AGENDA MATERIAL
DATE 7/14/26 ITEM NO. RA 22

Rosy Millan

From: Lillian Fox [redacted]
Sent: Monday, July 20, 2026 3:58 PM
To: COB_mail
Cc: Jennifer Allen
Subject: Dereka Louk's candidacy vs TUSD's financial crisis
Attachments: Tucson_Unified_School_District_Reports_not_Received-2.pdf; Tucson_USD_90_day_letter.pdf; Tucson_USD_FY_24_LOD USFR Violations.pdf; District Results - School district financial risk analysis.PDF; PSA 220 W 6th Street Final 10-22-2024 Highlighted.pdf; Item 8.1 2025-01-21 - 220 W 6th St Renovations.pdf

RM

Derika Louk has been the chairman of TUSD's Audit Committee for several years now. One of the Audit Committee's responsibilities is to advise CFO Hernandez.

- During her time as chairman, the Arizona Auditor General issued 2 letters of non-compliance with USFR requirements to TUSD, followed by rating TUSD as one of 7 Arizona school districts at highest financial risk. (See attached documents)

That is despite TUSD having more money per student nearly every year than the other local districts and having more money per student than all but one of Arizona's other 10 largest school districts.

She has not demonstrated responsible advice to and guidance for CFO Hernandez.

- TUSD's financial issues listed above also undermine, the credibility of TUSD CFO Hernandez's endorsement and TUSD Board President Ravi Shah's endorsement of Dereka Louk, as well as the endorsement by anyone else associated with TUSD.

- CFO Hernandez's and Board President Ravi Shah's endorsements and judgement are further undermined by the ruinous aquisition of the old TEP building as a replacement for TUSD's 1010 administration building.

When TUSD was already in poor shape financially, the decision was made and approved 4 to 1 by the Board to buy the TEP Building.

Sadie Shaw proposed upgrading one of TUSD's vacant schools, instead of spending $11.7 million to buy the TEP Building.

CFO Hernandez assured the Board that selling its 1010 property would provide enough money and profit to cover the purchase of the TEP Building, the upgrades, and the cost of the move.

However, the purchase contract put forth by CFO Hernandez's employee (1) had no contingency for the sale of 1010, (2) included $250,000 to buy the on-site furniture & equipment, and (3) bought the building as is. (See attached contract)

Board member Ravi Shah voted to approve the high risk purchase contract without objecting to the risky terms. Sadie Shaw voted against it.

(1) The 1010 property has failed to sell, forcing TUSD to borrow $16 million from trust funds. The most recent discussions suggest any sale of 1010 will not be enough to cover the TEP Building's purchase price, let alone the high upgrade costs. (2) The purchased on-site furniture was thrown into 4 rollaways and hauled away. (3) The estimated $3.3 million to upgrade the building had more than doubled from $3.3 million to $7.3 by January 21, 2025. That's a 220% cost increase.

- These endorsers of Derika Louk's candidacy haven't demonstrated sufficient credibility.

Lillian Fox

Relocation & Renovation Costs for New TUSD Administration Building

Ricky Hernández, Chief Financial Officer, Financial Services
Damon Ballesteros, Senior Program Manager, Project Management
Governing Board Meeting – January 21, 2025

Agenda

- Revisit original proposal for relocation and renovation costs related to the sale of the Morrow Ed Center (“1010”) and the purchase of the 220 W. 6th St. Building (“220”)
- Review revisions to the relocation and renovation estimate and actual costs for 220
- Review costs related to the design of a new Governing Board meeting room at 220
- Recommended Actions
- Questions

Original Relocation & Renovation Proposal

EXPENSE CATEGORY	ORIGINAL ESTIMATE	YTD EXPENSES	AVAILABLE BALANCE
220 Building Purchase	$ 11,600,000	$ 0	$ 11,600,000
220 Building Improvements	3,300,000	1,019,813	2,280,187
Moving Costs	795,000	0	795,000
1010 Sale/220 Purchase Fees	600,000	100,000	500,000
TOTAL	**$ 16,295,000**	**$ 1,119,813**	**$ 15,175,187**

220 Building Improvements Original Detail

EXPENSE CATEGORY	ORIGINAL ESTIMATE	YTD EXPENSES	AVAILABLE BALANCE
Building Renovations	$ 1,600,000	$ 0	$ 1,600,000
Technology Services	326,538	0	326,538
Furniture, Fixtures & Equipment	130,000	0	130,000
Site Security Upgrades	75,000	0	75,000
Building Design & Review	275,000	397,015	(95,597)
HVAC Repairs	623,000	622,801	199
SUB-TOTAL	**$ 3,029,538**	**$ 1,019,816**	**$ 2,036,140**
Contingency	*312,873*	*0*	*312,873*
GRAND TOTAL	**$ 3,342,411**	**$ 1,019,816**	**$ 2,349,013**

REVISED Building Renovation Costs Detail

EXPENSE CATEGORY		REVISED ESTIMATE
Buildings A & B Code & ADA Compliance	$	1,688,986
Buildings A & B Light Fixture Replacement		743,812
Replace Existing Carpet Tiles & Flooring		626,208
Repaint Building “A” Floors 2, 3, 5, 6 & Building “B” Floor 2		313,944
Building B Lobby Remodel		181,188
Building A, Floor 6 Drywall Repair		103,887
Courtyard Wrought Iron Fencing		60,126
NEW Governing Board Room		728,885
REVISED RENOVATIONS TOTAL	**$**	**4,447,036**
ORIGINAL ESTIMATE[a]	$	1,730,000
COST DIFFERENCE[b]	($	2,717,036)

a. *Combined total of original estimates for building renovations and furniture, fixtures, and equipment*
b. *Cost difference without a new Governing Board Room is $1,988,151*

REVISED Technology-Related Expenses Costs

EXPENSE CATEGORY	REVISED ESTIMATE	
Transfer Data Network from 1010 to LIRC	$	318,624
Transfer Telecomm Network from 1010 to 220	$	321,998
Backup Generator/Uninterrupted Power Supply at LIRC		129,677
REVISED TECH-RELATED COSTS TOTAL	**$**	**770,299**
ORIGINAL ESTIMATE	$	326,538
COST DIFFERENCE	($	443,761)

REVISED HVAC-Related Expenses Costs

EXPENSE CATEGORY	REVISED ESTIMATE	
Chiller Replacement	$	622,801
Refurbishment of Cooling Towers		211,635
Code Compliance & Repairs		178,735
REVISED TECH-RELATED COSTS TOTAL	**$**	**1,013,171**
ORIGINAL ESTIMATE	$	623,000
COST DIFFERENCE	($	390,171)

220 Building Improvements REVISED Detail

EXPENSE CATEGORY	ORIGINAL ESTIMATE	REVISED ESTIMATE	DIFFERENCE
Building Renovations	$ 1,600,000	$ 4,447,036	($ 2,847,036)
Technology Services	326,538	770,299	(443,761)
Furniture, Fixtures & Equipment	130,000	0	130,000
Site Security Upgrades	75,000	0	75,000
Building Design & Review	275,000	370,597	(95,597)
HVAC Repairs	623,000	1,013,171	(390,171)
SUB-TOTAL	**$ 3,029,538**	**$ 6,601,103**	**($ 3,571,565)**
Contingency	*312,873*	*660,000*	*(347,127)*
GRAND TOTAL	**3,342,411**	**$ 7,261,103**	**($ 3,918,692)**

Recommended Action

- Approval of revised building improvements and related costs
- Approval of construction and related costs for a Governing Board room at 220

Thank you!

Tucson Unified School District

Not in compliance with the Uniform System of Financial Records (USFR)

List of deficiencies for the year ended June 30, 2024

	Question	Deficiency
Governing board/management procedures—The governing board and District management should establish and implement procedures as required by Arizona Revised Statutes (A.R.S.) to ensure their oversight duties are met.		
1.	The District annually provided governing board members and employees guidance on what constitutes a substantial interest and that the conflict-of-interest (COI) statutes apply to all District governing board members and employees as a part of their employment. A.R.S. §§38-502, A.R.S. 38-503, and 38-509	The District did not annually provide guidance to all employees on what constitutes a substantial interest and did not notify all employees that disclosing substantial interests is required as a part of their employment.
2.	The District annually obtained conflict-of-interest forms that allowed governing board members and employees to make known and fully disclose a conflict of interest in any contract, sale, purchase, service, or decision, and prior to accepting the forms, management reviewed the information to ensure governing board members and employees properly completed the form and sufficiently disclosed the required information. A.R.S. §§38-502 and 38-503	The District did not obtain conflict-of-interest forms from all employees. Nine District employees did not submit a conflict-of-interest form to disclose a conflict of interest for a vendor for which they had a substantial interest.
3.	The governing board approved student clubs' and organizations' fund-raising events. A.R.S. §15-1121 and Attorney General Opinion I84-018	For 3 of 10 student activities cash receipts reviewed, the fundraisers were not approved by the governing board or governing board designee.

	Question	Deficiency
Budgeting—The District should prepare budgets based on legal requirements and allowable uses of monies and monitor spending to accurately inform the public about its planned spending and ensure it stays within those budgets.		
1.	The budget included all funds as required by A.R.S. §15-905 and followed the form's Budget—Submission and Publication Instructions.	The signed cover pages of the adopted, December, and final revised expenditure budgets were not submitted to the Superintendent of Public Instruction within 5 days of the electronic budget submission.

2.	The District revised its budget on or before December 15, if the Arizona Department of Education (ADE) notified the District that its Maintenance and Operations (M&O) or Unrestricted Capital Outlay (UCO) Fund budgeted expenditures exceeded the general budget limit (GBL) or unrestricted capital budget limit (UCBL). A.R.S.§15-905(E).	The District did not post the notice of public hearing at least 10 days before the meeting to adopt the December revised expenditure budget.
Accounting records—The District should accurately maintain accounting records to support the financial information it reports and follow processes and controls that reduce the risk of undiscovered errors that would affect the reliability of information reported to the public and oversight agencies.		
	Question	Deficiency
1.	The District coded transactions in accordance with the USFR Chart of Accounts.	A One-time State aid supplemental payment of $5,365,679 was coded to object code 3120—Additional State Aid rather than object code 3100—Unrestricted.
2.	The District sequentially numbered journal entries and retained supporting documentation and evidence that journal entries were signed, dated, and approved by someone other than the preparer.	For 2 of 25 journal entries reviewed, the journal entries were not approved by someone other than the preparer.
Cash and revenue—The District should document and control cash transactions to safeguard monies, provide evidence of proper handling to protect employees involved in handling monies from unfounded accusations of misuse, and reduce the risk of theft or loss.		
	Question	Deficiency
1.	The Student Activities Fund monies were deposited in a bank or treasurer account designated as the Student Activities Fund account.	For 6 of 10 student activities cash receipts reviewed, the District did not prepare a reconciliation of recorded sales to cash collected.
2.	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	For 2 of 10 student activities and 1 of 10 auxiliary operations cash receipts reviewed, the deposits were not made timely.

