

PRELIMINARY OFFICIAL STATEMENT DATED JULY __, 2016

NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS: See “RATINGS” herein.

INSURANCE: See “BOND INSURANCE AND RELATED RISK FACTORS” herein.

In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the District, as mentioned under “TAX EXEMPTION” herein, interest income on the Bonds is excluded from gross income for federal income tax purposes. Interest income on the Bonds is not an item of tax preference to be included in computing the alternative minimum tax of individuals or corporations; however, such interest income must be taken into account for federal income tax purposes as an adjustment to alternative minimum taxable income for certain corporations, which income is subject to the federal alternative minimum tax. In the opinion of Bond Counsel, interest income on the Bonds is exempt from Arizona income taxes. See “TAX EXEMPTION,” “ORIGINAL ISSUE DISCOUNT” and “BOND PREMIUM” herein.

\$70,320,000*

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
OF PIMA COUNTY, ARIZONA
REFUNDING BONDS, SERIES 2016**

**DRAFT II
7/6/16**

Dated: Date of Initial Authentication and Delivery

Due: July 1, as shown on the inside front cover page

The Refunding Bonds, Series 2016 (the “Bonds”) of Tucson Unified School District No. 1 of Pima County, Arizona (the “District”), will be issued in the form of fully-registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Ownership interests in the Bonds may be purchased in amounts of \$5,000 of principal due on a specific maturity date or integral multiples thereof. The Bonds will mature on the dates and in the principal amounts and will bear interest from their initial date of delivery to their maturity, or prior redemption as set forth on the inside front cover page. Interest on the Bonds will accrue from the date of initial authentication and delivery and will be payable semiannually on July 1 and January 1 of each year commencing January 1, 2017*, until maturity or prior redemption.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER PAGE

The District will initially utilize DTC’s “book-entry-only system,” although the District and DTC each reserve the right to discontinue the book-entry-only system at any time. Utilization of the book-entry-only system will affect the method and timing of payment of principal of and interest on the Bonds and the method of transfer of the Bonds. So long as the book-entry-only system is in effect, a single fully-registered Bond, for each maturity of the Bonds, will be registered in the name of Cede & Co., as nominee of DTC, on the registration books maintained by _____, the initial bond registrar and paying agent for the Bonds. DTC will be responsible for distributing the principal, premium, if any, and interest payments to its direct and indirect participants who will, in turn, be responsible for distribution to the beneficial owners of the Bonds (the “Beneficial Owners”). So long as the book-entry-only system is in effect and Cede & Co. is the registered owner of the Bonds, all references herein (except under the headings “TAX EXEMPTION,” “ORIGINAL ISSUE DISCOUNT” and “BOND PREMIUM”) to owners of the Bonds will refer to Cede & Co. and not the Beneficial Owners. See APPENDIX H - “BOOK-ENTRY-ONLY SYSTEM” herein.

The Bonds will be subject to redemption prior to their stated maturity dates as described under “THE BONDS – Redemption Provisions” herein*.

Principal of and interest on the Bonds will be payable from a continuing, direct, annual, ad valorem tax levied against all of the taxable property located within the boundaries of the District, as more fully described herein. The Bonds will be payable from such tax without limit as to rate, but limited in amount so that the total aggregate amount of taxes levied to pay principal of and interest on the Bonds in the aggregate shall not exceed the total aggregate of principal of and interest on the Bonds Being Refunded (as defined herein) from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded. The application of such taxes to the payment of the Bonds will be subject to the rights vested in the owners of the Bonds Being Refunded to the payment of the Bonds Being Refunded from the same source in the event of a deficiency in the monies and the securities to be purchased with the proceeds of the Bonds and held in trust to pay principal of and interest on the Bonds Being Refunded. The owners of the Bonds must rely on the sufficiency of such monies and securities for payment of the Bonds Being Refunded. See “PLAN OF REFUNDING” and “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS” herein.

The Bonds will be offered when, as and if issued by the District and received by the underwriters identified below (the “Underwriters”), subject to the legal opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, as to validity and tax exemption. In addition, certain legal matters will be passed upon for the Underwriters by Greenberg Traurig, LLP, Phoenix, Arizona. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about August 25, 2016*.

This cover page and inside front cover page contain certain information with respect to the Bonds for convenience of reference only. It is not a summary of the issue of which the Bonds are a part. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.

RBC CAPITAL MARKETS

PIPER JAFFRAY

* Subject to change.

\$70,320,000*
TUCSON UNIFIED SCHOOL DISTRICT NO. 1
OF PIMA COUNTY, ARIZONA
REFUNDING BONDS, SERIES 2016

MATURITY SCHEDULE*
Base CUSIP® No. 721799⁽¹⁾

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP® No.⁽¹⁾</u>
2017	\$ 730,000			
2018	3,045,000			
2019	5,075,000			
2020	5,095,000			
2021	5,400,000			
2022	5,745,000			
2023	6,085,000			
2024	6,710,000			
2025	10,810,000			
2026	11,595,000			
2027	10,030,000			

* Subject to change.

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**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
OF PIMA COUNTY, ARIZONA**

DISTRICT GOVERNING BOARD

Adelita S. Grijalva, *President*
Kristel Ann Foster, *Clerk*
Michael Hicks, *Member*
Cam Juarez, *Member*
Dr. Mark Stegeman, *Member*

DISTRICT ADMINISTRATION

Dr. H.T. Sánchez, *Superintendent*
Dr. Karen Kopec, *Deputy Superintendent*
Ana Gallegos, *Assistant Superintendent of Elementary and K-8 Leadership*
Dr. Abel Morado, *Assistant Superintendent of Secondary Leadership*
Karla Soto, *Chief Financial Officer*
Renee Weatherless, *Senior Director of Finance*
Anna Maiden, *Chief Human Resources Officer*
Stuart Duncan, *Chief Operations Officer*
Scott Morrison, *Chief Technology Officer*
Todd Jaeger, *Legal Counsel*

BOND COUNSEL

Gust Rosenfeld P.L.C.
Phoenix, Arizona

FINANCIAL ADVISOR

Stifel, Nicolaus & Company, Incorporated
Phoenix, Arizona

DEPOSITORY TRUSTEE, BOND REGISTRAR AND PAYING AGENT

[To be determined]

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by Tucson Unified School District No. 1 of Pima County, Arizona (the “District”), Stifel, Nicolaus & Company, Incorporated (the “Financial Advisor”) or the underwriters identified on the cover page (the “Underwriters”) to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been obtained from the District, the Arizona Department of Revenue, the Assessor and Treasurer of Pima County, Arizona, and other sources that are considered to be accurate and reliable and customarily relied upon in the preparation of similar official statements, but such information has not been independently confirmed or verified by the District, the Financial Advisor or the Underwriters, is not guaranteed as to accuracy or completeness, and is not to be construed as the promise or guarantee of the District, the Financial Advisor or the Underwriters.

The Underwriters have provided the following sentences for inclusion in this Official Statement: “The Underwriters have reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information. The delivery of this Official Statement shall not imply that the information herein is correct as of any time subsequent to the date hereof.”

None of the District, the Financial Advisor, the Underwriters, counsel to the Underwriters or Bond Counsel (as defined herein) are actuaries. None of them have performed any actuarial or other analysis of the District’s share of the unfunded liabilities of the Arizona State Retirement System.

The presentation of information, including tables of receipts from taxes and other sources, shows recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. All information, estimates and assumptions contained herein are based on past experience and on the latest information available and are believed to be reliable, but no representations are made that such information, estimates and assumptions are correct, will continue, will be realized or will be repeated in the future. To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All forecasts, projections, opinions, assumptions or estimates are “forward looking statements” that must be read with an abundance of caution and that may not be realized or may not occur in the future. Information other than that obtained from official records of the District has been identified by source and has not been independently confirmed or verified by the District, the Financial Advisor or the Underwriters and its accuracy cannot be guaranteed. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made pursuant hereto will, under any circumstances, create any implication that there has been no change in the affairs of the District or any of the other parties or matters described herein since the date hereof.

The Bonds will neither be registered under the Securities Act of 1933, as amended, nor any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document for purposes of, and as that term is defined in, Rule 15c2-12 of the Securities and Exchange Commission.

The District will undertake to provide continuing disclosure as described in this Official Statement under the heading “CONTINUING DISCLOSURE” and in APPENDIX G – “FORM OF CONTINUING DISCLOSURE CERTIFICATE,” all pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS, AND THE UNDERWRITERS MAY OVERALLOT OR ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET IN ORDER TO FACILITATE THEIR DISTRIBUTION. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

A wide variety of information, including financial information, concerning the District is available from publications and websites of the District and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of, or incorporated into, this Official Statement, except as expressly noted herein.

