: N/A
f. Net Proceeds (=) \$ 25,031,633.50	13. Total amount authorized: \$350,000,000
14. Remaining authorized amount: \$ 122,800,000	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

 February 28, 2008
 Date

Title, address and phone number

Trustee name, address and phone number

Political Subdivision Contact Name, address, 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

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

Pima County Finance Department
 Pima County, Arizona
 130 West Congress, 6th 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 2008**

Par Amount: \$25,000,000

Date Closed: February 28, 2008

<u>Maturity Date</u>	<u>Par Amount (Principal Amount) 10a</u>	<u>Coupon Rate</u>	<u>Yield</u>	<u>Original Issue Price</u>	<u>Premium or Discount 10b or 10c</u>
2009	\$ 150,000	3.000%	1.800%	\$ 152,373.00	\$ 2,373.00
2010	150,000	3.000	2.250	152,548.50	2,548.50
2011	150,000	3.000	2.450	152,628.00	2,628.00
2012	150,000	3.000	2.670	152,013.00	2,013.00
2013	1,940,000	3.250	2.900	1,973,309.80	33,309.80
2014	2,035,000	3.250	3.050	2,058,239.70	23,239.70
2015	2,140,000	3.500	3.280	2,170,430.80	30,430.80
2016	2,245,000	3.500	3.430	2,256,225.00	11,225.00
2017	2,360,000	4.500	3.560	2,534,876.00	174,876.00
2018	2,475,000	4.000	3.700	2,538,211.50	63,211.50
2019	2,600,000	4.250	3.870*	2,683,434.00	83,434.00
2020	2,730,000	4.000	4.050	2,716,704.90	-13,295.10
2021	2,865,000	4.000	4.200	2,806,783.20	-58,216.80
2022	3,010,000	4.125	4.300	2,953,893.60	-56,106.40
Total	\$ 25,000,000			\$ 25,301,671.00	\$ 301,671.00
10e Underwriter's Discount and/or Placement Agent Fee, if any				(270,037.50)	
10f Net Proceeds (as shown on issuance form)				\$ 25,031,633.50	

*Yield calculated to July 1, 2018, the first optional redemption date.

ATTACHMENT TO
REPORT OF BOND AND SECURITY ISSUANCE

Name of Issue: PIMA COUNTY, ARIZONA STREET AND HIGHWAY REVENUE
BONDS, SERIES 2008

COSTS OF ISSUANCE

Bond Counsel	\$ 18,250
Financial Advisor	25,000
Moody's Investors Service	10,700
Standard & Poor's	14,850
Bond Registrar/Paying Agent	500
Printing of Official Statement	5,000
Miscellaneous	<u>5,000</u>
Total:	<u>\$ 79,300</u>

\$25,000,000
PIMA COUNTY, ARIZONA
Street and Highway Revenue User Bonds
Series 2008

Principal and Interest Payments

Dated: 2/15/2008

Delivery: 2/28/2008

Date	Principal (a)	Coupon	Interest (b)	Total Debt Service	Fiscal Year Debt Service	CUSIP # (721882)
7/1/2008			\$364,300.56	\$364,300.56	\$364,300.56	
1/1/2009			482,162.50	482,162.50		
7/1/2009	\$150,000.00	3.000%	482,162.50	632,162.50	1,114,325.00	CN6
1/1/2010			479,912.50	479,912.50		
7/1/2010	150,000.00	3.000%	479,912.50	629,912.50	1,109,825.00	CPI
1/1/2011			477,662.50	477,662.50		
7/1/2011	150,000.00	3.000%	477,662.50	627,662.50	1,105,325.00	CQ9
1/1/2012			475,412.50	475,412.50		
7/1/2012	150,000.00	3.000%	475,412.50	625,412.50	1,100,825.00	CR7
1/1/2013			473,162.50	473,162.50		
7/1/2013	1,940,000.00	3.250%	473,162.50	2,413,162.50	2,886,325.00	CS5
1/1/2014			441,637.50	441,637.50		
7/1/2014	2,035,000.00	3.250%	441,637.50	2,476,637.50	2,918,275.00	CT3
1/1/2015			408,568.75	408,568.75		
7/1/2015	2,140,000.00	3.500%	408,568.75	2,548,568.75	2,957,137.50	CU0
1/1/2016			371,118.75	371,118.75		
7/1/2016	2,245,000.00	3.500%	371,118.75	2,616,118.75	2,987,237.50	CV8
1/1/2017			331,831.25	331,831.25		
7/1/2017	2,360,000.00	4.500%	331,831.25	2,691,831.25	3,023,662.50	CW6
1/1/2018			278,731.25	278,731.25		
7/1/2018	2,475,000.00	4.000%	278,731.25	2,753,731.25	3,032,462.50	CX4
1/1/2019			229,231.25	229,231.25		
7/1/2019	2,600,000.00	4.250%	229,231.25	2,829,231.25	3,058,462.50	CY2
1/1/2020			173,981.25	173,981.25		
7/1/2020	2,730,000.00	4.000%	173,981.25	2,903,981.25	3,077,962.50	CZ9
1/1/2021			119,381.25	119,381.25		
7/1/2021	2,865,000.00	4.000%	119,381.25	2,984,381.25	3,103,762.50	DA3
1/1/2022			62,081.25	62,081.25		
7/1/2022	3,010,000.00	4.125%	62,081.25	3,072,081.25	3,134,162.50	DB1
Total	\$25,000,000.00		\$9,974,050.56	\$34,974,050.56	\$34,974,050.56	