Supplies inventory—The District should physically safeguard and report supply inventories to prevent theft, overstocking, understocking, spoilage, and obsolescence.		
	Question	Deficiency
1.	The District physically safeguarded supply inventories to prevent unauthorized use, theft, damage, and obsolescence and enable accurate financial reporting.	The District did not adequately separate the duties of receiving, issuing, and accounting for the issuance of custodial supplies and property control inventories as well as the duties of monitoring inventories, performing physical inventory, and reconciling the physical inventory to the inventory lists.

Property control—The District should properly value, classify, and report land, buildings, and equipment on its stewardship and capital assets lists. In addition, the District should safeguard its property, which represents a significant investment of its resources, from theft and misuse.		
	Question	Deficiency
1.	The District recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	The District's capital asset listing did not include 4 assets acquired during the current year that met the District's capitalization threshold totaling $86,593.
2.	The District's stewardship list for items costing at least $1,000 but less than the District's capitalization threshold, including financed assets, included all required information.	The District's stewardship listing did not include the location for all items.
3.	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	For 1 of 5 stewardship items and 2 of 5 capital assets selected from the listing, the assets were not tagged. For 2 of 5 stewardship items selected from the listing, the items could not be located.
4.	The governing board or authorized designee approved stewardship and capital asset disposals during the fiscal year, and the District removed the assets from the corresponding list and disposed of them in accordance with Arizona Administrative Code (A.A.C) R7-2-1131.	Stewardship and capital asset disposals were not approved by the governing board.

Travel—The District should ensure employee travel is for an approved District purpose and travel reimbursements are correctly calculated and appropriately supported by travel documentation.		
	Question	Deficiency
1.	The District's travel expenditures (lodging, meals, and incidentals) and mileage reimbursements were for District purposes and reimbursed within the maximum reimbursement amounts established by the Director of the Arizona Department of Administration (ADOA) and in accordance with governing-board-prescribed policies and procedures. Amounts were reimbursed and reported as a taxable employee benefit if no overnight stay or no substantial sleep/rest occurred.	For 1 of 10 travel reimbursements reviewed, adequate supporting documentation was not retained to support all the reimbursement amounts and the employee was reimbursed for amounts in excess of the maximums established by ADOA, both resulting in an overpayment of $32.69.

Procurement—The District should follow the School District Procurement Rules and USFR purchasing guidelines for purchases it makes to promote fair and open competition among vendors that helps ensure the District receives the best value for the public monies it spends.		
	Question	Deficiency
1.	The District provided training and guidance related to restrictions on soliciting, accepting, or agreeing to accept any personal gift or benefit with a value of $300 or more. A.R.S. §15-213(N) and A.A.C. R7-2-1003	The District did not provide training and guidance to all employees related to restrictions on soliciting, accepting, or agreeing to accept any personal gift or benefit with a value of $300 or more.
2.	The District's governing board approved all sole-source procurements before any purchases were made, and the written determinations were retained in the procurement files. A.A.C. R7-2-1053 and R7-2-1086	For 1 sole source vendor reviewed, the District did not maintain written documentation of the governing board's determination that there was only 1 source and that the determination was reasonable.
3.	For any purchase of services from governing board members or goods or services from District employees, regardless of the expenditure amount, the District followed the School District Procurement Rules, except as authorized by A.R.S. §15-323.	The District did not follow School District Procurement rules for purchases of $6,090 from an employee-owned business and a purchase of $4,020 from an employee-owned business.

Payroll—The District should document the review, verification, and approval of payroll expenditures to ensure employees are appropriately compensated and payments to employees are supported by governing board approved contracts, pay rates, and terms of employment.		
	Question	Deficiency
1.	The District's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-2 through 4.	For 1 of 5 employees reviewed, the personnel file did not include the Federal and State Withholding Allowance Certificates (Form W-4 or A-4).
2.	The District calculated the accrual and use of vacation, sick leave, and compensatory time for all employees in accordance with District accrual rates for specified years of service, maximum amounts to be accrued, and disposition of accrued time upon separation of employment following District policies.	Errors related to the vesting date of employees were noted in the original compensated leave schedule resulting in an overstatement of liabilities of $1.2 million.
3.	Attendance records were prepared for each pay period for each employee subject to the Fair Labor Standards Act and were approved by the employee and the employee's supervisor.	For 8 of 22 hourly employees reviewed, the timecards were not approved by the employee.

Financial reporting—The District should accurately prepare its financial reports, including its Annual Financial Report (AFR), to provide the public and oversight bodies, including bond investors and district creditors, a transparent view of the District's financial position.		
	Question	Deficiency
1.	Budgeted expenditures reported on the AFR agreed with the District's most recently revised adopted expenditure budget.	Budgeted expenditures reported on the AFR for Fund 378—Impact Aid and Funds 300-399—Other Federal Projects did not agree with the most recently revised expenditure budget by $506,715 and $41,235,670, respectively.
2.	The District completed and submitted all parts of the AFR reporting package, including the school-level reporting AFR, using its accounting data in the files and reported additional information required in the forms, such as revenue and expenditure amounts that were not automatically pulled from its accounting and student count data, and maintained applicable supporting documentation. A.R.S. §15-904(F)	Actual expenditures reported on the AFR for Fund 610—Unrestricted Capital Outlay did not agree with the District's accounting records by $581,728.

3.	The District properly prepared the Food Service page of the AFR and reported expenditures from the M&O Fund 001 and Capital Fund 610 that agreed with the District's accounting records.	The food service match of $1,050,388 from Fund 001—Maintenance and Operation in the AFR did not agree to the District's accounting records of $970,816. The food service match of $1,911,954 from Fund 610—Unrestricted Capital Outlay Fund in the AFR did not agree to the District's accounting records of $168,405.

Student attendance reporting—The District should report accurate student membership and attendance information to ADE to ensure it receives the appropriate amount of State aid and/or local property taxes.

	Question	Deficiency
1.	The District prorated high school students' membership if enrolled in less than 4 subjects.	For 3 of 7 high school students enrolled in less than 4 subjects, the District did not properly prorate membership resulting in a net understatement of full-time equivalent (FTE) of 0.25.
2.	The District maintained appropriate documentation and accurately reported students enrolled in its Arizona Online Instruction (AOI) program, including redetermining the actual FTE for each student enrolled in an AOI program following a student's withdrawal or after the end of the school year. A.R.S. §15-808	For 2 of 7 AOI student attendance records reviewed, the hours reported on the District computer-generated daily log did not agree to the hours reported to ADE; the amount of hours reported to ADE were understated by 2.72 hours.
3.	The District obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its AOI program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines	For 1 of 15 entries reviewed, the District did not maintain adequate verifiable documentation of Arizona residency.
4.	The District counted students withdrawn for having 10 consecutive unexcused absences in membership only through the last day of actual attendance or excused absence. A.R.S.§15-901(A)(1)	For 6 of 15 student attendance records reviewed for 10 consecutive unexcused absences, the withdrawal date was not the last day of actual attendance or excused absence.
5.	The District excluded nonresident students from the District's student count and State aid calculations and charged tuition as applicable. A.R.S. §15-823(G) and (L)	For 1 of 15 entries reviewed, the District did not maintain adequate verifiable documentation of Arizona residency. As a result, it could not be determined if the student should have been excluded from the District's student count and state aid calculations or if the student should have been charged tuition.

PURCHASE AND SALE AGREEMENT
AND
ESCROW INSTRUCTIONS

between

The ARIZONA BOARD OF REGENTS,
a body corporate,
for and on behalf of
THE UNIVERSITY OF ARIZONA

"Seller"

and

TUCSON UNIFIED SCHOOL DISTRICT NO. 1 OF PIMA COUNTY,
a political subdivision
of the State of Arizona

"Purchaser"

PURCHASE AND SALE AGREEMENT
AND
ESCROW INSTRUCTIONS

DATE:	October 22, 2024
SELLER:	The ARIZONA BOARD OF REGENTS, a body corporate, for and on behalf of the UNIVERSITY OF ARIZONA Address: Real Estate Administration The University of Arizona PO Box 210186 Tucson, AZ 85721 Attn: Director Telephone: (520) 621-3775
PURCHASER:	TUCSON UNIFIED SCHOOL DISTRICT NO. 1 OF PIMA COUNTY, a political subdivision of the State of Arizona Address: 1010 E. Tenth Street Tucson, AZ 85719 Attn: Bryant Nodine Telephone: (520) 225-4948
ESCROW AGENT:	FIDELITY NATIONAL TITLE Address: 800 E. Wetmore Rd., Suite 110 Tucson, AZ 85719 Attn: Bobbi Raymond, Escrow Officer Telephone: (520) 770-5379
PROPERTY:	The real property legally described on **<u>Exhibit "A"</u>,** together with all the rights, easements, and appurtenances pertaining thereto, including, without limitation, any right, title and interest of Seller in and to adjacent streets, alleys, or rights of way (the "**Land**"); all buildings and improvements located on or appurtenant to the Land, including any and all groundwater wells or monitoring wells (the "**Improvements**"), all HVAC units, fans, furniture, fixtures, carpets, machinery, equipment, supplies, utility taps, Property Documents (as defined herein) and other personal property located at and used in connection with the operation, management or maintenance of the Land or the

Improvements and owned by Seller (the "**Personal Property**"); and all warranties, permits, licenses, certificates and intangible personal property used in the operation of the Land or Improvements held by Seller in connection with the Land or the Improvements (the "**Intangible Property**"). The Land, Improvements, Personal Property, and Intangible Property are hereinafter collectively referred to as the "**Property**." The Property is located at 220 W. Sixth Street, Tucson, Pima County, Arizona and consists of the Land, approximately 6.95 acres, and includes two office buildings (Building A – 6 floors; Building B – 2 floors) comprising 94,522 gross square feet. Pima County Tax Parcel Nos. 11704195A, 117101610, 11710001C, 11710137B, 11619018B, 116190080, 11619007A, 116190100, 11619009B, 116190110, 11616219B, 11616218A, 116162170, 11616225B, 117041830, 117041840.