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OFFICIAL STATEMENT

\$70,320,000*

TUCSON UNIFIED SCHOOL DISTRICT NO. 1 OF PIMA COUNTY, ARIZONA REFUNDING BONDS, SERIES 2016

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been prepared at the direction of Tucson Unified School District No. 1 of Pima County, Arizona (the "District"), in connection with the issuance of \$70,320,000* aggregate principal amount of bonds designated Refunding Bonds, Series 2016 (the "Bonds"). Certain information concerning the authorization, purpose, terms, conditions of sale and sources of payment of and security for the Bonds is stated in this Official Statement. See APPENDIX A – "THE DISTRICT – DISTRICT INFORMATION" and APPENDIX B – "THE DISTRICT – FINANCIAL INFORMATION" for certain information about the District.

Reference to provisions of State of Arizona (the "State" or "Arizona") law, whether codified in the Arizona Revised Statutes, or uncoded, or of the State Constitution, are references to those current provisions. Those provisions may be amended, repealed or supplemented.

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

THE BONDS

Authorization and Purpose

The Bonds will be issued, executed and delivered pursuant to the Constitution and the laws of the State, including particularly Title 35, Chapter 3, Article 4, Arizona Revised Statutes (the "Act"), and a resolution adopted by the Governing Board of the District on July 12, 2016 (the "Bond Resolution"). Proceeds from the sale of the Bonds and any amounts contributed by the District will be used to establish an irrevocable depository trust (the "Trust") containing monies and certain obligations that will, together with certain reinvestment income thereon, be sufficient to pay when due the principal and interest on \$70,320,000* aggregate principal amount of the District's outstanding bonds as described herein under "PLAN OF REFUNDING" (the "Bonds Being Refunded") and to pay all legal, financial, and other necessary costs incurred in connection with the issuance of the Bonds.

Terms of the Bonds – Generally

The Bonds will be dated the date of delivery, and will be registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), under the book-entry-only system described herein (the "Book-Entry-Only System"). See APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM." The Bonds will mature on the dates and in the principal amounts and will bear interest from their date at the rates set forth on the inside front cover page of this Official Statement. Beneficial ownership interests in the Bonds may be purchased in amounts of \$5,000 of principal due on a specific maturity date or integral multiples thereof. Interest on the Bonds will be payable semiannually on each January 1 and July 1, commencing January 1, 2017* (each an "Interest Payment Date"), until maturity or prior redemption.

See "TAX EXEMPTION," "ORIGINAL ISSUE DISCOUNT," and "BOND PREMIUM" herein for a discussion of the treatment of interest on the Bonds for federal or State income tax purposes.

* *Subject to change.*

Bond Registrar and Paying Agent

_____ will serve as the initial bond registrar, transfer agent and paying agent (the “Bond Registrar and Paying Agent”) for the Bonds. The District may change the Bond Registrar and Paying Agent without notice to or consent of the owners of the Bonds.

Redemption Provisions*

Optional Redemption. The Bonds maturing on or before July 1, 20__ are not subject to redemption prior to their stated maturity dates. The Bonds maturing on or after July 1, 20__ are subject to redemption prior to their stated maturity dates, at the option of the District, in whole or in part from maturities selected by the District on July 1, 20__, or on any date thereafter, by the payment of a redemption price equal to the principal amount of each Bond called for redemption, plus interest accrued to the date fixed for redemption but without premium.

Notice of Redemption. So long as the Bonds are held under the Book-Entry-Only System, notices of redemption will be sent to DTC in the manner required by DTC. See APPENDIX H – “BOOK-ENTRY-ONLY SYSTEM.” If the Book-Entry-Only System is discontinued, notice of redemption of any Bond will be mailed to the registered owner of the Bond or Bonds being redeemed at the address shown on the bond register maintained by the Bond Registrar and Paying Agent not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption. Notice of redemption may be sent to any securities depository by mail, facsimile transmission, wire transmission or any other means of transmission of the notice generally accepted by the respective securities depository. Neither the failure of any registered owner of Bonds to receive a notice of redemption nor any defect therein will affect the validity of the proceedings for redemption of Bonds as to which proper notice of redemption was given.

Notice of any redemption will also be provided as set forth in APPENDIX G – “FORM OF CONTINUING DISCLOSURE CERTIFICATE,” but no defect in said further notice or record nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

If monies for the payment of the redemption price and accrued interest are not held in separate accounts by the District, the Pima County, Arizona (the “County”) Treasurer or the Bond Registrar and Paying Agent prior to sending the notice of redemption, such redemption shall be conditional on such monies being so held on the date set for redemption and if not so held by such date, the redemption shall be cancelled and be of no force and effect.

Effect of Redemption. On the date designated for redemption, the Bonds or portions thereof to be redeemed will become and be due and payable at the redemption price for such Bonds or portions thereof, and, if monies for payment of the redemption price are held in a separate account by the Bond Registrar and Paying Agent, interest on such Bonds or portions thereof to be redeemed will cease to accrue, such Bonds or portions thereof will cease to be entitled to any benefit or security under the Bond Resolution, the owners of such Bonds or portions thereof will have no rights in respect thereof except to receive payment of the redemption price thereof and such Bonds or portions thereof will be deemed paid and no longer outstanding. DTC’s practice is to determine by lot the amount of each Direct Participant’s (as defined in APPENDIX H – “BOOK-ENTRY-ONLY SYSTEM”) proportionate share that is to be redeemed.

Redemption of Less than All of a Bond. The District may redeem any amount which is included in a Bond that is subject to prior redemption in a denomination equal to or in excess of, but divisible by, \$5,000. In the event of a partial redemption, the Bond will be redeemed in accordance with DTC’s procedures. In the event of a partial redemption if the Book-Entry-Only System is discontinued, the registered owner will submit the Bond for partial redemption and the Bond Registrar and Paying Agent will make such partial payment and will cause to be issued a new Bond in a principal amount which reflects the redemption so made, to be authenticated and delivered to the registered owner thereof.

* Subject to change.

Registration and Transfer When Book-Entry-Only System Has Been Discontinued

If the Book-Entry-Only System is discontinued, the Bonds will be transferred only upon the bond register maintained by the Bond Registrar and Paying Agent and one or more new Bonds, registered in the name of the transferee, of the same principal amount, maturity and rate of interest as the surrendered Bond or Bonds will be authenticated, upon surrender to the Bond Registrar and Paying Agent of the Bond or Bonds to be transferred, together with an appropriate instrument of transfer executed by the transferor if the Bond Registrar and Paying Agent's requirements for transfer are met. The District has chosen the fifteenth day of the month preceding an Interest Payment Date as the "Record Date" for the Bonds. The Bond Registrar and Paying Agent may, but is not required to, transfer or exchange any Bonds during the period from the Record Date to and including the respective Interest Payment Date. Interest on the Bonds will be paid to the registered owners of the Bonds as shown on the registrar's registration books on the respective Record Date.

The transferor will be responsible for all transfer fees, taxes, other fees and any other costs relating to the transfer of ownership of individual Bonds.

PLAN OF REFUNDING

The proceeds of the sale of the Bonds, together with any amounts to be contributed by the District for such purpose, remaining after payment of certain costs of issuance, will be placed in the Trust with _____, the depository trustee (the "Depository Trustee"), pursuant to a depository trust agreement among the District, the Treasurer of the County and the Depository Trustee, dated as of August 1, 2016* (the "Depository Trust Agreement"), to be applied to the payment of the Bonds Being Refunded as identified below. Such funds will be used to acquire securities issued by or guaranteed by the United States of America (the "Government Obligations"), the maturing principal of and interest income with respect to which are calculated to be sufficient, along with certain cash held pursuant to the Depository Trust Agreement or contributed by the District, to pay debt service on the Bonds Being Refunded until their redemption on the dates specified below, and to redeem the Bonds Being Refunded on such redemption dates.

* *Subject to change.*

Schedule of Bonds Being Refunded*

Issue Series	Maturity Date (July 1)	Coupon	Principal Amount Outstanding	Bonds Being Refunded	Redemption Date	CUSIP® ⁽¹⁾ No. 721799
2006B	2017	4.750%	\$ 305,000	\$ 305,000	1/1/2017	WU4
	2018	4.750	320,000	320,000	1/1/2017	WV2
	2019	4.750	335,000	335,000	1/1/2017	WW0
	2020	5.000	355,000	355,000	1/1/2017	WX8
	2021	4.250	370,000	370,000	1/1/2017	WY6
	2022	4.250	385,000	385,000	1/1/2017	WZ3
	2023	4.300	400,000	400,000	1/1/2017	XA7
	2024	4.300	420,000	420,000	1/1/2017	XB5
	2025	4.375	440,000	440,000	1/1/2017	XC3
	2026	4.400	455,000	455,000	1/1/2017	XD1
2007C	2018	4.375%	\$ 2,300,000	\$ 2,300,000	7/1/2017	XK5
	2019	4.500	2,300,000	2,300,000	7/1/2017	XL3
	2020	4.500	2,300,000	2,300,000	7/1/2017	XM1
	2021	4.500	2,600,000	2,600,000	7/1/2017	XN9
	2022	4.500	2,800,000	2,800,000	7/1/2017	XP4
	2023	5.000	2,900,000	2,900,000	7/1/2017	XQ2
	2024	5.000	3,100,000	3,100,000	7/1/2017	XR0
	2025	5.000	4,300,000	4,300,000	7/1/2017	XS8
	2026	5.000	4,500,000	4,500,000	7/1/2017	XT6
	2027	5.000	3,735,000	3,735,000	7/1/2017	ZV9
2008D	2019	4.000%	\$ 2,100,000	\$ 2,100,000	7/1/2018	YB4
	2020	4.100	2,200,000	2,200,000	7/1/2018	YC2
	2021	4.125	2,300,000	2,300,000	7/1/2018	YD0
	2022	4.250	2,500,000	2,500,000	7/1/2018	YE8
	2023	4.250	2,800,000	2,800,000	7/1/2018	YF5
	2024	4.375	3,300,000	3,300,000	7/1/2018	YG3
	2025	5.000	6,300,000	6,300,000	7/1/2018	YH1
	2026	5.000	7,200,000	7,200,000	7/1/2018	YJ7
	2027	5.000	7,000,000	7,000,000	7/1/2018	YK4
			<u>\$ 70,320,000</u>	<u>\$ 70,320,000</u>		

