NOTE 9: DEBT

SHORT-TERM DEBT

LINE OF CREDIT

The County maintains a revolving line of credit with Bank of America National Trust and Savings Association. At June 30, 1999, the County had an outstanding balance of $30,000, the full amount of the credit limit. Advances on the line of credit are payable on demand. The credit line is secured by the County's general taxing authority.

LONG-TERM DEBT

DEBT ISSUES OUTSTANDING:

The County's bonded debt consists of various issues of general obligation bonds, revenue bonds and special assessment bonds with governmental commitment.

GENERAL OBLIGATION BONDS OUTSTANDING
(Payments made from property
tax revenues of the Debt Service Fund)

General obligation bonds payable at June 30, 1999, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, $6,000 from the November 2, 1982, bond election, $9,405 from the May 6, 1986, bond election and $221,605 from the May 20, 1997, bond election remain unissued. The table on the following page presents amounts outstanding by issue.

ISSUE	ISSUE AMOUNT	INTEREST RATES	MATURITIES	OUTSTANDING JUNE 30, 1999
SERIES OF 1992	$ 20,000	5.75 - 6.20%	2000-04	$ 12,495
1992 REFUNDING	94,065	5.35 - 6.55%	2000-09	36,145
SERIES OF 1993	15,000	5.40 - 6.90%	2000-08	13,900
1993 REFUNDING	64,535	4.75 - 5.00%	2000-04	44,785
SERIES OF 1994	10,495	5.00 - 5.50%	2000-08	6,915
SERIES OF 1998	42,420	4.40 - 5.00%	2000-13	39,040
G.O. BONDS OUTSTANDING				$ 153,280
MATURED AND UNREDEEMED BONDS				
1977 SERIES D			10	
1979 SERIES A			5	
TOTAL MATURED AND UNREDEEMED				15
TOTAL G.O. BONDS OUTSTANDING				$ 153,295

REFUNDED G.O. BONDS OUTSTANDING

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 the liability for the defeased bonds are not included in the County's financial statements. The cash and investments held in the irrevocable trusts at June 30, 1999, amounted to $2,584.

ISSUE	INTEREST RATES	MATURITIES	OUTSTANDING JUNE 30, 1999
1992 SERIES	6.25 - 6.30%	2005-07	$ 2,440
TOTAL REFUNDED G.O. BONDS OUTSTANDING			$ 2,440

FLOOD CONTROL REFUNDING BONDS OUTSTANDING

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

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

ISSUE	ISSUE AMOUNT	INTEREST RATES	MATURITIES	OUTSTANDING JUNE 30, 1999
1992 FLOOD CONTROL	$ 12,420	5.35 - 6.25%	2000-09	$ 7,360
TOTAL FLOOD CONTROL REFUNDING BONDS OUTSTANDING				$ 7,360

SEWER REVENUE BONDS and LOANS PAYABLE OUTSTANDING

(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, $84,295 from the May 20, 1997, bond election remains unissued.

ISSUE	ISSUE AMOUNT	INTEREST RATES	MATURITIES	OUTSTANDING JUNE 30, 1999
1991 REFUNDING	$ 57,480	6.20 - 6.75%	2000-15	$ 21,425
SERIES OF 1992	12,000	6.00 - 7.50%	2000-03	2,420
SERIES OF 1993	6,000	5.60 - 6.50%	2000-05	1,650
1994A REFUNDING	28,670	4.10 - 5.00%	2000-15	28,450
SERIES OF 1994B	8,000	5.00 - 6.50%	2000-04	2,640
SERIES OF 1998	29,185	4.00 - 5.50%	2000-15	28,345
SEWER REVENUE BONDS OUTSTANDING				$ 84,930
Unamortized bond discount:				(587)
Unamortized deferred interest expense:				(4,870)
TOTAL SEWER REVENUE BONDS OUTSTANDING				$ 79,473

LOANS PAYABLE

Wastewater Management (WWM) entered into loan agreements (1996 and 1997 loan payable) to provide funds for the defeasance of prior sewer revenue bonds and the construction and improvement of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period. For the 1997 loan payable, principal payments to maturity are subject to change based upon the total amounts drawn down. As of June 30, 1999, WWM has drawn down $3,875 of the available $7,500 1997 loan amount. However, only $3,128 remains outstanding at June 30, 1999, since WWM made principal payments during the past two years.