OPENING DATE: ______________________________________

[To be inserted by Escrow Agent]

R E C I T A L S:

Seller is the owner of the Property and desires to sell the Property to Purchaser and Purchaser desires to purchase the Property from Seller upon the terms and conditions set forth herein. Seller and Purchaser are individually referred to as the "**Party**" and collectively referred to as the "**Parties**."

A G R E E M E N T:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Purchase and Sale; Purchase Price; Terms of Payment.

1.1. Purchase and Sale. Seller agrees to sell and Purchaser agrees to purchase the Property on the terms and conditions set forth in this Agreement.

1.2. Purchase Price. The total purchase price which Purchaser agrees to pay for the Property (the "**Purchase Price**") is $11,650,000.00, which is composed of $11,350,000.00 for the Land, Improvements, and Intangible Property; $250,000.00 for Personal Property; and $50,000 for fiber optic service. The Purchase Price is subject to all prorations and adjustments as set forth in this Agreement.

1.3. Terms of Payment. The Purchase Price shall be payable as follows:

1.3.1. Earnest Money Deposit. Purchaser will deposit $100,000 in immediately available funds with Escrow Agent, as partial payment and as an earnest money deposit (the "**Deposit**"), within five (5) business days after the execution of this Agreement by Purchaser. If the conditions in **Section 2.4.9** are satisfied or waived, Purchaser shall make additional Deposits in the amount of $100,000 on the first of every month following the satisfaction or waiver of the conditions in **Section 2.4.9** until Closing. All earnest money Deposits shall be non-refundable to Purchaser after the expiration of the Property Review Period and the Title Review Period except: (i) if this Agreement terminates pursuant to any provision of this Agreement specifically allowing a refund of the Deposit; (ii) in the event Seller fails to perform when due any act required by this Agreement to be performed by Seller prior to Closing; (iii) if any condition to Purchaser's obligation to close escrow hereunder has not been satisfied; or (iv) as otherwise specifically set forth in this Agreement. Upon receipt of any portion of the Deposit, Escrow Agent shall immediately deposit it in a federally insured, interest bearing account of Purchaser's choice. All interest earned thereon shall become part of the Deposit and shall be paid to whichever Party becomes entitled to the Deposit under any provision of this Agreement, whether or not the provision specifically refers to interest on the Deposit.

1.3.2. Extension Deposit. Purchaser will deposit in immediately available funds with Escrow Agent, an extension money deposit (the "**Extension Deposit**") in accordance with any Closing Extensions pursuant to **Section 2.2**. Extension Deposits shall be non-refundable except in the event of Seller default pursuant to **Section 12.2**, condemnation pursuant to **Section 15,** or casualty loss pursuant to **Section 16**.

1.3.3. Cash Payment. The Purchase Price, the Deposit, and any Extension Deposit shall be paid by Purchaser in immediately available funds on or before the date one (1) business day prior to the Closing (the "**Cash Payment**").

2. Closing; Conditions to Closing.

2.1 Closing of this transaction (the "**Closing**") shall occur on or before March 31, 2025, at the offices of Escrow Agent unless some other location is mutually agreed to by the Parties (the "**Closing Date**").

2.2 Closing Extensions. Purchaser shall have the option to extend Closing with two (2) 30-day extensions. Purchaser will provide Seller five (5) days' written notice to exercise any extension option and will deposit $100,000 prior to any extension. Each Extension Deposit is non-refundable to Purchaser, except in the event of Seller default, and shall be applied to the purchase price.

2.3 Conditions to Seller's Obligation to Close.
Seller's obligation to close escrow hereunder is conditioned upon the following:

2.3.1 Purchaser's payment of the Deposit.

2.3.2 Purchaser's timely payment of the Extension Deposit if Closing is extended;

2.3.3 Purchaser's payment of the Purchase Price;

2.3.4 Purchaser's delivery of the Survey as that term is defined in **Article 6**.;

2.3.5 Purchaser's payment of all closing costs, proratable items and other charges, costs and expenses to be borne by Purchaser pursuant to **Articles 8** and **9**;

2.3.6 Each representation of Purchaser set forth in **Section 14.2** being true and correct in all material respects as of the Closing Date;

2.3.7 The execution and delivery by Seller and Purchaser of an escrow closing statement prepared by the Escrow Agent Consistent with this Agreement;

2.3.8 Purchaser's execution of a Certificate of Cooperation, as provided in **Section 19.14**;

2.3.9 Purchaser's timely submission of a PPA as provided in **Section 14.1.14**, and

2.3.10 Purchaser's compliance with all its other obligations under this Agreement.

2.4 Conditions to Purchaser's Obligation to Close. Purchaser's obligation to close escrow hereunder is conditioned upon the following:

2.4.1 Purchaser's approval of the status of title to the Property pursuant to **Article 4**;

2.4.2 Purchaser's approval of the feasibility of the Property for its purposes pursuant to **Article 5**;

2.4.3 Seller's execution, acknowledgement (where applicable), and delivery of the Deed, Bill of Sale and Assignment as those terms are defined in **Article 3**;

2.4.4 Seller's execution, acknowledgement, and delivery of the Non-Foreign Affidavit, as that term is defined in **Section 14.1.12**;

2.4.5 The irrevocable written commitment as of the Closing Date of Title Insurer, as that term is defined in **Section 4.1**, to issue the Owner's Title Policy, as that term is defined in **Section 4.4**, to Purchaser;

2.4.6 Seller's payment of all closing costs, proratable items and other charges, costs and expenses to be borne by Seller pursuant to **Articles 8** and **9**;

2.4.7 Each representation and warranty of Seller set forth in **Section 14.1** being true and correct in all material respects as of the Closing Date;

2.4.8 The execution and delivery by Seller and Purchaser of an escrow closing statement prepared by the Escrow Agent consistent with this Agreement;

2.4.9 ADEQ's acceptance and/or approval of Purchaser's Environmental PPA with terms that are acceptable to Purchaser in Purchaser's sole discretion; provided that if ADEQ refuses to accept and/or approve the PPA with acceptable terms, and does not provide Purchaser with an opportunity to amend or resubmit its PPA, then Purchaser shall have 5 days after receiving notice from ADEQ of such final non-approval to expressly waive the contingency to Close; and

2.4.10 Seller's compliance with all of its other obligations under this Agreement.

3. Conveyance of Documents. At the Closing, Seller shall deliver the following documents to Purchaser.

3.1 Deed. A duly executed special warranty deed in the form attached hereto as **Exhibit "B"** (the "**Deed**"), conveying to Purchaser fee title to the Property.

3.2 Bill of Sale. A duly executed bill of sale in the form attached hereto as **Exhibit "C"** (the "**Bill of Sale**"), conveying the Personal Property to Purchaser.

3.3. Assignment of Rights. A duly executed assignment of rights in the form attached hereto **as Exhibit "D"** (the "**Assignment**") assigning to Purchaser the Seller's interest in any and all Property Documents (as that term is defined in **Section 5.4**) and Intangible Property to include any and all permits, licenses, certificates of occupancy, use and operating permits and licenses, warranties and approvals obtained or held in connection with the ownership or use of the Property; and any and all records and architectural, engineering, as-built and other plans of any kind relating to the Property.

4. Title and Title Insurance.

4.1. Commitment. Escrow Agent has delivered to Purchaser and Seller a current Commitment for Title Insurance, together with legible copies of all documents referred to therein (collectively, the "**Commitment**") from Fidelity National Title (the "**Title Insurer**"). The Commitment shall show the status of title to the Property as of the date of the Commitment and shall list Purchaser as the proposed insured.

4.2 Title Review Period. Purchaser shall have a period of time beginning upon its receipt of both the Commitment and the Survey, and ending at 5:00 p.m., Arizona time, ten (10) days thereafter (the "**Title Review Period**"), to review the Commitment and to give Seller and Escrow Agent notice of any title exception which is unacceptable to Purchaser. Purchaser shall have an additional five (5) business days after receipt of any amended Commitment and any underlying documents relating to such amendment to give Seller and Escrow Agent notice of any title exception not previously listed which is unacceptable to Purchaser (including, without limitation, any exception discovered by Title Insurer's physical inspection of the Property or any so-called "survey exception" added to the Commitment or any amended Commitment). If Purchaser gives notice of dissatisfaction as to any exception to title, Seller may, but shall not be required to, attempt to eliminate the disapproved exception from the Commitment or amended Commitment prior to the Closing. If Seller fails to notify Purchaser within ten (10) days after receipt of Purchaser's notice of dissatisfaction that Seller has elected to eliminate the disapproved exception from the Commitment or amended Commitment prior to the Closing, such failure shall be deemed Seller's election not to eliminate a disapproved exception.

4.2.1 If Seller notified Purchaser in writing of its election not to eliminate a disapproved exception from the Commitment or amended Commitment, or is deemed to have elected not to eliminate a disapproved exception, Purchaser shall have until the earlier of the Closing or ten (10) days after receipt of such notice (or if applicable ten (10) days after the date on which Seller is deemed to have elected not to eliminate a disapproved exception) to either terminate this Agreement or to agree to close this transaction subject to such previously disapproved exception. Purchaser's failure to timely give any such notice shall be deemed Purchaser's election to close this transaction subject to such previously disapproved exception. If Seller timely elects to eliminate a disapproved exception from the Commitment or amended Commitment prior to the Closing, Seller shall be obligated to do so by either causing such disapproved exception to be eliminated entirely from the Commitment or amended Commitment or to be endorsed over in form and substance acceptable to Purchaser in its sole and absolute discretion. Notwithstanding the foregoing to the contrary, Seller shall be required prior to the Closing to eliminate any monetary lien, judgment lien or mechanics' lien shown as an exception to title in the Commitment or any amended Commitment, and Purchaser shall not be required to object thereto.

4.3 Approval or Disapproval of Status of Title. Purchaser's failure to timely approve or disapprove any exception shall be deemed Purchaser's approval thereof. Upon any termination in accordance with this Section, Escrow Agent shall, without further instruction from either Party, return the Deposit and all interest earned thereon together with all documents deposited in escrow by Purchaser to Purchaser, return all documents deposited in escrow by Seller to Seller, and this Agreement and the escrow shall terminate.

4.4 Owner's Title Policy. Seller shall cause Escrow Agent to provide Purchaser with an ALTA extended coverage owner's policy of title insurance, including an owner's comprehensive endorsement and a survey endorsement with respect to the Survey (collectively, the "**Owner's Title Policy**") at the Closing or as soon thereafter as is reasonably possible. The Owner's Title Policy shall be issued by the Title Insurer in the full amount of the Purchase Price, be effective as of the Closing Date, and shall insure Purchaser that fee simple title to the Property is vested in Purchaser, subject only to: (i) the usual printed exceptions and exclusions contained in such title insurance policies; (ii) the exceptions to title approved by Purchaser as provided for in **Sections 4.2 and 4.3** of this Agreement; and (iii) any other matter approved in writing by Purchaser.