* *Subject to change.*

⁽¹⁾ *See footnote (1) on the inside front cover page.*

The ad valorem property tax to be levied for the payment of the Bonds will be unlimited as to rate, but limited in amount so that the total aggregate of taxes levied to pay principal of and interest on the Bonds in the aggregate will not exceed the total aggregate of principal and interest due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded. The Act provides that the issuance of the Bonds will in no way infringe upon the rights of holders of the Bonds Being Refunded to rely upon a tax levy for the payment of principal of and interest on the Bonds Being Refunded if the monies and Government Obligations held in the Trust prove insufficient. The Act further provides that owners of the Bonds must rely upon the sufficiency of

such monies and Government Obligations held in the Trust for the payment of the Bonds Being Refunded. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS.”

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent certified public accountants, will deliver to the District, on or before the issue date of the Bonds, its verification report indicating, among other things, that it has verified, in accordance with standards for attestation engagements established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the sufficiency of the anticipated receipts from the Government Obligations, together with the initial cash deposit, to pay, when due, the principal of, interest and applicable premiums, if any, on the Bonds Being Refunded and (b) the yields on the Government Obligations and the Bonds.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP, by the District and its representatives. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by the District and its representatives and has assumed the accuracy of the data, information and documents used in the computations.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

For the purpose of paying the principal of and interest on the Bonds and costs of registration and payment of the Bonds, the District will cause to be levied on all the taxable property in the District a continuing, direct, annual, ad valorem property tax sufficient to pay all such principal, premium, interest, and costs of the administration of the Bonds as the same become due, provided, however, that the total of taxes levied to pay principal of and interest on the Bonds will not exceed the total aggregate of principal and interest that would become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded. (The District has other bonds payable from such source outstanding and may issue additional bonds payable from such source in the future with or without such limit. See APPENDIX B – “THE DISTRICT – FINANCIAL INFORMATION – DIRECT AND OVERLAPPING BONDED INDEBTEDNESS.”) Subject to such limitation, such taxes are to be levied, assessed and collected at the same time and in the same manner as other taxes are levied, assessed and collected. The proceeds of the taxes will be kept in a special fund of the District (the “Debt Service Fund”) and will be used only for the payment of principal, interest, and administration costs as above-stated. For the ad valorem property tax levy and collection procedures, see APPENDIX B – “THE DISTRICT – FINANCIAL INFORMATION – PROPERTY TAXES.”

As described hereinabove under “PLAN OF REFUNDING,” the net proceeds of the sale of the Bonds will be invested in the Government Obligations and held in the Trust for the payment of the Bonds Being Refunded and interest to come due thereon to and including their redemption prior to their stated maturity dates. The owners of the Bonds must rely upon the sufficiency of the monies and the Government Obligations held in the Trust for the payment of the Bonds Being Refunded. The issuance of the Bonds will in no way infringe upon the rights of the holders of the Bonds Being Refunded to rely upon a tax levy for the payment of principal of and interest on the Bonds Being Refunded if the monies and the Government Obligations held in the Trust prove insufficient.

Following collection and deposit of the proceeds of the taxes into the Debt Service Fund, the District will instruct the Treasurer of the County, as ex officio Treasurer of the District, to invest the monies credited to the Debt Service Fund in accordance with Title 15, Chapter 9, Article 7 of the Arizona Revised Statutes. The District is permitted to invest monies in the Debt Service Fund only in the investments set forth in Section 15-1025, Arizona Revised Statutes, which include, with certain restrictions, bonds issued or guaranteed by the United States of America (the “United States”) or any of its agencies or instrumentalities when such obligations are guaranteed as to principal and interest by the United States or by any agency or instrumentality thereof, bonds of the State or any Arizona county, city, town, or school district, certain bonds of any Arizona county, municipality or municipal district utility, certain bonds of any Arizona municipal improvement district, federally insured savings accounts or certificates of deposit, bonds issued by federal land banks, federal intermediate credit banks, or banks for cooperative and certain certificates of deposit (pursuant to Section 35-323.01, Arizona Revised Statutes). All earnings derived from such investments are credited to the Debt Service Fund. The statutes governing investment of monies in the Debt Service

Fund are subject to change. The District does not monitor the manner in which the Treasurer of the County invests monies in the Debt Service Fund.

Neither the proceeds of the sale of the Bonds nor the school property of the District are security for or a source of payment of, principal of or interest on the Bonds.

SOURCES AND USES OF FUNDS

Sources

Principal Amount	\$70,320,000.00*
[Net] Original Issue Premium (a)	<u> </u>
Total Sources of Funds	<u><u>\$</u></u>

Uses

Deposit to the Trust	\$
Costs of Issuance (b)	
Deposit to Debt Service Fund	<u> </u>
Total Uses of Funds	<u><u>\$</u></u>

* *Subject to change.*

(a) *Net original issue premium consists of original issue premium on the Bonds, less original issue discount on the Bonds.*

(b) *Will include bond insurance premium, if any, compensation and costs of the Underwriters (as defined herein) with respect to the Bonds.*

ESTIMATED DEBT SERVICE REQUIREMENTS

The following table illustrates the (i) estimated annual debt service on the outstanding bonds of the District, net of the Bonds Being Refunded; (ii) estimated annual debt service on the Bonds; and (iii) total estimated annual debt service on all bonds of the District outstanding after the issuance of the Bonds.

TABLE 1

Schedule of Estimated Annual Debt Service Requirements (a)
Tucson Unified School District No. 1

Fiscal Year	Bonds Outstanding (b)(c)		The Bonds		Total Estimated Annual Debt Service Requirements*
	Principal	Interest	Principal*	Estimated Interest (d)*	
2016/17	\$ 13,065,000	\$ 5,304,488	\$ 730,000	\$ 1,494,300 (e)	\$ 20,593,788
2017/18	8,515,000	4,746,805	3,045,000	1,739,750	18,046,555
2018/19	6,765,000	4,383,253	5,075,000	1,663,625	17,886,878
2019/20	7,075,000	4,054,558	5,095,000	1,536,750	17,761,308
2020/21	7,380,000	3,702,735	5,400,000	1,409,375	17,892,110
2021/22	7,750,000	3,329,444	5,745,000	1,274,375	18,098,819
2022/23	8,030,000	2,902,338	6,085,000	1,130,750	18,148,088
2023/24	5,845,000	2,458,931	6,710,000	978,625	15,992,556
2024/25	5,040,000	2,133,115	10,810,000	810,875	18,793,990
2025/26	5,290,000	1,834,898	11,595,000	540,625	19,260,523
2026/27	5,555,000	1,500,994	10,030,000	250,750	17,336,744
2027/28	5,805,000	1,150,362			6,955,362
2028/29	6,015,000	783,950			6,798,950
2029/30	6,405,000	404,284			6,809,284
	<u>\$ 98,535,000</u>		<u>\$ 70,320,000</u>		

* Subject to change.

(a) Prepared by Stifel, Nicolaus & Company, Incorporated (the "Financial Advisor").

(b) Net of Bonds Being Refunded.

(c) Interest is without reduction for the federal interest subsidy payments related to the School Improvement Bonds, Project of 2004, Federally Taxable Series E-2 (2010) (Build America Bonds – Direct Payment) of the District.

(d) Interest is estimated at 2.5%.

(e) The first interest payment on the Bonds will be due on January 1, 2017*. Thereafter, interest payments will be made semiannually on July 1 and January 1 until maturity or prior redemption.

LITIGATION

The District is potentially liable with respect to a number of lawsuits and other claims incidental to the ordinary course of its operations. Legal counsel to the District has advised District management of the nature and extent of the pending and threatened claims against the District. In the opinion of District management, such matters will not have a materially adverse effect on the District's ability to pay debt service on the Bonds.