ISSUE	ISSUE AMOUNT	INTEREST RATES	MATURITIES	OUTSTANDING JUNE 30, 1999
1996 LOAN PAYABLE	$ 11,313	3.186%	2004-12	$ 11,313
1997 LOAN PAYABLE	7,500	2.950%	2000-11	3,128
LOANS PAYABLE				$ 14,441
Unamortized deferred interest expense:				(474)
TOTAL LOANS PAYABLE				$ 13,967

REFUNDED SEWER REVENUE BONDS OUTSTANDING

In prior years, the County defeased certain sewer revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. The cash and investments held in the irrevocable trusts at June 30, 1999, amounted to $45,602.

ISSUE	INTEREST RATES	MATURITIES	OUTSTANDING JUNE 30, 1999
1991 REFUNDING	6.375 - 6.750%	2002-15	$ 30,110
SERIES OF 1992	6.000 - 6.500%	2004-12	7,770
SERIES OF 1993	5.000 - 5.900%	2006-12	2,845
SERIES OF 1994B	5.600 - 5.800%	2005-08	2,650
TOTAL REFUNDED SEWER REVENUE BONDS OUTSTANDING			$ 43,375

WASTEWATER MANAGEMENT FORWARD SWAP AGREEMENT

On March 24, 1999, the County entered into a forward-starting swap agreement in association with $18,700 of County Sewer Revenue Refunding Bonds. Pursuant to the agreement, the County will issue not less than $18,700 of Sewer Revenue Refunding Bonds on April 3, 2001, to refund in advance of maturity the then-outstanding Series 1991 Sewer Revenue Refunding Bonds of the County, which have a final maturity of July 1, 2015. Under the terms of the swap agreement, the County owes interest calculated at a fixed rate of 4.931 percent on the principal amount to the counterparty of the swap. In return, the counterparty owes interest on the principal amount to the County at a variable rate based on a municipal interest rate index. Only the net difference in interest payments is actually exchanged with the counterparty. The $18,700 of bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The swapped interest payments between the County and the counterparty begin to accrue as of April 3, 2001, and continue to July 1, 2015, unless the swap agreement is terminated prior to that date. The amount, on which swapped interest payments are based, amortizes on an annual basis through July 2, 2015, based on a set schedule.

As long as the swap agreement is in effect, the County will pay interest to the bondholders at the variable rate set on the Sewer Revenue Refunding Bonds to be issued. The variable rate payments to be made by the County will be approximately offset by the variable payments received by the County from the counterparty. As a result, the County effectively pays a fixed rate on the debt that is approximately equal to the fixed rate paid to the counterparty. Under the swap agreement, both the County and the counterparty have certain rights to terminate the agreement both before and after April 3, 2001. Termination of the agreement at any time may result in the County's making or receiving a termination payment. After April 3, 2001, the County will be exposed to variable rates on the Sewer Revenue Refunding Bonds if the swap agreement is terminated or if the counterparty defaults.

TRANSPORTATION BONDS

(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, $310,000 from the November 4, 1997, bond election remains unissued.

ISSUE	ISSUE AMOUNT	INTEREST RATES	MATURITIES	OUTSTANDING JUNE 30, 1999
SERIES 1998	$ 40,000	4.10 - 5.00%	2000-08	$ 36,000
TOTAL TRANSPORTATION BONDS OUTSTANDING				$ 36,000

LEASE REVENUE BONDS

(Payments made from revenues received in the Governmental Funds)

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

ISSUE	INTEREST RATES	MATURITIES	OUTSTANDING JUNE 30, 1999
1992 LEASE REVENUE BONDS-GOVERNMENTAL FUNDS	5.65 - 6.50%	2000-07	$ 1,220
TOTAL LEASE REVENUE BONDS OUTSTANDING			$ 1,220

SPECIAL ASSESSMENT BONDS OUTSTANDING

(Payments made from assessments received
in the Debt Service Fund)

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

IMPROVEMENT DISTRICT	ISSUE AMOUNT	INTEREST RATES	MATURITIES	OUTSTANDING JUNE 30, 1999
N. FIRST AVENUE SEWER	$ 1,970	7.375%	2000	$ 165
N. LA CHOLLA SEWER	930	8.200%	2000-02	285
COUNTRY CLUB ESTATES	2,745	7.200%	2000-05	1,830
C.C. ESTATES 2ND ISSUE	30	7.200%	2000-05	20
TOTAL SPECIAL ASSESSMENT BONDS OUTSTANDING				$ 2,300