(a) The Bonds maturing on or after July 1, 2019 are subject to redemption prior to maturity on or after July 1, 2018 at Par.

(b) Does not reflect the application of available accrued interest from 2/15/08 to 2/28/08 in the amount of \$34,822.85.

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate instructions.

OMB No. 1545-0720

Caution: If the issue price is under \$100,000, use Form 8038-GC.

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 2/28/2008	
7 Name of issue Street and Highway Revenue Bonds, Series 2008		8 CUSIP number 721882DB1	
9 Name and title of officer or legal representative whom the IRS may call for more information Thomas Burke, Finance and Risk Management Director		10 Telephone number of officer or legal representative (520) 740-3030	

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11 <input type="checkbox"/> Education	11	
12 <input type="checkbox"/> Health and hospital	12	
13 <input checked="" type="checkbox"/> Transportation	13	\$25,301,671.00
14 <input type="checkbox"/> Public safety	14	
15 <input type="checkbox"/> Environment (including sewage bonds)	15	
16 <input type="checkbox"/> Housing	16	
17 <input type="checkbox"/> Utilities	17	
18 <input type="checkbox"/> Other. Describe ►	18	
19 If obligations are TANs or RANs, check box ► <input type="checkbox"/> If obligations are BANs, check box ► <input type="checkbox"/>		
20 If obligations are in the form of a lease or installment sale, check box ► <input type="checkbox"/>		

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, 2022	\$25,301,671.00	\$25,000,000.00	10.0303 years	3.7875 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22 Proceeds used for accrued interest	22	34,822.85
23 Issue price of entire issue (enter amount from line 21, column (b))	23	25,301,671.00
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	349,337.50
25 Proceeds used for credit enhancement	25	0
26 Proceeds allocated to reasonably required reserve or replacement fund	26	0
27 Proceeds used to currently refund prior issues	27	0
28 Proceeds used to advance refund prior issues	28	0
29 Total (add lines 24 through 28)	29	349,337.50
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	24,952,333.50

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

31 Enter the remaining weighted average maturity of the bonds to be currently refunded	N/A years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	N/A years
33 Enter the last date on which the refunded bonds will be called	N/A
34 Enter the date(s) the refunded bonds were issued	N/A

Part VI Miscellaneous

35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	N/A
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	N/A
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	N/A
b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ► <input type="checkbox"/> 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		<input type="checkbox"/>
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box		<input type="checkbox"/>
40 If the issuer has identified a hedge, check box		<input type="checkbox"/>

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.

Sign Here

Thomas Burke
 Signature of Issuer's authorized representative

2/28/2008

Date

Thomas Burke, Finance and Risk Mngt 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 continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Bonds is exempt from Arizona state income tax. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see “TAX MATTERS” herein.