In September 2010, the District received a subpoena from a Grand Jury assembled by the United States District Court, Northern District of Texas requesting the District provide to the Grand Jury all documents referring or relating to any municipal bond issuance from 2003 to the present, including, but not limited to, financial advisory records, underwriting records, bond counsel records, requests for proposals, requests for quotations, bid solicitations, invitations to bid, bids submitted, negotiated agreements, correspondence, presentations, award letters, contracts, fee agreements, analyses, records of expenses, payment records, accounting records, and billing records. At the time, the U.S. Department of Justice indicated that the District was not a target of the Grand Jury investigation and was not requested to testify in person, but was being asked to respond to the subpoena as a witness. The District has responded to the subpoena and has not received any additional correspondence from the Grand Jury or U.S. Department of Justice. *[Q: Is this stale or relevant now? Discuss with Financing Team.]*

No litigation or administrative action or proceeding is pending to restrain or enjoin, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the levy and collection of taxes to pay the debt service on the Bonds, to contest or question the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds. Representatives of the District will deliver a certificate to the same effect at the time of the initial delivery of the Bonds.

RATINGS

Fitch Ratings ("Fitch") and Moody's Investors Service ("Moody's") have assigned the ratings of "__" and "__," respectively, to the Bonds. Such ratings reflect only the views of Fitch and Moody's. An explanation of the significance of a rating assigned by Fitch may be obtained 111 Congress Avenue, Suite 2010, Austin, Texas 78701. An explanation of the significance of a rating assigned by Moody's may be obtained at One Front Street, Suite 1900, San Francisco, California 94111. Such ratings may be revised downward or withdrawn entirely at any time by Fitch and Moody's, if, in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings by Fitch or Moody's may have an adverse effect on the market price of the Bonds. The District has covenanted in its continuing disclosure undertaking that it will file notice of any formal change in any rating relating to the Bonds. See "CONTINUING DISCLOSURE" and APPENDIX G – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein. *[To be discussed with Underwriters.]*

BOND INSURANCE AND RELATED RISK FACTORS

The District intends to apply, or has applied, to bond insurance companies (each a "Bond Insurer") for a municipal bond insurance policy (the "Policy") for the Bonds to guarantee the scheduled payments of principal of and interest on the Bonds. A commitment to provide the Policy has not been issued, and representatives of the District have yet to determine whether, if such commitment is issued, the Policy will be purchased. If the Policy is purchased, the following are risk factors relating to bond insurance generally.

If the District ultimately determines to obtain the Policy for the Bonds, in the event of default of the payment of principal or interest with respect to any of the Bonds when all or some become due, any owner of the Bonds on which such principal or interest was not paid will have a claim under the Policy for such payments. In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds will remain payable solely from ad valorem property taxes as described under "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS." In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance will be given that such event will not adversely affect the market price of the Bonds and the marketability (liquidity) of the Bonds.

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

The obligations of the Bond Insurer will be general obligations of the Bond Insurer, and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law, state receivership or other similar laws related to insolvency of insurance companies.

None of the District, the Financial Advisor, the Underwriters, or their respective attorneys, agents or consultants have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer will be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

LEGAL MATTERS

The Bonds are sold with the understanding that the District will furnish the Underwriters with the approving opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, addressing legal matters relating to the validity of the Bonds under Arizona law, and with regard to the tax-exempt status of the interest thereon (see "TAX EXEMPTION"). The signed legal opinion of Bond Counsel is dated and premised on the law in effect only as of the date of original delivery of the Bonds and will be delivered to the District at the time of original issuance. The fees of Bond Counsel, the Financial Advisor and counsel to the Underwriters are expected to be paid from the proceeds of the sale of the Bonds and are contingent upon delivery of the Bonds.

The proposed text of the legal opinion is set forth as APPENDIX F – "FORM OF APPROVING LEGAL OPINION." The legal opinion to be delivered may vary from the text of APPENDIX F – "FORM OF APPROVING LEGAL OPINION" if necessary to reflect the facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution, by recirculation of this Official Statement or otherwise, should not be construed as a representation that Bond Counsel has reviewed or expressed any opinion concerning any matters relating to the Bonds subsequent to the original delivery of the Bonds.

Bond Counsel has reviewed the information in the tax caption on the cover page as well as the information under the headings "THE BONDS," "PLAN OF REFUNDING," "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS," "TAX EXEMPTION," "ORIGINAL ISSUE DISCOUNT," "BOND PREMIUM," "RELATIONSHIP AMONG PARTIES" (but only as it applies to Bond Counsel) and "CONTINUING DISCLOSURE" (except as it relates to compliance with prior continuing disclosure undertakings) and in APPENDICES F – "FORM OF APPROVING LEGAL OPINION" and G – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" but otherwise has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness or sufficiency. Bond Counsel has neither examined nor attempted to examine nor verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto.

Certain legal matters will be passed upon for the Underwriters by Greenberg Traurig, LLP, counsel to the Underwriters.

Currently and from time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend the property tax system of the State and numerous matters, both financial and non-financial, impacting the operations of school districts which could have a material impact on the District and could adversely affect the secondary market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. The rendering of an opinion also does not guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX EXEMPTION

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the District as described below, interest income on the Bonds is excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, interest income on the Bonds is exempt from State income taxes. The opinion of Bond Counsel will be dated as of the date of initial delivery of the Bonds. The form of such opinion is included as APPENDIX F – “FORM OF APPROVING LEGAL OPINION” attached hereto.

The Internal Revenue Code of 1986, as amended, (the “Code”) imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Bonds from gross income for federal income tax purposes, including a requirement that the District rebate to the federal government certain of its investment earnings with respect to the Bonds. The District has covenanted to comply with the provisions of the Code relating to such matters. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Bonds being included as gross income for federal income tax purposes, under certain circumstances, from the date of initial issuance. The Bonds do not provide for an adjustment in the interest rate or yield in the event of taxability and an event of taxability does not cause an acceleration of the principal on the Bonds. The opinion of Bond Counsel assumes continuing compliance with such covenants.

The Code also imposes an “alternative minimum tax” upon certain corporations and individuals. A taxpayer’s “alternative minimum taxable income” (“AMTI”) is its taxable income with certain adjustments. Interest income on the Bonds is not an item of tax preference to be included in the AMTI of individuals or corporations.

Notwithstanding the preceding sentence, one of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess (if any) of the corporation’s “adjusted current earnings” over the corporation’s AMTI for the taxable year (determined without regard to such adjustment for excess book income and the alternative tax net operating loss deduction). A corporation’s “adjusted current earnings” includes all tax-exempt interest, including the interest on the Bonds.

Although Bond Counsel will render an opinion that, as of the delivery date of the Bonds, interest income on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect a Beneficial Owner’s (as defined in APPENDIX H – “BOOK-ENTRY-ONLY SYSTEM”) federal tax liability. Certain taxpayers may experience other tax consequences. Taxpayers who become Beneficial Owners of the Bonds, including without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain subchapter S corporations, individuals who receive Social Security or Railroad Retirement benefits and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the applicability of such tax consequences to the respective Beneficial Owner. The nature and extent of these other tax consequences will depend upon the Beneficial Owner’s particular tax status and the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

The Bonds are not “private activity bonds” within the meaning of Section 141 of the Code.

Currently and from time to time, there are legislative proposals in Congress, which, if enacted or made effective, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. Any such change that occurs before initial delivery of the Bonds could cause Bond Counsel to deliver an opinion substantially different from the opinion shown in APPENDIX F – “FORM OF APPROVING LEGAL OPINION”. The extent of change in Bond Counsel’s opinion cannot be determined at this time. It cannot be predicted whether, when or in what form any such proposal or proposals might be enacted or whether, if enacted, such proposal or

proposals would apply to obligations (such as the Bonds) issued prior to the enactment or effective date. Prospective purchasers should consult with their own tax advisors regarding any other pending or proposed federal income tax legislation.

ORIGINAL ISSUE DISCOUNT

The initial public offering prices of the Bonds maturing on July 1, 20__ through and including July 1, 20__ (collectively, the “Discount Bonds”), are less than the respective amounts payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price (the “Issue Price”) of the Discount Bonds, and the amount payable at maturity of the Discount Bonds will be treated as “original issue discount.” With respect to a Beneficial Owner who purchases a Discount Bond in the initial public offering at the Issue Price and who holds the Discount Bond to maturity, the full amount of original issue discount will constitute interest income which is not includible in the gross income of the Beneficial Owner of the Discount Bond for federal income tax purposes and Arizona income tax purposes and that Beneficial Owner will not, under present federal income tax law and present Arizona income tax law, realize a taxable capital gain upon payment of the Discount Bond at maturity.

The original issue discount on each Discount Bond is treated for federal income tax purposes and Arizona income tax purposes as accreting daily over the term of such Discount Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on January 1 and July 1 (with straight-line interpolation between compounding dates).

The amount of original issue discount accreting each period will be added to the Beneficial Owner’s tax basis for the Discount Bond. The adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bond. An initial Beneficial Owner of a Discount Bond who disposes of the Discount Bond prior to maturity should consult his or her tax advisor as to the amount of the original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or disposition of the Discount Bond prior to maturity.