5. Feasibility Condition.

5.1. Property Review Period. Beginning December 1, 2023, Seller extended to Purchaser the right to enter upon the Property with Purchaser's representatives and agents for the purpose of testing, examining and investigating the Property. Purchaser, its representatives and agents had the right to conduct soils, hydrology, architectural, engineering, marketing, valuation, environmental and all other testing, examinations, investigations and interviews it deemed necessary to determine the feasibility of the Property for its purposes (collectively, the "**Inspections**"). Purchaser shall continue to have the right during the period beginning upon the Opening Date and ending at 5:00 p.m., Arizona time, thirty days after the Opening Date, (the "**Property Review Period**"), to terminate this Agreement if Purchaser is dissatisfied, in Purchaser's sole and absolute discretion, with the results of the testing, examinations and investigations it may conduct, for any reason affecting the feasibility of the Property for Purchaser's purposes, or for any other reason.

5.2. Approval or Disapproval of Feasibility. On or before expiration of the Property Review Period, Purchaser shall give written notice to Seller and Escrow Agent of its election whether or not to terminate this Agreement as described in **Section 5.1**. If Purchaser elects to terminate this Agreement in accordance with this Section, Escrow Agent shall, without further instruction from either Party, return the Deposit and all documents deposited in escrow by Purchaser to Purchaser, return all documents deposited in escrow by Seller to Seller, and this Agreement and the escrow shall terminate. If Purchaser elects not to terminate this transaction in a timely manner, the Deposit shall be nonrefundable to Purchaser except as set forth in **Section 1.3.1**. Purchaser's failure to timely give written notice of its election to terminate or not to terminate this transaction pursuant to this Section shall be deemed an election by Purchaser to terminate this transaction during the Property Review Period.

5.3. Restoration of Property. If Purchaser elects, or is deemed to have elected, to terminate this Agreement in accordance with this Section, Purchaser shall, at its sole expense, repair any damage caused to the Property by any entry thereon by Purchaser, its agents or contractors, including, without limitation, any Inspections.

5.4. Transfer of Documentation. Promptly after the Opening Date, Seller shall provide Purchaser with requested copies, at Purchaser's cost, of information and documentation relating to the Property which are then owned by, or in possession of, or are reasonably accessible to, Seller or its agents (collectively, the "**Property Documents**"): a complete inventory of all of the Personal Property that will be conveyed; any architectural and construction plans or specifications for the Improvements; the paid bill files for the last three (3) years; any photographs, studies, appraisals and marketing studies; any termite, environmental or engineering (including, without limitation, roof and mechanical) reports; any existing surveys and topographical maps; copies of all building and other permits, licenses and certificates of occupancy; copies of contractor bids for proposed capital expenditures; copies of all real estate and personal property statements and statements of special assessments; copies of all warranties currently in effect; copies of all written notices of violations, if any, of any applicable laws, including, without limitation, the Americans with Disabilities Act and zoning and environmental laws; copies of any claims made on any insurance policies; and all similar or relevant information and documentation requested by Purchaser or which could reasonably affect or influence Purchaser's use of the Property or Purchaser's willingness to close escrow hereunder. The date on which all of the Property Documents are received by Purchaser shall be referred to as the "**Property Documents Delivery Date**." Seller shall give Purchaser written notice of the Property Documents Delivery Date within three (3) business days thereafter. Seller's delivery of such notice shall be deemed Seller's representation to Purchaser that Seller has delivered to Purchaser all of the Property Documents.

6. ALTA/ACSM Survey. Purchaser shall procure, purchase, and deliver to the Title Insurer an ALTA/ACSM Land Title Survey (the "**Survey**") of the Property, which shall be conducted by an Arizona registered land surveyor (the "**Surveyor**"), shall be certified to Purchaser, its successors and assigns, and the Title Insurer, shall be dated not earlier than 30 days prior to the date of delivery, shall be prepared in accordance with the "2011 Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys" as adopted by American Land Title Association ("**ALTA**") and National Society of Professional Surveyors ("**NSPS**"), shall meet the current "Accuracy Standards for Land Title Surveys" adopted by ALTA and NSPS, and shall otherwise be sufficient to meet Title Insurer's requirements for issuance of the Owner's Title Policy. Should there be any conflict between the legal description for the Property set forth on the exhibit to this Agreement, the legal description set forth on the Survey, and the legal description set forth on the Commitment, the legal description which the Title Insurer is willing to insure shall control.

7. Escrow.

7.1. Establishment of Escrow. An escrow for this transaction (the "**Escrow**") shall be established with Escrow Agent and Escrow Agent is hereby employed by the Parties to handle the escrow. This Agreement shall constitute escrow instructions, and a fully executed copy or counterpart copies shall be deposited with Escrow Agent for this purpose. Should Escrow Agent require the execution of its standard form printed escrow instructions, Purchaser and Seller agree to execute the same; however, such instructions shall be construed as applying only to Escrow Agent's employment, and if there are conflicts between the terms of this Agreement and the terms of the printed escrow instructions, the terms of this Agreement shall control. In no event shall the Parties be required to execute any printed escrow instructions that purport to exculpate Escrow Agent or Title Insurer from their own negligent conduct, willful misconduct, breach of written instructions or bad faith acts.

7.2. Cancellation of Escrow. If the escrow fails to close because of Seller's default, Seller shall be liable for all customary escrow cancellation charges. If the escrow fails to close because of Purchaser's default, Purchaser shall be liable for all customary escrow cancellation charges. If the escrow fails to close for any other reason, Seller and Purchaser shall each be liable for one-half (1/2) of all customary escrow cancellation charges.

8. Closing Costs.

8.1. Seller's Closing Costs. Upon the Closing, Seller agrees to pay one-half (1/2) of the escrow charges and the cost of the Owner's Title Policy equal to the cost of a standard coverage owner's policy of title insurance.

8.2. Purchaser's Closing Costs. Upon the Closing, Purchaser agrees to pay one-half (1/2) of the escrow charges, the cost of the Survey pursuant to **Section 6**, and that portion of the cost of the Owner's Title Policy which exceeds the cost of a standard coverage policy in the full amount of the Purchase Price and the full cost of the endorsements described in **Section 4.4**.

9. Prorations and Apportionments.

9.1. General. All revenues and all expenses of the Property shall be prorated and apportioned as of 12:01 a.m. on the Closing Date, so that Seller shall bear all expenses with respect to the Property and shall have the benefit of all income with respect to the Property for the period preceding the Closing Date. Any revenue or expense amount which cannot be ascertained with certainty as of the Closing Date shall be prorated on the basis of the Parties' reasonable estimates of such amount and shall be the subject of a final proration outside of escrow forty-five (45) days after the Closing Date or as soon thereafter as the precise amounts can be ascertained.

9.2. Prorations. Items to be prorated shall include, without limitation, real estate taxes and personal property taxes with respect to the Property; income and expenses under any assigned Service Contracts; and utility charges payable by the owner of the Property.

9.3. Taxes. In prorating real estate and personal property taxes, the proration shall be based upon the most recently available tax rate and valuation. All assessments against the Property shall be paid in full on or before the Closing Date by Seller.

9.4. Utilities. If possible, in lieu of prorating utility charges, utility readings will be taken on the day prior to the Closing Date, Seller shall pay the charges for utility services based on such reading, and Purchaser shall contract for such utilities and pay all utility expenses incurred after the Closing Date.

9.5. Payment. At the Closing, the net adjustment by reason of the closing costs incurred by the Parties and by the foregoing prorations and apportionments, if in favor of Seller, shall be paid in immediately available funds to Escrow Agent, or, if in favor of Purchaser, shall be paid by set off against the cash portion of the Purchase Price due at Closing.

10. Possession. Possession of the Property shall be delivered to Purchaser upon the Closing.

11. Brokerage. Seller and Purchaser each warrant and represent to the other that neither has dealt with any real estate broker or salesperson in connection with this transaction.

12. Remedies.

12.1. Seller's Remedies. If Purchaser fails to perform as required by this Agreement, in the time and manner set forth in this Agreement, and provided Seller is not then in default, Seller, as Seller's sole and exclusive remedy, may terminate this Agreement and the escrow, such termination to be effective five (5) days after Seller has given written notice of its intent to terminate to Purchaser and Escrow Agent if Purchaser's failure is not cured within such five (5) day time period. Upon such termination, Seller shall be entitled to, and Escrow Agent shall deliver to Seller, any Deposit and Extension Deposit, or so much thereof as has been paid into escrow by the Purchaser, as consideration for acceptance of the extension of this Agreement, for taking the

Property off the market, and as the Parties' best estimate of Seller's damages resulting from Purchaser's default, but not as a penalty. Such funds released to Seller upon such termination shall be retained by Seller as Seller's sole and exclusive remedy against Purchaser in all respects, except for any indemnification obligations of Purchaser contained in this Agreement.

12.2. Purchaser's Remedies. If Seller fails to perform when due any act required by this Agreement to be performed by Seller and provided Purchaser is not then in default, then, in addition to whatever other remedies are available to Purchaser at law or in equity, including the right of specific performance, Purchaser may terminate this Agreement and the escrow, such termination to be effective five (5) days after Purchaser has given written notice of its intent to terminate to Seller and Escrow Agent if Seller's failure is not cured within such five (5) day time period. Upon such termination and without further instructions from Seller, Purchaser shall be entitled to a return of, and Escrow Agent shall deliver to Purchaser, any Deposit and Extension Deposit, or so much thereof as has been paid into escrow by Purchaser, and all interest earned thereon.

13. Opening Date. The "**Opening Date**" shall be the date on which the initial Deposit together with the fully executed copy or counterpart copies hereof are delivered to and accepted by Escrow Agent. Escrow Agent is hereby instructed to enter the Opening Date on **page 2** of this Agreement and deliver a fully executed copy, including Escrow Agent's Acceptance, to Purchaser and Seller.

14. Representations and Warranties.

14.1. Seller's Representations and Warranties. Seller represents and warrants to Purchaser (and on the Closing Date shall be deemed to represent and warrant) as follows:

14.1.1. Full Power and Authority. Sellers have the full power and authority to execute and deliver this Agreement, and to perform and carry out all covenants and obligations to be performed and carried out by them hereunder.