\$25,000,000 PIMA COUNTY, ARIZONA STREET AND HIGHWAY REVENUE BONDS SERIES 2008

Dated: February 15, 2008

Due: July 1, as shown below

The Street and Highway Revenue Bonds, Series 2008 (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 July 1, 2008. 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 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 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, on a parity with the outstanding street and highway revenue bonds of the County and any additional street and highway revenue bonds hereafter issued as provided herein. 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

<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2009	\$ 150,000	3.000%	1.800%	2016	\$2,245,000	3.500%	3.430%
2010	150,000	3.000	2.250	2017	2,360,000	4.500	3.560
2011	150,000	3.000	2.450	2018	2,475,000	4.000	3.700
2012	150,000	3.000	2.670	2019	2,600,000	4.250	3.870*
2013	1,940,000	3.250	2.900	2020	2,730,000	4.000	4.050
2014	2,035,000	3.250	3.050	2021	2,865,000	4.000	4.200
2015	2,140,000	3.500	3.280	2022	3,010,000	4.125	4.300

* Yield to July 1, 2018 par call date.

(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 February 28, 2008.

February 12, 2008.

February 29, 2008

Via Certified Mail
Return Receipt Requested

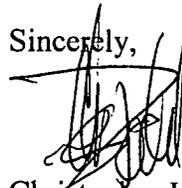
Arizona Department of Revenue
Attention: OERA, 9th Floor
1600 W. Monroe
Phoenix, AZ 85007

Re: \$25,000,000 Pima County, Arizona
Street and Highway Revenue Bonds, Series 2008

Ladies and Gentlemen:

On behalf of Pima County, Arizona, enclosed is the Report of Bond and Security Issuance Pursuant to A.R.S. §35-501B, for the above-referenced financing.

Sincerely,



Christopher J. Dodd

CJD/mn

Enclosure

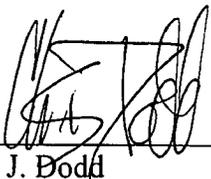
428534.1

AFFIDAVIT OF MAILING

STATE OF ARIZONA)
) ss:
County of Maricopa)

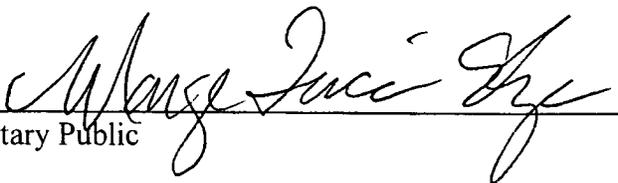
I, Christopher J. Dodd, being first duly sworn upon my oath, depose and say that I delivered to the United States Postal Service on the 19th day of February, 2008, an envelope containing the Report of Bond and Security Issuance Pursuant to A.R.S. §35-501B, with respect to \$25,000,000 Pima County, Arizona Street and Highway Revenue Bonds, Series 2008, postage prepaid, certified mail (Certified Number 7006 2760 0002 5235 5066), return receipt requested, addressed as follows:

Arizona Department of Revenue
Attention: OERA, 9th Floor
1600 W. Monroe
Phoenix, AZ 85007



Christopher J. Dodd

SUBSCRIBED AND SWORN to before me this 29th day of February, 2008.



Notary Public

My Commission Expires:

 **MARGE TUCCI ELZA**
Notary Public - Arizona
Maricopa County
Expires 06/09/09

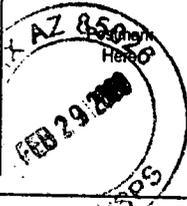
U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

7006 2760 0002 5235 5066

Postage	\$ 2.67
Certified Fee	2.65
Return Receipt Fee (Endorsement Required)	2.15
Restricted Delivery Fee (Endorsement Required)	—
Total Postage & Fees	\$ 7.45



Sent To
Arizona Department of Revenue
 Street, Apt. No., OERA, 9th Floor
 or PO Box No.
 City, State, ZIP+4
1600 W. Monroe
Phoenix, AZ 85007

PS Form 3800, August 2006

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature X Arizona Dept of Revenue <small>(Printed Name)</small></p> <p>C. Date of Delivery MAR 03 2008</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>
<p>1. Article Addressed to: Arizona Department of Revenue OERA, 9th Floor 1600 West Monroe Phoenix, AZ 85007</p>	<p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>
<p>2. Article Number <small>(Transfer from service label)</small></p>	<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>7006 2760 0002 5235 5066</p>	
<p>PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540</p>	

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 AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2008

Number:
R-1

Denomination:
\$150,000

Interest Rate
3.000%

Maturity Date
July 1, 2009

Original Issue Date
February 15, 2008

CUSIP
721882CN6

Registered Owner: CEDE & CO.