The Code contains certain provisions relating to the accretion of original issue discount in the case of subsequent Beneficial Owners of the Discount Bonds. Beneficial Owners who do not purchase the Discount Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of the ownership of Discount Bonds.

A portion of the original issue discount that accretes in each year to a Beneficial Owner of a Discount Bond may result in certain collateral federal income tax consequences as described in “TAX EXEMPTION” herein. Beneficial Owners of Discount Bonds in states other than Arizona should consult their own tax advisors with respect to the state and local tax consequences.

BOND PREMIUM

The initial public offering price of the Bonds maturing on July 1, 20__ through and including July 1, 20__ (collectively, the “Premium Bonds”) are greater than the amount payable on such Premium Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial Beneficial Owner of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial Beneficial Owner must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial Beneficial Owner is determined by using such Beneficial Owner’s yield to maturity. Beneficial Owners of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with

respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

UNDERWRITING

The Bonds will be purchased by the Underwriters at an aggregate purchase price of \$_____, pursuant to a bond purchase agreement (the “Bond Purchase Agreement”) entered into by and among the District and the Underwriters. If the Bonds are sold to produce the prices or yields shown on the inside front cover page hereof, the Underwriters’ compensation will be \$_____. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Bonds so offered if any are purchased. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts) and others at prices higher or yields lower than the public offering prices or yields stated on the inside front cover page hereof. The initial offering prices or yields set forth on the inside front cover page may be changed, from time to time, by the Underwriters.

RBC Capital Markets, LLC (“RBC”) has provided the following information for inclusion in this Official Statement: RBC and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBC and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBC and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. RBC and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District. RBC and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

Piper Jaffray & Co. (“Piper”) has entered into a distribution agreement (“Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co”) for the retail distribution of certain securities offerings, including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co will purchase the Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co sells.

RELATIONSHIP AMONG PARTIES

Bond Counsel has previously represented, and is currently representing, the Underwriters and the Financial Advisor with respect to other financings and has acted or is acting as bond counsel with respect to other bonds underwritten by the Underwriters and the Financial Advisor and may do so in the future. Bond Counsel also serves and has served as bond counsel for one or more of the political subdivisions that the District territorially overlaps. Counsel to the Underwriters has previously acted as bond counsel with respect to other bonds underwritten by the Underwriters and the Financial Advisor and may continue to do so in the future if requested.

CONTINUING DISCLOSURE

The District will covenant for the benefit of certain owners of the Bonds to provide certain financial information and operating data relating to the District for the prior fiscal year of the District by no later than February 1 in each year commencing February 1, 2017 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices of Listed Events”). The Annual Reports, the Notices of Listed Events and any other document or information required to be filed by the District as such will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system (“EMMA”) as described in APPENDIX G – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The specific nature of the information to be contained in the Annual Reports and the Notices of Listed Events is set forth in APPENDIX G.

These covenants will be made in order to assist the Underwriters in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). A failure by the District to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. *Pursuant to Arizona law, the ability of the District to comply with such covenants will be subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants.* Should the District not comply with such covenants due to a failure to appropriate for such purpose, the District has covenanted to provide notice of such fact to the MSRB. Absence of continuing disclosure, due to non-appropriation or otherwise, could adversely affect the Bonds specifically their market price and transferability.

The District’s existing continuing disclosure undertakings called for the District to file annual reports comprised of certain financial information and operating data relating to the District with respect to the fiscal years ended June 30, 2011 through and including June 30, 2013 by February 1 of each respective year. Provisional filings of unaudited financial statements were filed for the fiscal years ended June 30, 2011 and 2012 and audited financial statements were filed thereafter. The annual reports and operating data for the fiscal years ended June 30, 2011 and June 30, 2012 were not properly linked to the District’s Refunding Bonds, Series 2011. The annual report for the fiscal year ended June 30, 2013 was filed in March 2014. Some of the operating data tables required by the District’s existing continuing disclosure undertakings for the fiscal years ended June 30, 2011 through and including June 30, 2013 were included in subsequent filings. No notices of failure to file were filed. *[To be discussed.]*

The District has implemented written procedures to facilitate compliance with all current and future undertakings. *[To be confirmed.]*

FINANCIAL ADVISOR

The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor has not verified, and does not assume any responsibility for, the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement: “The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.”

GENERAL PURPOSE FINANCIAL STATEMENTS

The comprehensive annual financial report of the District for the fiscal year ended June 30, 2015, a copy of which is included in APPENDIX C – “THE DISTRICT – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015” of this Official Statement, includes the District’s financial statements for the fiscal year ended June 30, 2015 that were audited by Heinfeld, Meech & Co., P.C., a certified public accounting firm, to the extent indicated in its report thereon. **The District has not requested the consent of Heinfeld, Meech & Co., P.C. to include its report and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering its report on the financial statements.** The financial statements are not current and may not represent the current financial condition of the District.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All financial and other information in this Official Statement has been derived by the District from official records and other sources and is believed by the District to be accurate and reliable. Information other than that obtained from official records of the District has been identified by source and has not been independently confirmed or verified by the District and its accuracy is not guaranteed. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
OF PIMA COUNTY, ARIZONA

By: _____
President of the Governing Board

**THE DISTRICT –
DISTRICT INFORMATION**

General Information

The District was formed by the unification of Tucson Elementary School District No. 1 and Tucson High School District No. 1 on July 1, 1976. The District encompasses approximately 230 square miles in the south-central portion of the State. The District overlaps a large portion of the City of Tucson, Arizona (the “City”), the second largest city in the State, and the City of South Tucson, Arizona. See APPENDIX D – “CITY OF TUCSON, ARIZONA” for information pertaining to the City. See APPENDIX E – “PIMA COUNTY, ARIZONA” for information pertaining to the County. The District serves an estimated population of 477,922.

Enrollment

The following chart illustrates the current and historical average daily membership of the District’s student population.

TABLE 2

**AVERAGE DAILY MEMBERSHIP
Tucson Unified School District No. 1**

<u>Fiscal Year</u>	<u>A.D.M. (a)</u>
2015/16	45,350
2014/15	45,944
2013/14	46,794
2012/13	48,325
2011/12	48,037

(a) *A.D.M. means average daily membership and is computed by taking the average number of students enrolled over the first 100 days of the school year.*

Source: The Arizona Department of Education and the District.

Facilities

The District currently operates 10 traditional high schools (two schools are located on one campus) and 2 alternative high schools, 15 traditional middle schools and 48 elementary schools for students in pre-kindergarten through grade 5; and 15 schools serving kindergarten through grade 8.

Administration and Governance

Presently, the District provides for the employment of 227 principals and administrators, 4,891 classified personnel and 3,724 certified in-classroom personnel. This provides the District with a student-to-teacher ratio of approximately 24:1 for kindergarten through first grade, 27:1 for elementary schools, 27:1 for middle schools and 27:1 for high schools.

The District is governed by a five-member Governing Board and administered by one Superintendent. The members of the Governing Board are elected at-large. The present members of the Governing Board are:

TABLE 3

**GOVERNING BOARD
Tucson Unified School District No. 1**

Adelita S. Grijalva, President

Kristel Ann Foster, Clerk

Michael Hicks, Member

Cam Juarez, Member

Dr. Mark Stegeman, Member

Desegregation Order and Funding

The United States Supreme Court (the “Supreme Court”) stated that segregation denies students equal protection of laws, including those against racial discrimination, as guaranteed under the Fourteenth Amendment. The Civil Rights Act of 1964 broadened the definition of discrimination to include race, color, religion, or national origin, and prohibits discrimination in any program or activity receiving federal finance assistance. Consequently, the Supreme Court assigned school authorities the responsibilities for desegregation solutions and gave states the responsibilities for funding them. In Arizona, State law allows school districts to budget desegregation expenditures outside their revenue control and capital outlay revenue limits. This allows Arizona school districts to obtain additional funding through local property taxes for desegregation purposes. Beginning with fiscal year 2009/10, the State Legislature capped school district desegregation budgets at fiscal year 2008/09 level. The District’s desegregation budget for fiscal years 2016/17 and 2015/16 is approximately \$59.2 million and \$52.2 million, respectively.

Arizona school districts are required to report their spending for desegregation purposes in their annual financial reports submitted to the Arizona Department of Education. Periodically, districts must also send the Arizona Department of Education a copy of their court orders or agreements and other documentation. Beginning in fiscal year 2003/04, Arizona school districts, including the District, began reporting specified information to the State Governor, legislators and legislative education committee chairpersons once every two years.

In 1978, a class-action lawsuit resulted in court-imposed desegregation of the District. Since that time, the District has taken steps to comply with the desegregation order and reach ethnic balance goals, such as developing 18 different magnet schools within the District. Magnet school offerings include specialized course offerings in aviation/aerospace, health-related studies, engineering, performing/visual arts, technology, communication arts/technology, law-related education and international/intercultural studies at the high school level.