14.1.2. Legal, Valid and Binding. This Agreement and all other instruments or documents executed or delivered in connection with this transaction each constitute legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms.

14.1.3. No Approval by Governmental Authority. No consent, approval, authorization, registration, qualification, designation, declaration or filing with any governmental authority is required in connection with the execution and delivery of this Agreement by Seller.

14.1.4. No Conflict. The execution, delivery and performance of this Agreement by Seller and the consummation of the transaction contemplated herein will not: (i) result in a breach or acceleration of or constitute a default or event of termination under the provisions of any agreement or instrument by which the Property is bound or affected; (ii) result in the creation or imposition of any lien, charge or encumbrance, not provided for herein, on or against the Property or any portion thereof; or (iii) constitute or result in the violation or breach by Seller of any judgment, order, writ, injunction or decree issued against or imposed upon Seller, or result in the violation of any applicable law, rule or regulation of any governmental authority.

14.1.5. No Lawsuits. There are no actions, suits, proceedings, or investigations pending, or to the best of Seller's knowledge, threatened, with respect to or in any manner affecting Seller's ownership of the Property or otherwise affecting any portion thereof, or which will become a cloud on the title to the Property or question the validity or enforceability of the transaction contemplated herein.

14.1.6. Leases. There will be no existing leases and/or tenancies affecting all or any portion of the Property as of the Closing Date.

14.1.7. Property Documents. To the best of Seller's knowledge, none of the Property Documents to be made available to Purchaser are incorrect or materially misleading. Seller shall not knowingly withhold any of the information or documentation described in **Section 5.4** as the Property Documents.

14.1.8. Latent Defects. To the best of Seller's knowledge, there are no defects associated with the condition of the Property that would materially interfere with Purchaser's intended uninterrupted use thereof and which could not be discovered by the exercise of reasonable diligence by Purchaser and qualified consultants retained by Purchaser.

14.1.9. No Notices of Violation. Seller has not received notice from any governmental agency or official, whether federal, state or local, that the Property or any operations conducted thereon, whether currently or in the past, is or was in violation of any law, rule, ordinance or regulation.

14.1.10. No Mechanics Liens. No work has been performed or is in progress at, and no materials have been furnished to, the Property or any portion thereof, which is not presently the subject of a lien, but which might give rise to mechanics', materialmen's or other liens against Purchaser's interest in the Property or any portion thereof. Seller hereby agrees to indemnify Purchaser from and against any and all claims of third parties, and from all mechanics' liens connected with the Property whose claim of lien arises from labor or material provided to the Property prior to Closing or pursuant to contract entered into with Seller prior to Closing, including all costs and reasonable attorneys' fees.

14.1.11. Subsequent Actions. Prior to the Closing Date or any extension thereof, Seller will not sell, assign, transfer, lease, or convey any right, title or interest whatsoever in and to the Property without the prior written consent of the Purchaser.

14.1.12. Non-Foreign Affidavit. Seller is not, and as of the Closing Date will not be, a "foreign person" within the meaning of Internal Revenue Code Section 1445, and Seller shall deliver to Purchaser at Closing a Non-Foreign Affidavit pursuant to Section 1445(b)(2) of the Internal Revenue Code.

14.1.13. Environmental Compliance. To the best of Sellers' knowledge, the Seller has operated in compliance with all applicable Environmental Laws. During the time in which Seller has owned the Property, neither Seller nor, to the best of Seller's knowledge, any third party has released onto, under, about or from the Property any Hazardous Materials. For purposes of this Agreement, (i) **"Hazardous Materials"** shall include, but not be limited to, any substance, waste or material which is regulated in any manner under any Environmental Law now or hereinafter in effect, including, but not limited to, petroleum, oil, gasoline or other petroleum derivative products, flammable substances, explosives, radioactive materials, dioxins and radon gas; urea formaldehyde foam insulation, asbestos containing materials, any liquid, chemical substance, mixture, element, compound or solution included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "extremely hazardous wastes", "extremely hazardous substances", "restricted hazardous wastes", "toxic substances", "regulated substances", "pollutant" or "contaminant" in any Environmental Law; and (ii) "Environmental Law" means the Clean Air Act, Clean Water Act, the Comprehensive Environmental Response, Compensation and Liability Act ("**CERCLA**"), the Federal Water Pollution Control Act, the Resource Conservation and Recovery Act, the Safe Drinking Water Act, the Toxic Substance and Control Act, the Superfund Amendments and Reauthorization Act, the Hazardous and Solid Waste Amendments Act and the Oil Pollution Act of 1990, all as amended, and any applicable analogous state and local laws. Additionally, Seller is aware and has disclosed to Purchaser that Hazardous Materials may have been released by a previous landowner more than fifty years ago. The Parties agree and understand that Property is not understood to be within a Water Quality Assurance Revolving Fund ("**WQARF**") registry site. Nonetheless, Seller has cooperated with Purchaser's requests for additional information in furtherance of Purchaser's due diligence conducted pursuant to its opportunities to evaluate the Property under **Section 5.1** above. Seller and Purchaser have cooperatively and voluntarily caused certain environmental testing on the Property to occur ("**Pre-Sale Testing**"). Results of the Pre-Sale Testing show certain localized exceedances in the soil and groundwater on the Land. The Parties expect that any contaminants will be cleared through natural dispersal and attenuation. However, the Parties agree Seller shall continue to test and monitor the groundwater on the Property at Seller's sole expense prior to and following Closing as follows.

14.1.13.1. Air Quality. Seller initiated a third-party indoor air quality assessment at the Property in August 2024. The laboratory reported no detection of volatile organic compounds above their detection limits. The Purchaser received a copy of the August 2024 laboratory report. Seller will not perform any additional indoor air quality testing.

14.1.13.2. Groundwater. Seller has installed four monitoring wells on the Property. Purchaser agrees that Seller shall continue to access the monitoring wells and withdraw groundwater samples for testing for one year after Closing. Seller will provide all the test results to Purchaser at Seller's expense.

14.1.14. Prospective Purchaser Agreement. The Parties are responsibly and cooperatively responding to the known conditions on the Property prior to the sale. Seller agrees, to cooperate with Purchaser to prepare and submit an application for a Prospective Purchaser Agreement ("**PPA**") with the Arizona Department of Environmental Quality ("**ADEQ**"), a standard form of which is set forth in **Exhibit E**. Purchaser agrees to submit the PPA to ADEQ within 5 business days of the Parties' execution of this Agreement. The filing of the PPA application and ADEQ's acceptance and/or approval of the PPA shall be a condition of closing as set forth in Section 2.4.9 herein, unless waived by Purchaser.

14.1.15. Absence of Material Adverse Change. Except as may be disclosed to Purchaser in writing prior to the Closing, there shall be at Closing no material adverse change with respect to the condition of the land and improvements of the Property.

14.2. Purchaser's Representations. Purchaser represents to Seller (and on the Closing Date shall be deemed to represent) as follows:

14.2.1. Full Power and Authority. Purchaser is a body corporate duly organized, validly existing and in good standing under the laws of the state of Arizona and has the full power and authority to execute and deliver this Agreement and to perform and carry out all covenants and obligations to be performed and carried out by Purchaser hereunder.

14.2.2. Legal, Valid and Binding. This Agreement constitutes the legal, valid, and binding obligation of Purchaser, enforceable against Purchaser in accordance with its respective terms.

14.2.3. No Conflict. The execution, delivery and performance of this Agreement by Purchaser and the consummation of the transaction contemplated herein will not constitute or result in the violation or breach by Purchaser of any judgment, order, writ, injunction, or decree issued against or imposed upon Purchaser, or result in the violation of any applicable law, rule or regulation of any governmental authority.

14.2.4. No Lawsuits. There are no actions, suits, proceedings, or investigations pending, or to the best of Purchaser's knowledge, threatened against Purchaser, which question the validity or enforceability of the transaction contemplated herein.

14.3. As Is, Where Is.

14.3.1. Other than the representations and warranties expressly stated in this Agreement, Seller makes no other or further representations and/or warranties of any sort whatsoever. Except for the express representations and warranties set forth in this Agreement, Purchaser is relying entirely on Purchaser's own investigations and examinations as to the physical condition of the Property, including without limitation, the structural integrity of the Improvements, the conformity of the Improvements to any plans or specifications for the Property, conformity to past, current or future zoning or building code requirements, the existence of soil instability, soil repairs, and any other soil conditions, sufficiency of undershoring and drainage, the existence of any flood plains or flood hazards or similar conditions, every other matter affecting the stability or integrity of the Land or Improvements, and the environmental condition of the Property. Purchaser acknowledges that Purchaser is purchasing the Property on an "**AS-IS, WHERE-IS**" basis, except as expressly represented and warranted in this Agreement.

14.4. Operation of Property. Seller will operate the Property diligently during the period between the Opening Date and the Closing and only in the ordinary course of business and in accordance with Seller's past management practices. Seller will keep and maintain the Property in good, presentable and rent-ready condition during the escrow period and will make or cause to be made all ordinary and necessary repairs and maintenance with respect to the Property until the Closing Date. Seller will not make any material alterations to the Property without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, conditioned, or delayed. Seller shall not transfer or remove any material item of personal property or fixtures from the Property, including, without limitation, the personal property listed on the inventory delivered to Purchaser pursuant to **Section 5.4**, without the prior written approval of Purchaser, which approval shall not be unreasonably withheld, conditioned or delayed, except for purposes of replacement thereof in the ordinary course of business, in which case such replacement shall be installed prior to Closing and shall be reasonably comparable in quantity and quality to the item(s) being replaced.

15. Condemnation. If prior to the Closing all of the Property shall be taken by condemnation or eminent domain, this Agreement shall be automatically terminated, any Deposit and Extension Deposit shall be returned to Purchaser, and thereupon neither Party shall have any further liability or obligation to the other. If prior to the Closing less than all of the Property shall be taken by condemnation or eminent domain, then Purchaser may, at its option, terminate this Agreement prior to the Closing, in which event Escrow Agent shall return to Purchaser any Deposit and Extension Deposit and thereupon neither Party shall have any further liability or obligation to the other, or Purchaser may accept title to the Property subject to the taking, in which event at the Closing the proceeds of the award or payment shall be assigned by Seller to Purchaser and any monies theretofore received by Seller in connection with such taking shall be paid over to Purchaser. As used in this Section, a "taking" of the Property by condemnation or eminent domain shall include an agreement in lieu of condemnation or eminent domain proceedings between the Seller and the governmental authority seeking to acquire the Property or applicable portion thereof.