Principal Amount: ONE HUNDRED FIFTY THOUSAND 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 July 1, 2008, 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

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 AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2008

Number:
R-2

Denomination:
\$150,000

Interest Rate
3.000%

Maturity Date
July 1, 2010

Original Issue Date
February 15, 2008

CUSIP
721882CP1

Registered Owner: CEDE & CO.

Principal Amount: ONE HUNDRED FIFTY THOUSAND 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 July 1, 2008, 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

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PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2008

Number:
R-3

Denomination:
\$150,000

Interest Rate
3.000%

Maturity Date
July 1, 2011

Original Issue Date
February 15, 2008

CUSIP
721882CQ9

Registered Owner: CEDE & CO.

Principal Amount: ONE HUNDRED FIFTY THOUSAND 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 July 1, 2008, 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.

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PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2008

Number:
R-4

Denomination:
\$150,000

Interest Rate
3.000%

Maturity Date
July 1, 2012

Original Issue Date
February 15, 2008

CUSIP
721882CR7

Registered Owner: CEDE & CO.

Principal Amount: ONE HUNDRED FIFTY THOUSAND 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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PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2008

Number:
R-5

Denomination:
\$1,940,000

Interest Rate
3.250%

Maturity Date
July 1, 2013

Original Issue Date
February 15, 2008

CUSIP
721882CS5

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION NINE HUNDRED FORTY THOUSAND 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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PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2008

Number:
R-6

Denomination:
\$2,035,000

Interest Rate
3.250%

Maturity Date
July 1, 2014

Original Issue Date
February 15, 2008

CUSIP
721882CT3

Registered Owner: CEDE & CO.

Principal Amount: TWO MILLION THIRTY-FIVE THOUSAND DOLLARS

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PIMA COUNTY ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2008

Number: R-7 Denomination: \$2,140,000

Interest Rate 3.500% Maturity Date July 1, 2015 Original Issue Date February 15, 2008 CUSIP 721882CU0

Registered Owner: CEDE & CO.

Principal Amount: TWO MILLION ONE HUNDRED FORTY THOUSAND DOLLARS

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PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2008

Number:
R-8

Denomination:
\$2,245,000

Interest Rate
3.500%

Maturity Date
July 1, 2016

Original Issue Date
February 15, 2008

CUSIP
721882CV8

Registered Owner: CEDE & CO.

Principal Amount: TWO MILLION TWO HUNDRED FORTY-FIVE THOUSAND DOLLARS

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PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2008

Number:
R-9

Denomination:
\$2,360,000

Interest Rate
4.500%

Maturity Date
July 1, 2017

Original Issue Date
February 15, 2008

CUSIP
721882CW6

Registered Owner: CEDE & CO.

Principal Amount: TWO MILLION THREE HUNDRED SIXTY THOUSAND DOLLARS

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PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2008

Number:
R-10

Denomination:
\$2,475,000

Interest Rate
4.000%

Maturity Date
July 1, 2018

Original Issue Date
February 15, 2008

CUSIP
721882CX4

Registered Owner: CEDE & CO.

Principal Amount: TWO MILLION FOUR HUNDRED SEVENTY-FIVE THOUSAND DOLLARS

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PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2008

Number:
R-11

Denomination:
\$2,600,000

Interest Rate
4.250%

Maturity Date
July 1, 2019

Original Issue Date
February 15, 2008

CUSIP
721882CY2

Registered Owner: CEDE & CO.

Principal Amount: TWO MILLION SIX HUNDRED THOUSAND DOLLARS

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PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2008

Number:
R-12

Denomination:
\$2,730,000

Interest Rate
4.000%

Maturity Date
July 1, 2020

Original Issue Date
February 15, 2008

CUSIP
721882CZ9

Registered Owner: CEDE & CO

Principal Amount: TWO MILLION SEVEN HUNDRED THIRTY THOUSAND 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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PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2008

Number:
R-13

Denomination:
\$2,865,000

Interest Rate
4.000%

Maturity Date
July 1, 2021

Original Issue Date
February 15, 2008

CUSIP
721882DA3

Registered Owner: CEDE & CO.

Principal Amount: TWO MILLION EIGHT HUNDRED SIXTY-FIVE THOUSAND DOLLARS

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PIMA COUNTY, ARIZONA
STREET AND HIGHWAY REVENUE BOND
SERIES 2008

Number:
R-14

Denomination:
\$3,010,000

Interest Rate
4.125%

Maturity Date
July 1, 2022

Original Issue Date
February 15, 2008

CUSIP
721882DB1

Registered Owner: CEDE & CO.