REFUNDING CERTIFICATES OF PARTICIPATION OUTSTANDING

(Payments made from General Fund revenues
and from Special Revenue Fund revenues)

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

ISSUE	ISSUE AMOUNT	INTEREST RATES	MATURITIES	OUTSTANDING JUNE 30, 1999
COPS SERIES 7	$ 18,515	4.20 - 5.30%	2000-04	$ 8,945
TOTAL REFUNDING COPS OUTSTANDING				$ 8,945

BASEBALL STADIUM FINANCING

The Baseball Stadium was financed with proceeds of the sale of certain Pima County jail facilities to First Trust of Arizona, National Association for $34,500 on February 1, 1997. Also on February 1, 1997, the County entered into a Capital Lease of these jail facilities with First Trust for $35,660 for a 15 year term.

ISSUE	ISSUE AMOUNT	INTEREST RATES	MATURITIES	OUTSTANDING JUNE 30, 1999
JAIL CAPITAL LEASE	$ 35,660	4.30 - 5.25%	2000-11	$ 33,815
TOTAL CAPITAL LEASE OBLIGATION				$ 33,815

NOTE PAYABLE

During the year ended June 30, 1997, the County purchased land for $550 with a down payment of $110 and the balance of $440 due in five annual installments of $88 plus interest at 9% per annum. The balance of the note payable at June 30, 1999, is $264.

CHANGES IN LONG-TERM DEBT:

Following is a schedule of bond and loan activity and a summary of changes in General Long-term Debt for the year. The schedule of bond and loan activity reflects both current and noncurrent activity while the summary of changes in General Long-term Debt reflects only noncurrent amounts.

SCHEDULE OF BOND AND LOAN ACTIVITY

	BALANCE 6/30/98	INCREASES	DECREASES	BALANCE 6/30/99
GENERAL OBLIGATION	$ 186,990		$ 33,695	$ 153,295
FLOOD CONTROL	8,135		775	7,360
LEASE REVENUE	1,340		120	1,220
SEWER REVENUE	87,815		2,885	84,930
TRANSPORTATION	40,000		4,000	36,000
SPECIAL ASSESSMENT	2,828		528	2,300
LOANS PAYABLE	13,604	1,300	463	14,441
OUTSTANDING BONDS AND LOANS PAYABLE AT JUNE 30, 1999				$ 299,546
Sewer Revenue Unamortized Bond Discount:				(587)
Sewer Revenue Unamortized Deferred Interest Expense:				(4,870)
Loans Payable Unamortized Deferred Interest Expense:				(474)
TOTAL BONDS AND LOANS PAYABLE AT JUNE 30, 1999				$ 293,615

SUMMARY OF CHANGES IN GENERAL LONG-TERM DEBT

	BALANCE 6/30/98	INCREASES	DECREASES	BALANCE 6/30/99
EMPLOYEE COMPENSATION	$ 12,857	$ 10,977	$ 10,602	$ 13,232
CAPITAL LEASES (A)	38,618	273	2,523	36,368
REFUNDING COPS	11,060		2,115	8,945
G.O. BONDS	186,975		33,695	153,280
NOTE PAYABLE	352		88	264
FLOOD CONTROL BONDS	8,135		775	7,360
TRANSPORTATION BONDS	40,000		4,000	36,000
LEASE REVENUE BONDS	1,340		120	1,220
SPECIAL ASSESSMENT	2,828		528	2,300
TOTAL	$ 302,165	$ 11,250	$ 54,446	$ 258,969

(A) The capital lease balance at June 30, 1999, of $36,368 comprises the Baseball Stadium of $33,815, election equipment of $1,630, and various other equipment totaling $923.

SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY

Fiscal Year	G.O. Bonds	Flood Control	Lease Revenue	Sewer Revenue	Special Assm't	Street & Highway Revenue	Capital Leases	COPS	Note Payable	Loans Payable	Total
1999-00	$ 35,733	$ 1,197	$ 200	$ 8,871	$ 716	$ 5,644	$ 4,417	$ 2,674	$ 112	$ 943	$ 60,507
2000-01	31,249	1,147	198	8,884	515	5,444	4,317	2,565	104	908	55,331
2001-02	27,920	1,100	201	8,879	485	5,244	4,184	1,694	96	923	50,726
2002-03	24,096	1,052	197	8,782	364	5,080	4,067	1,645		938	46,221
2003-04	21,788	1,000	198	8,284	342	4,900	3,597	1,643		1,650	43,402
2004-09	36,531	4,277	595	39,399	319	17,800	17,766			8,313	125,000
2009-14	10,483			35,498			10,655			4,584	61,220
2014-18				7,920							7,920
Total:	$ 187,800	$ 9,773	$ 1,589	$ 126,517	$ 2,741	$ 44,112	$ 49,003	$ 10,221	$ 312	$ 18,259	$ 450,327
Less Interest and Admin Fee:	34,520	2,413	369	41,587	441	8,112	12,635	1,276	48	3,818	105,219
Principal:	$ 153,280	$ 7,360	$ 1,220	$ 84,930	$ 2,300	$ 36,000	$ 36,368	$ 8,945	$ 264	$ 14,441	$ 345,108
Unredeemed:	15										15
Unamortized (deferred interest):				(4,870)						(474)	(5,344)
(discount):				(587)							(587)
Total	$ 153,295	$ 7,360	$ 1,220	$ 79,473	$ 2,300	$ 36,000	$ 36,368	$ 8,945	$ 264	$ 13,967	$ 339,192

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, with voter approval, debt may be incurred up to 15 percent of the value of taxable property. Legal debt margin at June 30, 1999, is as follows:

Net assessed valuation:		$ 3,852,574
Debt Limit (15% of net assessed valuation):		$ 577,886
Amount of debt applicable to debt limit:		
General obligation bonds outstanding	$ 153,295	
Less assets in debt service funds available for payment of principal	(6,827)	(146,468)
Legal debt margin available		$ 431,418

FLOOD CONTROL GENERAL OBLIGATION BONDS

Flood Control general obligation debt may not exceed five percent of the value of the Flood Control District's taxable property as of the latest assessment. Legal debt margin at June 30, 1999, is as follows:

Net assessed valuation:		$ 3,213,904
Debt Limit (5% of net assessed valuation):		$ 160,695
Amount of debt applicable to debt limit:		
Flood Control general obligation bonds outstanding	$ 7,360	
Less assets in debt service funds		
available for payment of principal	0	(7,360)
Legal debt margin available		$ 153,335

SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

State and Federal laws and regulations require the County to place a final cover on its solid waste landfill sites when these sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after their closure. Although closure and postclosure care costs will not be paid until near or after the date the landfills stop accepting waste, the County records a portion of these closure and postclosure care costs as a long-term liability in each period based on landfill capacity used as of each balance sheet date. The $12,747 reported as landfill closure and postclosure care liability in the Wastewater Management Enterprise Fund represents the cumulative amount reported to date based on the percentage used of each landfill's total estimated capacity. The County will recognize the remaining estimated cost of closure and postclosure care of $5,754 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and postclosure care in the fiscal year ended June 30, 1999; actual costs may change due to inflation, changes in technology, or changes in regulations.

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

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

Landfill Site	Capacity Used June 30, 1999	Estimated Year of Closure
Ajo	84%	2015
Sahuarita	92%	2000
Tangerine	63%	2010

METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT

BONDS PAYABLE

On November 1, 1992, Metropolitan Domestic Water Improvement District (MDWID or "the District") and Oro Valley Domestic Water Improvement District (OVDWID) issued $17,400 and $1,175 of Special Assessment and Water Revenue Bonds, respectively. The bonds were issued to pay the cost of the acquisition from the City of Tucson, Arizona, of the water system assets of Metropolitan Water Company. Both bonds issued were payable first, from the net revenues of MDWID and second, from special assessments on the real property with the two Districts if, and only if, the net revenues of MDWID were insufficient for that purpose.

On February 1, 1999, MDWID issued $27,985 of Water Revenue and Refunding Bonds. The bonds were issued to provide funds for improvements to the water system currently operated by the District and for the advance refunding of all of the District's Special Assessment and Water Revenue Bonds, Series 1992.