16. Casualty Loss. If prior to the Closing the Property is damaged as the result of fire or other casualty in an amount exceeding $25,000.00 and is not entirely restored by the Closing Date, Purchaser shall have the option prior to the Closing to (a) accept title to the Property without any abatement of the Purchase Price whatsoever, in which event at the Closing all of the insurance proceeds shall be assigned by Seller to Purchaser, any monies theretofore received by Seller in connection with such fire or other casualty shall be paid over to Purchaser and Purchaser shall receive a credit in the amount of the deductible or other co-payment required under Seller's insurance policy, or (b) terminate this Agreement with the return of any Extension Deposit, and thereupon neither Party shall have any further liability or obligation to the other. If prior to the Closing, the Property is damaged as a result of fire or other casualty in an amount less than $25,000.00 and provided Purchaser has not previously terminated this transaction in accordance with the other provisions of this Agreement, Purchaser shall accept title to the Property without any abatement of the Purchase Price whatsoever, provided Seller is fully insured for the replacement cost of any damage and Seller's insurer confirms to Purchaser in writing that such damage is actually covered, in which event at the Closing Purchaser shall receive a credit in the amount of the deductible or other co-payment required under Seller's insurance policy and all of the insurance proceeds shall be assigned by Seller to Purchaser and any monies theretofore received by Seller in connection with such fire or other casualty shall be paid over to Purchaser. Seller shall maintain adequate insurance on the Property to cover the replacement value of the Improvements in case of any fire or other casualty occurring before the Closing.

Seller shall not settle any fire or casualty loss claims or agree to any award or payment in condemnation or eminent domain (or in lieu thereof) or any award or payment in connection with the change in grade of any street, road, highway or avenue in respect of or in connection with the Property without obtaining Purchaser's prior written consent in each case, Seller shall promptly notify Purchaser in writing following Seller obtaining knowledge of any casualty or proposed taking of the Property by condemnation or eminent domain.

17. Risk of Loss. Except as expressly set forth in **Article 15 and 16,** the risk of loss or damage to the Property until the Closing shall be borne by Seller.

18. Notices. Notices must, unless otherwise specified herein, be in writing and may be delivered by hand delivery, United States mail or overnight courier service, addressed as set forth at the outset of this Agreement. A copy of any notice shall be given to Escrow Agent.

Copies of any notice given to Seller shall also be given to:

Office of the General Counsel
The University of Arizona
1401 East University Boulevard
Post Office Box 210066
Tucson, Arizona 85721-0066

Copies of any notice given to Purchaser shall also be given to:

DeConcini McDonald Yetwin & Lacy, P.C.
2525 East Broadway Boulevard, Suite 200
Tucson, Arizona 85716
Attn.: Michael R. Urman, Esq.

Notice by hand delivery will be effective at the close of business on the day actually received, if received during business hours on a Business Day, and otherwise will be effective at the close of business on the next Business Day. Notice by overnight United States mail or courier will be effective on the next Business Day after it was sent. A Party may change its addresses by providing notice of same in accordance with this Agreement.

19. Miscellaneous.

19.1. Incorporation of Recitals. The recitals to this Agreement are hereby affirmed by the Parties as true and correct and are incorporated herein by this reference.

19.2. Waivers. No waiver of any of the provisions of this Agreement shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver be a continuing waiver. Except as expressly provided in this Agreement, no waiver shall be binding unless executed in writing by the Party making the waiver. Either Party may waive any provision of this Agreement intended for its sole benefit; however, unless otherwise provided for herein, such waiver shall in no way excuse the other Party from the performance of any of its other obligations under this Agreement.

19.3. Construction. This Agreement shall be interpreted according to Arizona law and shall be construed as a whole and in accordance with its fair meaning and without regard to, or taking into account, any presumption or other rule of law requiring construction against the Party preparing this Agreement or any part hereof.

19.4. Time. Time is of the essence of this Agreement.

19.5. Attorneys' Fees. If any action is brought by either Party in respect to its rights under this Agreement, the prevailing Party shall be entitled to reasonable attorneys' fees and courts costs as determined by the court.

19.6. Binding Effect. This Agreement and all instruments or documents entered into pursuant hereto are binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

19.7. Further Assurances and Documentation. Each Party agrees in good faith to take such further actions and execute such further documents as may be necessary or appropriate to fully carry out the intent and purpose of this Agreement.

19.8. Time Periods. If the time for the performance of any obligation under this Agreement expires on a Saturday, Sunday or legal holiday, the time for performance shall be extended to the next succeeding day which is not a Saturday, Sunday or legal holiday.

19.9. Headings. The headings of this Agreement are for purposes of reference only and shall not limit or define the meaning of any provision of this Agreement.

19.10. Entire Agreement. This Agreement, together with all exhibits referred to herein, which are incorporated herein and made a part hereof by this reference, constitutes the entire agreement between the Parties pertaining to the subject matter contained in this Agreement. No supplement, modification or amendment of this Agreement shall be binding unless in writing and executed by Purchaser and Seller.

19.11. Counterparts. This Agreement may be executed by the exchange of faxed or e-mailed signatures and in counterparts.

19.12. Survival. Each of the terms and provisions of this Agreement which are not incorporated into the Deed, or which are not satisfied by the execution and delivery of the Deed, or which by their nature require the Parties to perform certain acts subsequent to the Closing, including, without limitation, all representations and warranties of the Parties hereunder, shall survive the Closing.

19.13. Tax Deferred Exchange. If Seller so requests, Purchaser will cooperate with the Seller to the extent reasonably necessary for the Seller to qualify all or a portion of the Purchase

Price as a tax deferred exchange within the meaning of Section 1031 of the Internal Revenue Code of 1986, as amended; provided, however, that Purchaser shall not be obligated to incur any additional expense (including attorneys' fees) or liability on account of its accommodation of Seller nor shall such tax deferred exchange delay the Closing Date.

19.14. Certificate. Purchaser acknowledges that Seller has informed it that the Property was at times financed or refinanced by Seller using proceeds of various certificates of participation. Seller has requested Purchaser's ongoing and future cooperation related to sharing timely information about Purchaser's use or disposition of the Property so that Seller may take appropriate action as to the certificates under the law. In support of this request, Purchaser has contemporaneously signed a certificate of cooperation, entitled "Certificate of Tucson Unified School District No. 1 of Pima County Regarding Acquisition of Property Located At 220 W. Sixth Street, Tucson, Pima County, Arizona," ("**Certificate of Cooperation**") in a form mutually acceptable to the Parties, on the date of its execution of this Agreement. In no event will this **Section 19.14** or the certificate of Purchaser be construed as restricting its future use or disposition of the Property.

19.15. Non-Discrimination. The Parties shall comply with all applicable state and federal statutes and regulations governing equal employment opportunity, non-discrimination, and immigration.

19.16. Arbitration. The Parties agree to arbitrate disputes filed in Arizona Superior Court that are subject to mandatory arbitration pursuant to ARS § 12-133.

19.17. Conflict of Interest. This Agreement may be subject to cancellation pursuant to A.R.S. § 38-511 for conflict of interest.

19.18. State Obligation. The Parties recognize that the performance by the Arizona Board of Regents for and on behalf of the University of Arizona may be dependent upon the appropriation of funds by the State Legislature of Arizona or the availability of funding from other sources. Should the Legislature fail to appropriate the necessary funds, if the Purchaser's appropriation is reduced during the fiscal year, or funding becomes otherwise not legally available, the Arizona Board of Regents may reduce the scope of this Agreement if appropriate or cancel the Agreement without further duty or obligation. The Board agrees to notify Seller as soon as reasonably possible after the unavailability of said funds comes to the Board's attention.

(*signatures on next page*)

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

SELLER:

The ARIZONA BOARD OF REGENTS,
a body corporate, for and on behalf of
THE UNIVERSITY OF ARIZONA

______________________________ By:______________________________
Date
John Arnold
Senior Vice President, Chief Operating Officer and Chief Financial Officer

PURCHASER:

TUCSON UNIFIED SCHOOL DISTRICT NO. 1 OF PIMA COUNTY, a political subdivision of the State of Arizona

______________________________ By:______________________________
Date
Bryant Nodine
Operations Program Manager

ACCEPTANCE BY ESCROW AGENT

Escrow Agent hereby (a) acknowledges receipt of a fully executed copy or counterpart copies of this Agreement on this _____ day of _______________, 2024 and has inserted said date on the second page of this Agreement, and (b) agrees to establish an escrow (Escrow No. _________) and to administer the same in accordance with the provisions hereof. Escrow Agent further agrees to immediately deliver to Purchaser and Seller copies or counterpart copies of this fully executed Agreement.

FIDELITY NATIONAL TITLE

By:___________________________
Name:
Title:

EXHIBIT “A”

PROPERTY DESCRIPTION

EXHIBIT “B”

When recorded, return to:
Tucson Unified School District
1010 E. Tenth Street
Tucson, AZ 85719
Attn: Bryant Nodine

SPECIAL WARRANTY DEED

For the consideration of the sum of Ten Dollars ($10.00) and other valuable consideration, ___________________ a(n) _________________(“**Grantor**”), does hereby grant, sell and convey unto _________________________________, a(n) _____________________________________, the following described real property located in _________________ County, Arizona:

See **Exhibit “A”** attached hereto and by this reference made a part hereof (the “**Property**”), together with all rights, easements and privileges appurtenant thereto, and any and all wells located on the real property, including, but not limited to, Arizona Department of Water Resources Well Numbers 55-700410.

SUBJECT only to those matters set forth on **Exhibit “B”** attached hereto and by this reference made a part hereof.

Grantor warrants the title to the Property against all acts of Grantor subject only to the matters above set forth.

IN WITNESS WHEREOF, the Grantor has caused these presents to be executed this ____ day of ______________, 20___.

[EXHIBIT DO NOT EXECUTE]
____

By:___________________________________
Title:_________________________________
Name:________________________________

STATE of ___________)
) ss.
County of ____________)

The foregoing instrument was acknowledged before me this ____ day of ______________________, 20__, by _______________________________, the _______________________ of ____________________________________, a(n) _______________________________, on behalf of the ______________.