Principal Amount: THREE MILLION TEN THOUSAND 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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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 \$25,000,000 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, May 10, 2005, January 16, 2007 and February 12, 2008 (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 any 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, 2018 are not subject to call for redemption prior to their respective maturity dates. The Bonds maturing on or after July 1, 2019 are subject to call for redemption on any date on or after July 1, 2018 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. 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, as 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. If the transfer of any bond which has been called or selected for call for redemption in whole or in part is registered, any notice of redemption which has been given to the transferor will be binding upon the transferee and a copy of the notice of redemption will be delivered to the transferee along with the bond or bonds.

Bonds of this issue are issuable only in fully registered form in the denomination of \$5,000 each or integral multiples of \$5,000. This Bond may be exchanged at the designated office of the 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 Chairman 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

Chairman, 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 2008, described in the Bond Resolution mentioned herein.

Date of Authentication: February 28, 2008

U.S. BANK NATIONAL ASSOCIATION,
as Registrar

By: _____
Authorized Representative

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.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable laws or regulations:

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

UNIF GIFT/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.



Moody's Investors Service

One Front Street, Suite 1900
San Francisco, CA 94111

February 1, 2008

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 January 30, 2008, Moody's Investors Service reviewed and assigned a rating of **A1** to the Pima County, Arizona, Street and Highway Revenue Bonds, Series 2008.

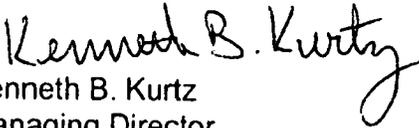
In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, including annual financial and statistical information.

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, Jolene Yee, at 415-274-1720.

Sincerely,


Kenneth B. Kurtz
Managing Director

KBK:JY/cm

cc: Mr. Nick Dodd
RBC Dain Rauscher Inc.
2398 East Camelback Road, Suite 700
Phoenix, AZ 85016

**STANDARD
& POOR'S**

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5004
reference no.: 879908

January 28, 2008

Pima County
Finance Department
130 West Congress Street, 10th Floor
Tucson, AZ 85701
Attention: Mr. Thomas Burke, Director of Finance

Re: *US\$25,000,000 Pima County, Arizona, Street and Highway Revenue Bonds, Series 2008, dated: February 15, 2008, due: July 1, 2022*

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 "AA". 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

Mr. Thomas Burke
Page 2
January 28, 2008

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.

A handwritten signature in cursive script, appearing to read "Standard & Poor's", is written in dark ink.

th
enclosures

cc: Mr. Kurt M. Freund
Mr. Nicholas J. Dodd

STANDARD &POOR'S

Standard & Poor's Ratings Services Terms and Conditions Applicable To U.S. Public Finance Ratings

Request for a rating. Standard & Poor's issues public finance ratings for a fee upon request from an issuer, or from an underwriter, financial advisor, investor, insurance company, or other entity, provided that the obligor and issuer (if different from the obligor) each has knowledge of the request. The term "issuer/obligor" in these Terms and Conditions means the issuer and the obligor if the obligor is different from the issuer.

Agreement to Accept Terms and Conditions. Standard & Poor's assigns Public Finance ratings subject to the terms and conditions stated herein and in the rating letter. The issuer/obligor's use of a Standard & Poor's public finance rating constitutes agreement to comply in all respects with the terms and conditions contained herein and in the rating letter and acknowledges the issuer/obligor's understanding of the scope and limitations of the Standard & Poor's rating as stated herein and in the rating letter.

Fees and expenses. In consideration of our analytic review and issuance of the rating, the issuer/obligor agrees to pay Standard & Poor's a rating fee. Payment of the fee is not conditioned on Standard & Poor's issuance of any particular rating. In most cases an annual surveillance fee will be charged for so long as we maintain the rating. The issuer/obligor will reimburse Standard & Poor's for reasonable travel and legal expenses if such expenses are not included in the fee. Should the rating not be issued, the issuer/obligor agrees to compensate Standard & Poor's based on the time, effort, and charges incurred through the date upon which it is determined that the rating will not be issued.