On April 23, 2008, the Federal District Court (the “Court”) handling the desegregation lawsuit determined that the District had remedied the vestiges of the past dual system to the extent practicable (i.e., was desegregated) and determined that the District was “unitary,” conditioned upon the District submitting a Post-Unitary Plan (the “Plan”). In an Order dated June 20, 2008, the Court prescribed a timeline and process by which the Plan was to be completed. Such order required that the District establish a committee of District and plaintiffs’ representatives to draft the Plan, and further that the District make the draft Plan available for public comment prior to submitting it to the Court. The timeline and process for adoption of the Plan was modified by further orders of the Court, and on August 4, 2009, the District ultimately submitted the Plan, as adopted by the Governing Board on July 30, 2009, to the Court. On December 17, 2009, the Court approved the Plan as submitted by the District, closed the case and terminated federal judicial oversight (the “Order”).

Pursuant to the Order, the Plan includes significant reporting and accountability measures to be implemented, primarily through the efforts of a full-time “internal compliance officer” and an external compliance officer to be retained on a contract basis. The reporting is to include itemized public accounting and analysis of the desegregation funding received and disbursed by the District.

The plaintiffs appealed the Order granting the District unitary status. On July 19, 2011 the 9th Circuit Court of Appeals reversed the District Court order granting unitary status and returned the case to the lower court for continued court oversight of the District’s desegregation efforts. On September 14, 2011, the District Court issued an order that the Post Unitary Status Plan remains in place until a Special Master appointed by the court issues a report that constitutes the new plan for the District to attain unitary status. In 2012, a Special Master was appointed. In February 2013, the Court adopted the District’s Unitary Status Plan (the “USP”). A corrected version (typographical corrections only) of the USP was subsequently filed with the Court in November 2014. *[To be reviewed.]*

**THE DISTRICT –
FINANCIAL INFORMATION**

PROPERTY TAXES

As described under the heading “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS,” for the purpose of paying the principal of and interest on the Bonds and costs of administration of the Bonds, the District will be required by law to cause to be levied on all the taxable property in the District a continuing, direct, annual, ad valorem property tax sufficient to pay all principal, interest, and costs of administration for the Bonds as the same become due, limited as described under such heading.

Taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and the State are “primary taxes.” Taxes levied for payment of bonds like the Bonds, voter-approved budget overrides and the maintenance and operation of special service districts such as sanitary, fire, road improvement and joint technological education districts are “secondary taxes.” See “Primary Taxes” and “Secondary Taxes” below. The State’s ad valorem property tax levy and collection procedures are described under this heading “PROPERTY TAXES.”

Taxable Property

Real property and improvements and personal property are either valued by the Assessor of the County or the Arizona Department of Revenue. Property valued by the Assessor of the County is referred to as “locally assessed” property and generally encompasses residential, agricultural and traditional commercial and industrial property. Property valued by the Department of Revenue is referred to as “centrally valued” property and generally includes large mine and utility entities.

Locally assessed property is assigned two values: “full cash value” and “limited property value.” Centrally valued property is assigned one value: full cash value.

Full Cash Value

Full cash value (“Full Cash Value”) is statutorily defined to mean “that value determined as prescribed by statute” or if no statutory method is prescribed it is “synonymous with market value which means that estimate of value that is derived annually by using standard appraisal methods and techniques,” which generally include the market approach, the cost approach and the income approach. In valuing locally assessed property, the Assessor of the County generally uses a cost approach to value commercial/industrial property and a market approach to value residential property. In valuing centrally valued property, the Department of Revenue begins generally with information provided by taxpayers and then applies procedures provided by State law. State law allows taxpayers to appeal such Full Cash Values by providing evidence of a lower value, which may be based upon another valuation approach.

Full Cash Value is used as the basis for levying taxes (both primary and secondary) on centrally valued property and personal property (except mobile homes). Full Cash Value is also used as the ceiling for determining Limited Property Value (as defined below) and as the basis for determining constitutional and statutory debt limits for certain political subdivisions in Arizona. Unlike Limited Property Value, increases in Full Cash Value are not limited.

Limited Property Value

Limited property value (“Limited Property Value”) is a property value determined pursuant to the Arizona Constitution and the Arizona Revised Statutes. For locally assessed property in existence in the prior year that did not undergo modification through construction, destruction, split or change in use, including that for mobile homes,

Limited Property Value is limited to the lesser of Full Cash Value or an amount 5% greater than Limited Property Value determined for the prior year.

Limited Property Value is used as the basis for levying taxes (both primary and secondary) on locally assessed property. Limited Property Value is also used as the basis for determining constitutional and statutory debt limits for certain political subdivisions in Arizona, through August 5, 2016. Unlike Full Cash Value, increases in Limited Property Value are limited as described in the prior paragraph and under the heading “Primary Taxes” below.

Prior to tax year 2015, the value of locally assessed property used for primary tax purposes was Limited Property Value. The value of such property used for secondary tax purposes was Full Cash Value. Limited Property Value for property in existence in the prior year that did not undergo modification through construction, destruction, split or change in use increased by the greater of either 10% of the prior year’s Limited Property Value or 25% of the difference between the prior year’s Limited Property Value and the current year’s Full Cash Value.

Property Classification and Assessment Ratios

All property, both real and personal, is assigned a classification (defined by property use) and related assessment ratio that is multiplied by the Limited Property Value or Full Cash Value of the property, as applicable, to obtain the “Limited Assessed Property Value” and the “Full Cash Assessed Value,” respectively. Such values are then multiplied by the relevant taxing jurisdiction’s primary and secondary tax rates to determine each property owner’s property tax liability.

The assessment ratios for each property classification are set forth by tax year in the following table.

TABLE 4

Property Tax Assessment Ratios (Tax Year)

Property Classification (a)	2012	2013	2014	2015	2016
Mining, utilities, commercial and industrial	20%	19.5%	19%	18.5%	18%
Agricultural and vacant land	16	16	16	16	15
Owner occupied residential	10	10	10	10	10
Leased or rented residential	10	10	10	10	10
Railroad, private car company and airline flight property (b)	15	15	16	15	14

(a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body’s total valuation.

(b) This percentage is determined annually pursuant to Section 42-15005, Arizona Revised Statutes.

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue (the “Property Tax Abstract”). Note that Net Assessed Property Value for Secondary Tax Purposes (as defined herein) is described as “Net Assessed Value” under the Limited Property Value heading in the Property Tax Abstract.

Primary Taxes

Primary taxes are levied against “Net Limited Assessed Property Value” of locally assessed property and against “Net Full Cash Assessed Value” of centrally valued property. Net Limited Assessed Property Value and Net Full Cash Assessed Value are determined by excluding the value of property exempt from taxation from Limited Assessed Property Value and Full Cash Assessed Value, respectively.

The primary taxes levied by each county, city, town and community college district are constitutionally limited to a maximum increase of 2% over the maximum allowable prior year's levy limit plus any taxes on property not subject to taxation in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). The 2% limitation does not apply to primary taxes levied on behalf of school districts.

Primary taxes on residential property only are constitutionally limited to 1% of the Limited Property Value of such property. This constitutional limitation on residential primary tax levies is implemented by reducing the school district's taxes. To offset the effects of reduced school district property taxes, the State compensates the school district by providing additional State aid (or in some counties, county taxpayers are required to make payments to offset the effects of reduced property taxes). *[To be discussed.]*

Secondary Taxes

Secondary taxes are levied against Net Limited Assessed Property Value of locally assessed property and against Net Full Cash Assessed Value of centrally valued property (together, "Net Assessed Property Value for Secondary Tax Purposes"). (Prior to tax year 2015, secondary taxes were levied against Net Full Cash Assessed Value of both locally assessed property and centrally valued property.) There is no constitutional or statutory limitation on annual levies for voter-approved bond indebtedness and overrides and certain special district assessments. **As Net Full Cash Assessed Value was used as the basis for levying taxes on locally assessed property and centrally valued property for payment of bonds like the Bonds in fiscal years prior to fiscal year 2015/16, this Official Statement compares Net Assessed Property Value for Secondary Tax Purposes with Net Full Cash Assessed Value in applicable years under the heading "ASSESSED VALUES AND TAX RATES" herein.**

Tax Procedures

The State tax year has been defined as the calendar year, notwithstanding the fact that tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year.

On or before the third Monday in August each year the Board of Supervisors of the County prepares the tax roll setting forth certain valuations by taxing district of all property in the County subject to taxation. The Assessor of the County is required to complete the assessment roll by December 15th of the year prior to the levy. This tax roll also shows the valuation and classification of each parcel of land located within the County for the tax year. The tax roll is then forwarded to the Treasurer of the County.

With the various budgetary procedures having been completed by the governmental entities, the appropriate tax rate for each jurisdiction is then applied to the parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll as it existed on the date of the tax levy due to appeals or other reasons would reduce the amount of taxes received by each jurisdiction.