____
Notary Public

My Commission Expires:

____

EXHIBIT “A” TO SPECIAL WARRANTY DEED

[Attach Legal Description of Property]

EXHIBIT "B" TO SPECIAL WARRANTY DEED

[Attach Title Exceptions Approved by Purchaser Pursuant to Terms of Purchase and Sale Agreement]

EXHIBIT “C”

BILL OF SALE

For Ten Dollars and other good and valuable consideration paid to ________________________, a(n) ______________________ (“**Seller**”), the receipt and sufficiency of which are acknowledged, Seller sells, transfers, conveys and assigns to _____________________, a(n) ______________________ (“**Purchaser**”), all of Seller’s right, title, and interest in and to that certain personal property listed on **Exhibit “A”** attached hereto and incorporated herein by this reference, including any and all warranties in connection with the same and the right to sue on any claim for relief under such warranties (the “**Personal Property**”).

The Personal Property is located at that certain real property legally described on the attached **Exhibit “B”** (the “**Real Property**”).

The Personal Property is sold in a used, and “as is, where is,” condition, with all faults. Seller makes no warranties, express or implied, of any kind to Purchaser regarding the Personal Property, except as specifically set forth in this Bill of Sale.

Seller warrants to Purchaser that the Personal Property is free and clear of all liens, claims, and encumbrances in favor of any third party. Seller shall defend the title of the Personal Property against all acts of Seller and not otherwise.

IN WITNESS WHEREOF, Seller has executed this Bill of Sale to be effective ____________________, 20__.

[EXHIBIT DO NOT EXECUTE]
____

By:__________________________________
Name:________________________________
Title:_________________________________

<u>EXHIBIT "A" TO BILL OF SALE</u>

The personal property owned by Seller of any kind that is (a) located on the Real Property, or (b) or used in connection with the operation or maintenance of the Real Property as follows:

EXHIBIT "B" TO BILL OF SALE

[INSERT LEGAL DESCRIPTION OF REAL PROPERTY]

EXHIBIT “D”

ASSIGNMENT OF RIGHTS

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, The Arizona Board of Regents, a body corporate, for and on behalf of THE UNIVERSITY OF ARIZONA (“Assignor”) hereby assigns, transfers and sets over to TUCSON UNIFIED SCHOOL DISTRICT NO. 1 OF PIMA COUNTY, a political subdivision of the State of Arizona (“Assignee”), all of Assignor’s right, title and interest in and to: any and all of the following Property Documents (as that term is defined in **Section 5.4** in the Purchase and Sale Agreement between Assignor as Seller and Assignee as Purchaser dated ____________, 2024) owned in connection with that certain real property located in Pima County, Arizona, and more particularly described on **Exhibit “A”** attached hereto and by this reference made a part hereof (the “Real Property”), (i) any and all permits, licenses, certificates of occupancy, use and operating permits and licenses, warranties and approvals obtained or held in connection with the ownership or use of the Real Property; and (ii) any and all records and architectural, engineering, as-built and other plans of any kind relating to the Real Property. Assignor makes no warranty or representation of any kind with respect to its right, title or interest in the property described above.

IN WITNESS WHEREOF, Assignor has caused this instrument to be executed this ____ day of _____________________, 2024.

The ARIZONA BOARD OF REGENTS,
a body corporate, for and on behalf of
THE UNIVERSITY OF ARIZONA

By___________________________________

Its___________________________________

EXHIBIT “A” TO ASSIGNMENT OF RIGHTS

[INSERT LEGAL DESCRIPTION OF REAL PROPERTY]

EXHIBIT "E"

https://static.azdeq.gov/forms/ppa.pdf

ADEQ Arizona Department of Environmental Quality	**Arizona Department of Environmental Quality** **Prospective Purchaser Agreement Application** **(If additional space is needed, attach separate sheets as necessary.)**

NOTICES AND INSTRUCTIONS TO APPLICANT:

1. ADEQ will not enter into a prospective purchaser agreement unless a hazardous substance is present in the soil or groundwater at the property being purchased.

2. If more than one person is purchasing the property, they may submit a joint application.

3. The initial fee required by A.A.C. R18-7-301(C) shall be paid to ADEQ along with this application.

4. A person is not eligible for a prospective purchaser agreement unless this application form is completed and received by ADEQ prior to purchase of the subject property. An application is "complete" when ADEQ has received sufficient information to determine that all of the conditions set forth in A.R.S. § 49-285.01 have been satisfied. If ADEQ is unable to make that determination, then it may require the applicant to amend or supplement this application with additional information. The amended application may relate back to the date this application was first received by ADEQ.

5. This application form shall be completed and received by ADEQ before the property is purchased. The applicant shall provide ADEQ with a copy of an official, certified deed within ten days after the property is purchased.

6. The mere continuation of business from the seller to the applicant will not be considered a substantial public benefit.

7. ADEQ will not seek a court approved settlement (consent decree) that confers CERCLA contribution protection:

    A. Unless the applicant has fully performed all obligations under its prospective purchaser agreement, including providing a substantial public benefit.

    B. Until the applicant has paid the fee provided by A.A.C. R18-7-301(D)(2). After ADEQ has agreed to seek a court approved settlement, the applicant shall pay all costs incurred by ADEQ in connection with the federal court action, including attorneys fees, filing fees, mailing costs, publication costs, direct and indirect costs, and similar expenses. The fee is due in advance and payment for all other costs is due upon request for payment by ADEQ.

    C. In any other matter where ADEQ determines that it is not appropriate or not in the public interest to seek a court approved settlement.

1 Applicant's full name, mailing address including county, telephone number, and FAX number.

(If applicable) Applicant's legal counsel's full name, mailing address, telephone number, and FAX number.

2. Applicant's Legal Status.

- ☐ Unmarried person
- ☐ Married persons
- ☐ Married person dealing with his/her sole and separate property
- ☐ Limited liability company (specify state in which the LLC was organized)
- ☐ Partnership (specify state in which the partnership was organized)
- ☐ Corporation (specify state in which the corporation was organized)
- ☐ Other (specify) ____

3. Name, location or mailing address, county assessor's parcel number, and approximate acreage of the real property ("Property") being purchased.

4. Full name, mailing address, telephone number, FAX number, and legal status of the seller of the Property.

5. Expected date of close of escrow.

6. Is the Property in or near a CERCLIS, NPL or WQARF site? _____ Yes _____ No

If yes, identify the site.

7. Identify all hazardous substances currently in the soil and/or groundwater at the Property and state the level of concentration of each hazardous substance ("Contamination"). Attach copies of all supporting documentation.

8. Provide the history of the Property and its use, including the full name and address of all past owners and operators, and the name of any person who may have caused or contributed to the release of the Contamination.

9. State whether the Property is located in a flood plain and whether any dry wells, underground storage tanks, or drinking water wells are located on the Property. State whether the Property is located near a significant physical feature, such as a railroad, highway, river bank, landfill, mine tailings, etc.

10. Is Applicant affiliated with any person who may be responsible for the release of the Contamination or the release or threatened release of any other hazardous substance at the Property through any familial relationship or any corporate or contractual relationship other than a contract to protect a security interest? _____ Yes _____ No If yes, please explain.
11. State Applicant's prior involvement with the Property, including all environmental investigations and Phase I or Phase II reports prepared in connection with the Property.
12. Describe the substantial public benefit Applicant will provide. Include with the description the anticipated costs, drawings, plans, and supporting documentation for the proposed public benefit. Examples of some acceptable public benefits are listed in A.R.S. § 49-285.01(A)(4). ADEQ will determine if the proposed public benefit is substantial and appropriate. However, the mere continuation of business from the seller to the Applicant will not be considered a substantial public benefit.
13. If Applicant is providing funding to ADEQ as the substantial public benefit, state the dollar amount.
14. Will Applicant's proposed redevelopment or reuse of the Property contribute to or exacerbate the Contamination, or unreasonably interfere with remedial measures necessary at the Property, or cause Contamination to present a substantial health risk to the public? _____ Yes _____ No If yes, please explain.

15. Is Applicant responsible for a release of a hazardous substance at the Property? ____ Yes _____ No

If yes, please explain.

16. State the full name, mailing address, telephone number, and FAX number of each person to whom notices may be given under the prospective purchaser agreement.

Name	Address	Phone Number and FAX number

17. Other information Applicant wants ADEQ to consider in evaluating Applicant's eligibility for a prospective purchaser agreement.

CERTIFICATION

I affirm the foregoing information given to ADEQ by Applicant is true, accurate and complete to the best of my knowledge and belief. Applicant acknowledges that ADEQ is relying on the truthfulness, accuracy, and completeness of this information as a basis for entering a Prospective Purchaser Agreement.

Signature of applicant	**Print Name/Title**	**Date**

Please provide the following with this application:

1. Cashier's or certified check made payable to "ADEQ" in the amount of $2,500.00 if the Property is within a WQARF Registry site, or in the amount of $3,600.00 if the Property is not within a WQARF Registry site (this includes sites within a Federal Superfund site).
2. A copy of an official, certified deed containing the legal description of the Property.
3. A map depicting the location of the Property, including relevant Assessor Parcel numbers.
4. Statement of work (if applicable).
5. Statement of the current zoning on the Property.
6. If Applicant is not an individual, documentation evidencing Applicant's and Seller's legal organization or formation, as follows:

A. For a domestic corporation
- A certified copy of the Articles of Incorporation along with any amendments
- A certified copy of the Certificate of Disclosure
- A certified copy of the Certificate of Good Standing
- A certified copy of the Notice of Publication

B. For a foreign entity
- A certified copy of the Articles of Incorporation
- A certified copy of the Certificate of Incorporation
- A certified copy of the Certificate of Good Standing or its equivalent from a foreign state
- A certified copy of the Application for Authority to Transact Business in Arizona along with any appendix
- A certified copy of the Notice of Publication

C. For a Limited Liability Partnership
- A certified copy of the Articles of Organization along with any amendments
- A certified copy of the Notice of Publication

D. For a Limited Partnership
- A certified copy of the Certificate of Limited Partnership along with any amendments

E. For a Limited Liability Company
- Articles of Organization
- Certificate of Good Standing
- Notice of publication

For each of A, B, C, D and E above, if any member, owner or partner is another entity and not an individual, provide certified copies for that entity as listed above. List each document provided.

ARIZONA AUDITOR GENERAL

Lindsey A. Perry, Auditor General

Melanie M. Chesney, Deputy Auditor General

June 26, 2025

Governing Board
Tucson Unified School District
1010 E Tenth St.
Tucson, AZ 85719

Dear Members of the Board:

We have reviewed Tucson Unified School District's audit reports and *Uniform System of Financial Records for Arizona School Districts* (USFR) Compliance Questionnaire for the year ended June 30, 2024, prepared by Heinfeld, Meech & Co. P.C., which indicate that the District has not complied with the USFR. We have attached a list of the most significant USFR compliance deficiencies we noted in these reports.