Scope of Rating. The issuer/obligor understands and agrees that (i) an issuer rating reflects Standard & Poor's current opinion of the issuer/obligor's overall financial capacity to pay its financial obligations as they come due, (ii) an issue rating reflects Standard & Poor's current opinion of the likelihood that the issuer/obligor will make payments of principal and interest on a timely basis in accordance with the terms of the obligation, (iii) a rating is an opinion and is not a verifiable statement of fact, (iv) ratings are based on information supplied to Standard & Poor's by the issuer/obligor or by its agents and upon other information obtained by Standard & Poor's from other sources it considers reliable, (v) Standard & Poor's does not perform an audit in connection with any rating and a rating does not represent an audit by Standard & Poor's, (vi) Standard & Poor's relies on the issuer/obligor, its accountants, counsel, and other experts for the accuracy and completeness of the information submitted in connection with the rating and surveillance process, (vii) Standard & Poor's undertakes no duty of due diligence or independent verification of any information, (viii) Standard & Poor's does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information, (ix) Standard & Poor's may raise, lower, suspend, place on CreditWatch, or withdraw a rating at any time, in Standard & Poor's sole discretion, and (x) a rating is not a "market" rating nor a recommendation to buy, hold, or sell any financial obligation.

Publication. Standard & Poor's reserves the right to publish, disseminate, or license others to publish or disseminate the rating and the rationale for the rating unless the issuer/obligor specifically requests that the rating be assigned and maintained on a confidential basis. If a confidential rating subsequently becomes public through disclosure by the issuer/obligor or a third party other than Standard & Poor's, Standard & Poor's reserves the right to publish it. Standard & Poor's may publish explanations of Standard & Poor's ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Standard & Poor's ability to modify or refine Standard & Poor's criteria at any time as Standard & Poor's deems appropriate.

Information to be Provided by the Issuer/obligor. The issuer/obligor shall meet with Standard & Poor's for an analytic review at any reasonable time Standard & Poor's requests. The issuer/obligor also agrees to provide Standard & Poor's promptly with all information relevant to the rating and surveillance of the rating including information on material changes to information previously supplied to Standard & Poor's. The rating may be affected by Standard & Poor's opinion of the accuracy, completeness, timeliness, and reliability of information received from the issuer/obligor or its agents. Standard & Poor's undertakes no duty of due diligence or independent verification of

information provided by the issuer/obligor or its agents. Standard & Poor's reserves the right to withdraw the rating if the issuer/obligor or its agents fails to provide Standard & Poor's with accurate, complete, timely, or reliable information.

Standard & Poor's Not an Advisor, Fiduciary, or Expert. The issuer/obligor understands and agrees that Standard & Poor's is not acting as an investment, financial, or other advisor to the issuer/obligor and that the issuer/obligor should not and cannot rely upon the rating or any other information provided by Standard & Poor's as investment or financial advice. Nothing in this Agreement is intended to or should be construed as creating a fiduciary relationship between Standard & Poor's and the issuer/obligor or between Standard & Poor's and recipients of the rating. The issuer/obligor understands and agrees that Standard & Poor's has not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933.

Limitation on Damages. The issuer/obligor agrees that Standard & Poor's, its officers, directors, shareholders, and employees shall not be liable to the issuer/obligor or any other person for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the rating or the related analytic services provided for in an aggregate amount in excess of the aggregate fees paid to Standard & Poor's for the rating, except for Standard & Poor's gross negligence or willful misconduct. In no event shall Standard & Poor's, its officers, directors, shareholders, or employees be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, legal fees, or losses (including, without limitation, lost profits and opportunity costs). In furtherance and not in limitation of the foregoing, Standard & Poor's will not be liable in respect of any decisions made by the issuer/obligor or any other person as a result of the issuance of the rating or the related analytic services provided by Standard & Poor's hereunder or based on anything that appears to be advice or recommendations. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. The issuer/obligor acknowledges and agrees that Standard & Poor's does not waive any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Term. This Agreement shall terminate when the ratings are withdrawn. Notwithstanding the foregoing, the paragraphs above, "Standard & Poor's Not an Advisor, Fiduciary, or Expert" and "Limitation on Damages", shall survive the termination of this Agreement or any withdrawal of a rating.

Third Parties. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary to this Agreement or to the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Complete Agreement. This Agreement constitutes the complete agreement between the parties with respect to its subject matter. This Agreement may not be modified except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties agree that the state and federal courts of New York shall be the exclusive forums for any dispute arising out of this Agreement and the parties hereby consent to the personal jurisdiction of such courts.