The property tax lien on real property attaches on January 1 of the year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years. Set forth below is a record of property taxes levied and collected in the District for a portion of the current fiscal year and all of the previous five fiscal years.

TABLE 5**Real and Secured Property Taxes Levied and Collected (a)
Tucson Unified School District No. 1**

Fiscal Year	District Tax Rate	District Tax Levy	Collected to June 30 of Initial Fiscal Year		Cumulative Collections to May 31, 2016	
			Amount	% of Levy	Amount	% of Levy
2015/16	\$7.3425	\$ 174,131,714	(b)	(b)	\$ 165,549,787	95.07 %
2014/15	7.5094	175,431,130	\$ 168,003,897	95.77 %	174,599,535	99.53
2013/14	7.4319	189,252,972	181,030,206	95.66	188,568,069	99.64
2012/13	7.3187	202,743,291	193,939,311	95.66	202,078,018	99.67
2011/12	6.9480	200,166,178	191,153,436	95.50	199,854,813	99.84
2010/11	6.2976	187,871,554	175,768,632	93.56	184,797,240	98.36

(a) *Taxes are collected by the Treasurer of the County. Taxes in support of debt service are levied by the Board of Supervisors of the County as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County's General Fund. Interest and penalties with respect to the first half tax collections (delinquent November 1) are waived if the full year's taxes are paid by December 31.*

(b) *2015/16 taxes in course of collection:
First installment due 10-01-15, delinquent 11-01-15;
Second installment due 03-01-16, delinquent 05-01-16.*

Source: Office of the Treasurer of the County.

Delinquent Tax Procedures

The property taxes due the District are billed, along with State and other taxes, each September and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1, respectively. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of the month. (Delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year's tax bill by December 31.) After the close of the tax collection period, the Treasurer of the County prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes and interest thereon.

After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the Treasurer of the County to deliver a treasurer's deed to the certificate holder as prescribed by law.

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

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

It cannot be determined what impact any deterioration of the financial conditions of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. None of the District, the Financial Advisor, the Underwriters or their respective agents or consultants has undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

In the event the County is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the District's tax rate charged to non-bankrupt taxpayers during such subsequent tax years.

ASSESSED VALUES AND TAX RATES

TABLE 6

Direct and Overlapping Net Assessed Property Values for Secondary Tax Purposes and Tax Rates (a)
Per \$100 Assessed Valuation

Overlapping Jurisdiction	2015/16 Net Assessed Property Value for Secondary Tax Purposes	2015/16 Total Tax Rate Per \$100 Net Assessed Property Value for Secondary Tax Purposes
State of Arizona	\$ 54,838,548,829	\$0.0000
Pima County	7,620,360,873	5.5931 (b)
Pima County Community College District	7,620,360,873	1.3689
Pima County Fire District Assistance Tax	7,620,360,873	0.0467
Pima County Library District	7,620,360,873	0.5153
Pima County Flood Control District (c)	6,917,200,982	0.3135
Central Arizona Water Conservation District (d)	7,620,360,873	0.1400
Drexel Heights Fire District	185,396,206	3.5900
Hidden Valley Fire District	25,207,109	0.8500
Northwest Fire District	993,806,475	2.9138
Sabino Vista Fire District	29,742,539	1.2241
Tucson Country Club Estates Fire District	18,257,062	0.9042
City of South Tucson	20,334,097	0.2528
City of Tucson	3,123,670,375	1.5960
Pima County Joint Technical Education District (e)	7,404,566,982	0.0500
Tucson Unified School District No. 1	3,026,614,777	7.3425

(a) The following overlapping jurisdiction is taxed as follows:

Overlapping Jurisdiction	Levy/Tax Rate
City of Tucson Business Improvement District	\$474,369
Central Arizona Groundwater Replenishment District – Category 1	685 / acre-feet ⁽¹⁾

⁽¹⁾ The Central Arizona Groundwater Replenishment District (“CAGR”) does not levy an ad valorem property tax, but each parcel of member land is subject to a charge, collected as a property tax, based on the amount of groundwater withdrawn and not replenished for that parcel.

(b) Includes the “State Equalization Assistance Property Tax” which is levied by the County and has been set at \$0.5054 per \$100 Net Assessed Property Value for Secondary Tax Purposes for fiscal year 2015/16. Such amount is adjusted annually pursuant to Section 41-1276, Arizona Revised Statutes.

- (c) *The assessed value of the Pima County Flood Control District does not include the personal property assessed valuation of the County.*
- (d) *Value shown for the Central Arizona Water Conservation District covers only the County portion of such district.*
- (e) *Includes net assessed value of school districts located in the County, Pinal County, Arizona and Santa Cruz County, Arizona.*

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association.

Total Tax Rates Per \$100 Net Assessed Property Value for Secondary Tax Purposes

The total overlapping property tax rate for property owners within the District (exclusive of those described in footnote (a) to TABLE 6 ranges from \$15.6228 to \$20.1200 per \$100 Net Assessed Property Value for Secondary Tax Purposes, depending upon the specific taxing jurisdictions which overlap the property.

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

TABLE 7A

Net Assessed Property Value for Secondary Tax Purposes by Property Classification (a) Tucson Unified School District No. 1

Class	2016/17 (b)	2015/16
Commercial, industrial, utilities and mines	\$ 965,433,532	\$ 976,879,851
Agricultural and vacant	94,872,106	105,330,815
Residential (owner occupied)	1,328,794,436	1,268,031,039
Residential (rental)	656,086,204	641,672,481
Railroad	2,253,975	2,699,156
Historical property	32,805,996	30,975,439
Commercial historical property	923,334	1,025,994
Totals (c)	<u>\$ 3,081,169,583</u>	<u>\$ 3,026,614,777</u>

- (a) *Determined by Net Assessed Property Value for Secondary Tax Purposes. See “PROPERTY TAXES – Limited Property Value” and – “Secondary Taxes” herein for a discussion of the use of Net Assessed Property Value for Secondary Tax Purposes for fiscal years 2015/16 and thereafter.*
- (b) *Although the final official valuations are not expected to differ materially from the estimated valuations, the valuations are subject to positive or negative adjustments until approved by the Board of Supervisors of the County no later than August 15, 2016.*
- (c) *Totals may not add up due to rounding.*

Source: *Property Tax Abstract and Property Tax Rates and Assessed Values*, Arizona Tax Research Association. Note that Net Assessed Property Value for Secondary Tax Purposes is described as “Net Assessed Value” under the Limited Property Value heading in the Property Tax Abstract.

TABLE 7B**Net Full Cash Assessed Value by Property Classification (a)
Tucson Unified School District No. 1**

Class	2014/15	2013/14	2012/13	2011/12
Commercial, industrial, utilities and mines	\$ 1,025,364,280	\$ 1,036,430,609	\$ 1,114,174,075	\$ 1,118,388,466
Agricultural and vacant	114,157,316	119,316,810	126,790,265	124,321,996
Residential (owner occupied)	1,254,450,188	1,337,932,939	1,478,192,168	1,631,598,994
Residential (rental)	601,425,570	503,614,469	512,387,222	481,087,987
Railroad	2,688,000	2,385,858	2,347,426	2,246,392
Historical property	29,425,800	28,455,449	29,138,418	29,448,517
Commercial historical property	1,181,484	1,200,770	1,265,816	1,249,202
Certain government				
Property improvements	6,156	19,506	21,389	80,999
Totals (b)	<u>\$ 3,028,698,794</u>	<u>\$ 3,029,356,410</u>	<u>\$ 3,264,316,779</u>	<u>\$ 3,388,422,554</u>

(a) *Determined by Net Full Cash Assessed Value. See “PROPERTY TAXES – Limited Property Value” and – “Secondary Taxes” herein for a discussion of the use of Net Full Cash Assessed Value for fiscal years prior to 2015/16.*

(b) *Totals may not add up due to rounding.*

Source: Property Tax Abstract and *Property Tax Rates and Assessed Values*, Arizona Tax Research Association.

TABLE 8A**Net Assessed Property Value for Secondary Tax Purposes of Major Taxpayers
Tucson Unified School District No. 1**

Major Taxpayer (a)	2015/16 Net Assessed Property Value for Secondary Tax Purposes	As % of Net Assessed Property Value for Secondary Tax Purposes
Unisource Energy Corporation	\$ 60,340,168	1.99 %
Southwest Gas Corporation (T&D)	20,610,043	0.68
Qwest Corporation (b)	20,595,873	0.68
Starr Pass Resort Developments LLC	10,916,448	0.36
Wal-Mart Stores Inc.	9,230,408	0.30
WC Partners 36.01% ETAL	8,615,653	0.28
TKGEI Con Center LLC	7,363,976	0.24
Verizon Wireless	6,762,845	0.22
AT&T Mobility LLC	6,515,940	0.22
Park Mall LLC	6,287,186	0.21
	<u>\$ 157,238,540</u>	<u>5.19 %</u>

- (a) *Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected, copied and obtained at prescribed rates at the Commission's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549-2736. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR data base at <http://www.sec.gov>. No representative of the District, the Underwriters, the Financial Advisor, Bond Counsel or counsel to the Underwriters has examined the information set forth in the Filings for accuracy or completeness, nor does any such representative assume responsibility for the same.*
- (b) *Taxpayer also known as Century Link.*

Source: The Assessor of the County.