We provided separately to you and District management a corrective action plan template that includes these deficiencies. Pursuant to Arizona Revised Statutes §15-271, District management should implement corrective actions within 90 days after the date of this letter.

If you have any questions, please contact Chris Votroubek, Accountability Services Division Manager, or me at asd@azauditor.gov or (602) 977-2796.

Sincerely,

Meghan L. Hieger

Meghan L. Hieger, CPA
Director, Accountability Services Division

cc: Gabriel Trujillo, Superintendent
Ricky Hernández, Chief Financial Officer
Tucson Unified School District
The Honorable Dustin Williams, Pima County School Superintendent
Members of the State Board of Education
Arizona State Board of Education
Art Harding, Chief Operations Officer
Nicole von Prisk, Deputy Associate Superintendent, Grants Management
Arizona Department of Education

Navigate to a specific district's page:

Tucson Unified School District

Tucson Unified School District

—Among the highest-risk districts

District demographic information

General information	
County	Pima County
Operational peer group (FY 2024)	1
Legislative district(s)	16, 17, 18, 20, 21, and 23

School information	FY 2024	FY 2025
Students attending	38,010	37,452
Number of schools	87	87

Summary of risks identified

Tucson Unified School District is at high risk of not being able to operate within its available budget constraints and cash resources. As shown on the measure cards below, the District's high-risk status is due to its change in weighted student count (WSC), operating and capital budget limit reserves, General Fund operating margin ratio, General Fund change in fund balance, and capital monies redirected to operations.

The District's WSC has consistently declined every year since fiscal year (FY) 2022, with an overall 8.99% decline, including a 3.68% decline in FY 2026, to date, impacting its budget limits and student-count-generated revenues.

that time. However, since FY 2023, the District has used 36.43% of that reserve, with a 25.18% decrease during FY 2025. Similarly, the District accumulated a capital budget limit reserve of over $12.5 million at the end of FY 2022 and has been steadily spending the reserve since then. Specifically, the District decreased its reserve to only $1.9 million at the end of FY 2025, which represents an 82.99% decline since FY 2021 and 68.22% decline during FY 2025 alone. The District began redirecting a small portion of its capital monies to support operational spending in FY 2024 (8.67%) but increased that amount in FYs 2025 and 2026 to $10 million, or 44.41% and 45.15%, respectively. The District's steadily decreasing capital budget limit reserve and increased redirecting of capital monies to operations, could indicate it is delaying necessary operational spending cuts or may be at risk of overspending its capital budget limit when large capital spending needs arise.

Although the District reduced General Fund spending from FYs 2024 to 2025, General Fund expenditures still exceeded available revenues (i.e., negative operating margin) in FY 2025, reducing the District's General Fund balance by 42.25%, leaving it with a General Fund reserve balance that would cover just over 1 month of expenditures going into FY 2026.

While the District has not yet exceeded its statutorily prescribed budget limits or cash resources, it must identify and implement appropriate risk-mitigation measures to prevent future overspending and cash deficits. See the District's action plan below.

District action plan

The District's management created this downloadable financial risk action plan to describe its current and planned actions to reduce its financial risks. The action plan includes the District's identified root causes for each of its risk areas, its planned mitigating actions, and the estimated financial impact.

Download action plan (PDF)

Analysis and data

The Measures page describes how each measure was calculated, how districts were identified as high risk for each measure, and other measure-related information.

High risk

Change in weighted student count

High risk

Budget limit reserve—
Operating budget

Analysis ^

-3.68%

(1-year change)

-8.99%

(4-year change)

Data v

FY	Group A WSC
2026	42,851
2025	44,486
2024	45,205
2023	46,299
2022	47,085

What is this measure telling me? v

This measure shows a district's change in group A weighted student count (WSC) over a 1- and 4-year period. A single-year substantial decrease in WSC, or smaller but repeated decreases over more years, may expose a district to higher financial risk due to the loss of student-count-generated revenue.

Analysis ^

-25.18%

(1-year change)

6.12%

(4-year change)

Data v

FY	Budget limit (in $)	Expenditures (in $)	Balanc (in $)
2026	390,966,083		
2025	401,305,311	377,033,232	24,272,0
2024	402,888,799	370,448,383	32,440,4
2023	371,607,542	333,425,090	38,182,4
2022	339,056,430	313,268,657	25,787,7
2021	316,473,846	293,600,819	22,873,0

What is this measure telling me? v

This measure shows how a district's Maintenance and Operation (M&O) Fund budget limit reserve has changed over a 1- and 4-year period. Declining, negative, or unfunded M&O Fund budget limit reserves indicate higher financial risk.

High risk

Budget limit reserve—

Financial position—

Analysis ^

-68.22%

(1-year change)

-82.99%

(4-year change)

Data ⌄

FY	Budget limit (in $)	Expenditures (in $)	Balance (in $)
2026	15,375,354		
2025	21,241,164	19,308,961	1,932,203
2024	31,814,514	25,734,562	6,079,952
2023	37,641,184	28,622,182	9,019,002
2022	36,633,772	24,051,421	12,582,351
2021	26,671,236	15,310,244	11,360,993

What is this measure telling me? ⌄

This measure shows how a district's Unrestricted Capital Outlay (UCO) Fund budget limit reserve has changed over a 1- and 4-year period. Declining, negative, or unfunded UCO Fund budget limit reserves indicate higher financial risk.

Analysis ^

9.76%

FY 2025 unaudited

21.51%

FY 2024 audited

Data ⌄

FY	Balance (in $)	Expenditures (in $)
2025 unaudited	38,623,195	395,810,045
2024 audited	88,708,591	412,386,181

balance ÷ expenditures = operating reserve ratio

What is this measure telling me? ⌄

This measure shows the percent of General Fund monies held in reserve for future spending (i.e., fund balance), compared to total spending from the prior year. A negative operating reserve ratio indicates a negative fund balance, which means the district must use monies received in the following year to cover prior-year spending.

Financial position— General Fund operating margin ratio

Analysis ^

-9.27%
FY 2025 unaudited

-2.93%
FY 2024 audited

Data

FY	Revenue (in $)	Expenditure (in $)
2025 unaudited	362,222,279	395,810,04[illegible]
2024 audited	400,659,076	412,386,18[illegible]

(revenue - expenditures) ÷ revenues = operating margin ratio

What is this measure telling me?

This measure shows the percent of district General Fund revenues not spent in the year received for each of the most recent 2 years. A district with below-average operating reserves exposes

Financial position— General Fund change in fund balance

Analysis ^

-42.25%
FY 2024 to 2025 unaudited

4.98%
FY 2023 to 2024 audited

Data

FY	Change amount (in $)
2024 to 2025 unaudited	-28,261,170
2023 to 2024 audited	4,209,459

What is this measure telling me?

This measure shows the 1-year percentage change in a district's General Fund balance for each of the most recent 2 years. Declining fund balances or a negative fund balance in the most recent year indicate higher financial risk

Analysis ^

45.15%
(FY 2026)

19.65%
(5-year average)

Data ⌄

FY	Capital monies (in $)	Amount redirected (in $)
2026	22,146,015	10,000,000
2025	22,519,864	10,000,000
2024	23,067,870	2,000,000
2023	21,449,768	0
2022	19,178,401	0

What is this measure telling me? ⌄

This measure shows the percentage of intended capital funding the district has

Analysis ^

N/A - District is too large to be eligible for adjustment.

Data ⌄

FY	Adjustment (in $)	Total operating and capital budget limit (in $)
2026	0	406,341,437
2025	0	422,546,475
2024	0	434,703,313
2023	0	409,248,726
2022	0	375,690,202

The small school adjustment is included in the total operating and capital budget and on average over the last 5 years. Districts that direct a substantial portion of their intended capital funding to operational spending may be at higher financial risk.

What is this measure telling me?

This measure shows a district's additional budget capacity from a small school adjustment in the current year and each of the prior 4 years. The loss of the ability to include a small school budget limit adjustment or an unfunded small school budget limit adjustment due to a frozen tax rate may indicate higher financial risk.

Frozen tax rate

Analysis

District's primary property tax rate is not frozen.

What is this measure telling me?

This measure shows whether a district has a frozen primary property tax rate, limiting the District's ability to increase its property tax revenue to fund its allowable budget limits.

Receivership

Analysis

District is not in receivership.

What is this measure telling me?

This measure identifies whether a district is operating under a State Board of Education-appointed receiver due to gross mismanagement or insolvency.

Less common revenues in FY 2025

Some districts have access to revenues and budget capacity that are not available to all districts. These revenues may help lessen financial risks for some districts, but desegregation and small school adjustment revenues can contribute risk for other districts, if they result in a district's property tax rate being frozen, which can cause the district to accumulate unfunded budget capacity. Select the information icon to learn more about the revenues presented.

Desegregation	$63,709,826
Federal Impact Aid	$1,288,301
Small school adjustment	$0
Voter-approved budget overrides	$0
Total less common revenues per student	$1,736

Source: Desegregation, small school adjustment, and voter-approved budget override amounts - FY 2025 Arizona Department of Education BUDG75 report. Federal Impact Aid amounts - FY 2025 district submitted, unaudited annual financial reports.

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

April 16, 2024

Governing Board
Tucson Unified School District
1010 E. 10th St.
Tucson, AZ 85719

Dear Members of the Board:

Pursuant to Arizona Revised Statutes (A.R.S.) §15-914 and the *Uniform System of Financial Records for Arizona School Districts* (USFR), school districts must submit audited financial statements and reports, and a USFR Compliance Questionnaire (questionnaire) to our Office within 9 months of fiscal year-end. We have not received the District's single audit report and questionnaire for the year ended June 30, 2023, which were due by March 31, 2024. Therefore, the District has not complied with the USFR and applicable State and federal requirements regarding audit report submission.

If the District does not submit the reports and questionnaire within 90 days of the date of this letter, we will notify the Arizona State Board of Education of the District's noncompliance and request that appropriate action be taken as prescribed by A.R.S. §15-272.

If you have questions about this letter or the action the District must take, please call Megan Smith, Accountability Services Division Manager, or me at (602) 977 2796.

Sincerely,

Meghan L. Hieger

Meghan L. Hieger, CPA
Director, Accountability Services Division

cc: Dr. Gabriel Trujillo, Superintendent
Mr. Ricky Hernández, Chief Financial Officer
Tucson Unified School District
The Honorable Dustin Williams, Pima County Schools Superintendent
Members of the State Board of Education
Arizona State Board of Education
Mr. Art Harding, Chief Operations Officer
Ms. Nicole von Prisk, Deputy Associate Superintendent, Grants Management
Arizona Department of Education