FINAL

SETTLEMENT, DELIVERY & CLOSING PROCEDURES

ISSUE: \$25,000,000
Pima County, Arizona
Street & Highway User Revenue Bonds
Series 2008

BONDS DATED: February 15, 2008

INTEREST PAYMENT DATES: Interest payable semiannually on January 1 and July 1 of each year, commencing July 1, 2008.

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES: See Exhibit A.

CLOSING: The Closing will be held on **Thursday, February 28, 2008** at 8:00 a.m. (MST) at the offices of Squire, Sanders & Dempsey, Two Renaissance Square, 40 North Central Avenue, Suite 2700, Phoenix, AZ 85004. Mr. Tim Pickrell will conduct the closing (602) 528-4031, Fax: (602) 253-8129.

PARTICIPANTS: See Exhibit B.

REGISTRATION & AUTHENTICATION: After the Bonds have been registered and executed, the Bond Registrar and Paying Agent will confirm arrangements for a F.A.S.T. closing with the Depository Trust Co. (DTC), 55 Water Street, 1st Floor, New York, New York 10041.

SETTLEMENT INSTRUCTIONS:

Par Value @ 100	\$25,000,000.00
Plus: Excess Net Premium	31,633.50
Plus: Accrued Interest (February 15 – February 28, 2008)	34,822.85
Less: Good Faith Deposit	<u>(500,000.00)</u>
Remaining Purchase Price	<u>\$24,566,456.35</u>

Settlement, Delivery & Closing Procedures

\$25,000,000

Pima County, Arizona

Street & Highway User Revenue Bonds

Series 2008

Page 2

FLOW OF FUNDS:

SOURCES

- (A) **\$500,000.00**, representing the Robert W. Baird & Co., Inc., good faith deposit, will remain in the Bank of America, account of the Pima County Treasurer and be transferred into the Project Fund.
- (B) On the day of closing, Robert W. Baird & Co., Inc. will wire transfer the remaining purchase price of **\$24,566,456.35**, representing proceeds for deposit into the Interest Fund (Debt Service Fund) and the Project Fund to:

Bank of America, N.A.

Phoenix, Arizona

ABA #026009593

Credit to Pima County Treasurer

Account #412724156

Reference: Pima County, AZ \$25 million Street and Highway Bonds, Series 2008

Confirmation of the receipt of funds will be made with Cheryl Cruz at the Pima County Treasurer's Office at (520) 740-8826.

USES

Of the amount listed under Sources (A & B) above, the Pima County Treasurer will apply such amounts as follows:

- (A) **\$66,456.35**, representing accrued interest and excess net premium, to the Interest Fund (Debt Service Fund).
- (B) **\$25,000,000.00**, representing construction costs and costs of issuance, to the Project Fund.

**DELIVERY
INSTRUCTIONS:**

When all parties are satisfied that all monies have been transferred and that documentation is in order, the Bonds will be released to the credit of Robert W. Baird & Co., Inc., via the DTC closing desk (212) 855-3752.

\$25,000,000
PIMA COUNTY, ARIZONA
Street and Highway Revenue User Bonds
Series 2008