Special assessment, water revenue and refunding bonds payable at June 30, 1999, are comprised of the following individual issues:

$27,985 - Metropolitan Domestic Water Improvement District of Pima County, Arizona Water Revenue and Refunding Bonds, Series 1999, due in annual installment varying from $210 to $2,025 through January 1, 2019; interest rate is variable from 3.400% to 4.875%.	$ 27,985
$1,175 - Town of Oro Valley Water Improvement District No. 1 Special Assessment and Revenue Bonds Series 1992, due in annual installments varying from $25 to $100 through January 1, 2012; interest rate is variable form 3.600% to 6.375%.	$ 935
$5,655 - Metropolitan Domestic Water Improvement District Municipal Property Corporation (MPC), Junior Lien System Revenue Bonds Series 1998, due in annual installments varying from $130 to $430 through January 1, 2003; interest rate is variable from 4.75% to 6.00%.	$ 5,655
	34,575
Less unamortized discount	287
Less valuation account	847
Net special assessment and water revenue bonds	$ 33,441

The annual requirements to amortize all debt outstanding as of June 30, 1999, including interest payments of $14,471, $431 and $5,167 for the MDWID, OVDWID and MPC bonds, respectively, are as follows:

FISCAL YEARS ENDING JUNE 30	MDWID	OVDWID	MPC	TOTAL
2000	$ 1,421	$ 106	$ 329	$ 1,856
2001	2,387	103	459	2,949
2002	2,513	106	458	3,077
2003	2,164	107	456	2,727
2004	2,148	103	459	2,710
Thereafter	31,823	841	8,661	41,325
	$ 42,456	$ 1,366	$ 10,822	$ 54,644

On March 11, 1997, MDWID residents voted to approve authorization of a $23,000 bond program. The bonds will fund the District's five-year Capital Improvement Program (CIP). The five-year CIP includes construction of 75,000 feet of transmission mains, design of a storage facility, drilling of at least three new wells and acceleration of the main line replacement program to upgrade neighborhood water lines, including the installation of fire hydrants. In 1999, the District issued $13,000 in Water Revenue Bonds, with $10,000 still authorized at June 30, 1999.

LIABILITIES TO BE PAID FROM ASSETS HELD IN ESCROW

On February 1, 1999, the District issued $27,985 in Water Revenue and Refunding Bonds with an average interest rate of 4.35 percent to advance refund $14,105 of outstanding 1992 Series bonds with an average interest rate of 5.95 percent. The net proceeds of $27,823 (after payment of approximately $162 in underwriting fees, insurance and other issuance costs) plus an additional $1,921 of 1992 Series sinking fund monies were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Series bonds. As a result, the 1992 Series bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $847. This difference, reported in the accompanying financial statements as a deduction from bonds payable (valuation account), is being charged to operations through the year 2005 using the straight-line method. The District completed the advance refunding to reduce its aggregate debt service payments by approximately $767 over the next 20 years and obtained an economic gain of approximately $680.

NOTES PAYABLE

Notes payable at June 30, 1999, consist of the following:

Note payable to credit company, due in monthly installments of $1 through February 2001, including interest at 5.50%, secured by equipment.	$ 15
Note payable to credit company, due in monthly installments of $2 through May 2001, including interest at 6.00%, secured by equipment.	36
Note payable to credit company, due in monthly installments of $2 through July 2002, including interest at 4.97%, secured by equipment.	64
Line of credit payable to Bank of America National Trust and Savings Association, with interest due and payable on demand.	500
Note payable to HUB Water Company, Inc., due in monthly installments of $14 through June 2019, including interest at 6.00%, secured by the purchased assets of HUB Water Company, Inc.	1,997
Settlement loan payable to the City of Tucson, due in semi-annual installments of $375 through February 2013 and continued with semi-annual installments of $820 through February 2019, including interest at 5.34%.	11,307
TOTAL NOTES PAYABLE	$ 13,919

Following are the annual maturities of notes payable:

FISCAL YEARS ENDING JUNE 30	
2000	$ 748
2001	258
2002	246
2003	238
2004	250
Thereafter	12,179
	$ 13,919

SOUTHWESTERN FAIR COMMISSION

Long-term debt consists of the following:

Note payable, Pima County - due in annual installments of $50, non-interest bearing, maturing June 2007, unsecured.	$ 400
Note payable, Arizona Bank - due in monthly installments of $4, plus interest at the bank's prime rate, maturing February 2008, secured by equipment, inventory and accounts receivable.	433
Note payable, Arizona Bank - due in monthly installments of $3, including interest at prime rate plus 1%, maturing July 2008, secured by equipment, inventory and accounts receivable.	188
TOTAL LONG-TERM DEBT	$ 1,021

Following are the annual maturities of notes payable:

FISCAL YEARS ENDING JUNE 30	
2000	$ 114
2001	115
2002	117
2003	118
2004	120
Thereafter	437
	$ 1,021

Total interest expense for all Southwestern Fair Commission debt was $68 for the year ended June 30, 1999.