Principal and Interest Payments

Dated: 2/15/2008

Delivery: 2/28/2008

Date	Principal (a)	Coupon	Interest (b)	Total Debt Service	Fiscal Year Debt Service	CUSIP # (721882)
7/1/2008			\$364,300.56	\$364,300.56	\$364,300.56	
1/1/2009			482,162.50	482,162.50		
7/1/2009	\$150,000.00	3.000%	482,162.50	632,162.50	1,114,325.00	CN6
1/1/2010			479,912.50	479,912.50		
7/1/2010	150,000.00	3.000%	479,912.50	629,912.50	1,109,825.00	CP1
1/1/2011			477,662.50	477,662.50		
7/1/2011	150,000.00	3.000%	477,662.50	627,662.50	1,105,325.00	CQ9
1/1/2012			475,412.50	475,412.50		
7/1/2012	150,000.00	3.000%	475,412.50	625,412.50	1,100,825.00	CR7
1/1/2013			473,162.50	473,162.50		
7/1/2013	1,940,000.00	3.250%	473,162.50	2,413,162.50	2,886,325.00	CS5
1/1/2014			441,637.50	441,637.50		
7/1/2014	2,035,000.00	3.250%	441,637.50	2,476,637.50	2,918,275.00	CT3
1/1/2015			408,568.75	408,568.75		
7/1/2015	2,140,000.00	3.500%	408,568.75	2,548,568.75	2,957,137.50	CU0
1/1/2016			371,118.75	371,118.75		
7/1/2016	2,245,000.00	3.500%	371,118.75	2,616,118.75	2,987,237.50	CV8
1/1/2017			331,831.25	331,831.25		
7/1/2017	2,360,000.00	4.500%	331,831.25	2,691,831.25	3,023,662.50	CW6
1/1/2018			278,731.25	278,731.25		
7/1/2018	2,475,000.00	4.000%	278,731.25	2,753,731.25	3,032,462.50	CX4
1/1/2019			229,231.25	229,231.25		
7/1/2019	2,600,000.00	4.250%	229,231.25	2,829,231.25	3,058,462.50	CY2
1/1/2020			173,981.25	173,981.25		
7/1/2020	2,730,000.00	4.000%	173,981.25	2,903,981.25	3,077,962.50	CZ9
1/1/2021			119,381.25	119,381.25		
7/1/2021	2,865,000.00	4.000%	119,381.25	2,984,381.25	3,103,762.50	DA3
1/1/2022			62,081.25	62,081.25		
7/1/2022	3,010,000.00	4.125%	62,081.25	3,072,081.25	3,134,162.50	DB1
Total	\$25,000,000.00		\$9,974,050.56	\$34,974,050.56	\$34,974,050.56	

(a) The Bonds maturing on or after July 1, 2019 are subject to redemption prior to maturity on or after July 1, 2018 at Par.

(b) Does not reflect the application of available accrued interest from 2/15/08 to 2/28/08 in the amount of \$34,822.85.

**PIMA COUNTY, ARIZONA
STREET & HIGHWAY REVENUE BONDS
SERIES 2008**

DISTRIBUTION LIST

PIMA COUNTY

Finance and Risk Management Department
130 West Congress, 10th Floor
Tucson, AZ 85701
Fax: (520) 740-8171

Tom Burke
Finance and Risk Management Director
(520) 740-3030
e-mail: tom.burke@pima.gov

Finance and Risk Management Department
130 West Congress, 6th Floor
Tucson, AZ 85701
Fax: (520) 243-2329

Michelle Campagne
(520) 740-8410
e-mail: michelle.campagne@pima.gov

County Attorney's Office
130 West Congress
Tucson, Arizona 85701

Regina Nassen
(520) 740-5411
e-mail: regina.nassen@pcao.pima.gov

BOND COUNSEL

Squire, Sanders & Dempsey L.L.P.
Two Renaissance Square, Suite 2700
40 North Central Avenue
Phoenix, AZ 85004-4498
Fax: (602) 253-8129

Timothy E. Pickrell
P: (602) 528-4031
C: (602) 617-9260
e-mail: tpickrell@ssd.com

Chris Dodd
P: (602) 528-4003
e-mail: cdodd@ssd.com

FINANCIAL ADVISOR

RBC Capital Markets
2398 East Camelback Road, Suite 700
Phoenix, AZ 85016
Fax: (602) 381-5380

Kurt M. Freund
Managing Director/Manager
(602) 381-5365
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Nicholas J. Dodd
Vice President
(602) 381-5360
e-mail: nick.dodd@rbcdain.com

Nick Gerakos
Analyst
(602) 381-5359
e-mail: nick.gerakos@rbccm.com

RATING AGENCIES

Moody's Investors Service
One Front Street, Suite 1900
San Francisco, CA 94111
Fax: (415) 274-1726

Jolene Yee
(415) 274-1720
e-mail: jolene.yee@moodys.com

Standard & Poor's Corporation
One Market, Steuart Tower 15th Floor
San Francisco, California
94105-1000
Fax: (415) 371-5090

Matthew Reining
(415) 371-5044
e-mail: matthew_reining@sandp.com

REGISTRAR & PAYING AGENT

U.S. Bank National Association
101 North First Avenue, Suite 1600
Phoenix, Arizona 85003
Fax: (602) 257-5433

Debbie Scherer
(602) 257-5431
e-mail: deborah.scherer@usbank.com

PURCHASER

Robert W Baird & Co Inc
125 Half Mile Road, Ste 200
Red Bank, NJ 07701
Fax: (732) 933-2755

Charlie Galarza
(732) 933-2735
e-mail: CGalarza@rwbaird.com