TABLE 8B

**Net Full Cash Assessed Value of Major Taxpayers
Tucson Unified School District No. 1**

Major Taxpayer (a)	2014/15 Net Full Cash Assessed Value	As % of 2014/15 Net Full Cash Assessed Value
Unisource Energy Corp	\$ 60,749,521	2.01 %
Qwest Corp (b)	20,436,130	0.67
Southwest Gas Corp-T&D	19,757,060	0.65
Starr Pass Resort Developments LLC	12,283,004	0.41
Wal-Mart Stores Inc.	10,016,773	0.33
AT&T Mobility LLC	9,434,289	0.31
WC Partners 37.77% ETAL	8,717,987	0.29
Verizon Wireless	7,838,629	0.26
TKGEI Con Center LLC	6,379,491	0.21
Park Mall LLC	6,379,163	0.21
	<u>\$ 161,992,047</u>	<u>5.35 %</u>

- (a) *Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Commission. Such Filings may be inspected, copied and obtained at prescribed rates at the Commission's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549-2736. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR data base at <http://www.sec.gov>. No representative of the District, the Underwriters, the Financial Advisor, Bond Counsel or counsel to the Underwriters has examined the information set forth in the Filings for accuracy or completeness, nor does any such representative assume responsibility for the same.*
- (b) *Taxpayer also known as Century Link.*

Source: The Assessor of the County.

TABLE 9A**Comparative Net Assessed Property Values for Secondary Tax Purposes (a)
Tucson Unified School District No. 1**

Fiscal Year	Tucson Unified School District No. 1	City of Tucson	City of South Tucson	Pima County	State of Arizona
2016/17 (b)	\$ 3,081,169,583	\$ 3,185,496,639	\$ 20,396,998	\$ 7,816,826,920	\$ 56,573,588,295
2015/16	3,026,614,777	3,123,670,375	20,334,097	7,620,360,873	54,838,548,829

(a) *Determined by Net Assessed Property Value for Secondary Tax Purposes. See “PROPERTY TAXES – Limited Property Value” and – “Secondary Taxes” herein for a discussion of the use of Net Assessed Property Value for Secondary Tax Purposes for fiscal years 2015/16 and thereafter.*

(b) *Although the final official valuations are not expected to differ materially from the estimated valuations, the valuations are subject to positive or negative adjustments until approved by the Board of Supervisors of the County no later than August 15, 2016.*

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association and the Property Tax Abstract. Note that Net Assessed Property Value for Secondary Tax Purposes is described as “Net Assessed Value” under the Limited Property Value heading in the Property Tax Abstract.

TABLE 9B**Comparative Net Full Cash Assessed Values (a)
Tucson Unified School District No. 1**

Fiscal Year	Tucson Unified School District No. 1	City of Tucson	City of South Tucson	Pima County	State of Arizona
2014/15	\$ 3,028,698,794	\$ 3,131,952,246	\$ 21,566,232	\$ 7,579,898,868	\$ 55,352,051,074
2013/14	3,029,356,410	3,151,042,287	22,125,702	7,623,691,280	52,594,377,492
2012/13	3,264,316,779	3,377,401,416	23,716,054	8,171,211,922	56,271,814,583
2011/12	3,388,422,554	3,487,959,628	24,687,760	8,448,281,586	61,700,292,915

(a) *Determined by Net Full Cash Assessed Value. See “PROPERTY TAXES – Limited Property Value” and – “Secondary Taxes” herein for a discussion of the use of Net Full Cash Assessed Value for fiscal years prior to 2015/16.*

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association and the Property Tax Abstract.

TABLE 10**Estimated Net Full Cash Value History
Tucson Unified School District No. 1**

<u>Fiscal Year</u>	<u>Estimated Net Full Cash Value (a)</u>
2016/17 (b)	\$ 27,003,331,012
2015/16	25,135,859,502
2014/15	23,820,840,006
2013/14	23,660,254,739
2012/13	25,546,387,825
2011/12	26,913,096,087

-
- (a) *Estimated net full cash value is the total market value of the property within the District less the estimated full cash value of property exempt from taxation within the District.*
- (b) *Although the final official valuations are not expected to differ materially from the estimated valuations, the valuations are subject to positive or negative adjustments until approved by the Board of Supervisors of the County no later than August 15, 2016.*

Source: Property Tax Abstract.

DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

TABLE 11

Current Year Statistics (For Fiscal Year 2015/16)

Tucson Unified School District No. 1

Total General Obligation Bonded Debt Outstanding and to be Outstanding	\$ 168,855,000 * (a)
Net Assessed Property Value for Secondary Tax Purposes	3,026,614,777
Net Full Cash Assessed Value	3,147,658,430
Estimated Net Full Cash Value	25,135,859,502
Gross Full Cash Value	32,389,286,776

Current Year Statistics (Estimated For Fiscal Year 2016/17) (b)

Tucson Unified School District No. 1

Net Assessed Property Value for Secondary Tax Purposes	\$ 3,081,169,583
Net Full Cash Assessed Value	3,289,675,158
Estimated Net Full Cash Value	27,003,331,012
Gross Full Cash Value	34,223,586,164

* *Subject to change.*

(a) *Includes the Bonds and is net of the Bonds Being Refunded.*

(b) *Although the final official valuations are not expected to differ materially from the estimated valuations, the valuations are subject to positive or negative adjustments until approved by the Board of Supervisors of the County no later than August 15, 2016.*

Source: Property Tax Abstract and *Property Tax Rates and Assessed Values*, Arizona Tax Research Association, the Treasurer of the County and the Assessor of the County. Note that Net Assessed Property Value for Secondary Tax Purposes is described as “Net Assessed Value” under the Limited Property Value heading in the Property Tax Abstract.

TABLE 12**Direct General Obligation Bonded Debt Outstanding and to be Outstanding
Tucson Unified School District No. 1.**

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Bonds Being Refunded*	Balance Outstanding and to be Outstanding*
2006B	\$10,000,000	School improvements	2026	(\$3,785,000)	\$ -
2007C	47,000,000	School improvements	2027	(30,835,000)	2,300,000 (a)
2008D	57,000,000	School improvements	2027	(35,700,000)	6,500,000 (a)
2010E-2	67,230,000	School improvements	2030		67,230,000 (a)
2010	45,725,000	Refunding	2022		2,985,000 (b)
2011	28,115,000	Refunding	2024		19,520,000 (a)
Total General Obligation Bonded Debt Outstanding					\$ 98,535,000*
Plus: The Bonds					70,320,000*(a)
Total General Obligation Bonded Debt Outstanding and to be Outstanding					<u>\$ 168,855,000*</u>

* Subject to change.

(a) Designated as "Class B" as described in the following paragraph.

(b) Designated as "Class A" as described in the following paragraph.

**Constitutional / Statutory Debt Limit / Unused Borrowing Capacity after Bond Issuance
Tucson Unified School District No. 1**

Arizona school district general obligation bonds are subject to two limits: the constitutional debt limit on all general obligation bonds and the statutory debt limit on Class B bonds. Net Full Cash Assessed Value is used as the basis for determining the debt limits of the District. "Class B" designates, for the purpose of this statutory limit, those bonds authorized at elections held after December 31, 1998. The security and source of payment for Class B bonds is the same as Class A bonds (those authorized at elections held prior to December 31, 1998 or bonds issued to refund those bonds). TABLE 13 shows the unused constitutional capacity and TABLE 14 shows the unused Class B statutory capacity after issuance of the Bonds.

TABLE 13

2015/16 Arizona Constitutional Debt Limitation (30% of Net Full Cash Assessed Value)	\$944,297,529
Less: Class A Bonds Outstanding	(2,985,000)
Less: Class B Bonds Outstanding and to be Outstanding (a)	(165,870,000)*
Unused Constitutional Borrowing Capacity	<u>\$775,442,529 *</u>

* Subject to change.

(a) Includes the Bonds and is net of the Bonds Being Refunded.

TABLE 14

2015/16 Statutory Limitation on Bonds	
[Greater of 20% of the Net Full Cash Assessed Value (\$629,531,686)	
or \$1,500 per student (\$68,025,000)]	\$629,531,686
Less: Class B Bonds Outstanding and to be Outstanding (a)	(165,870,000) *
Unused Statutory Borrowing Capacity	<u>\$463,661,686 *</u>

* Subject to change.

(a) Includes the Bonds and is net of the Bonds Being Refunded.

TABLE 15

**Direct and Overlapping General Obligation Bonded Debt
Tucson Unified School District No. 1**

Overlapping Jurisdiction	General Obligation Bonded Debt (b)	Proportion Applicable to the District (a)	
		Approximate Percent	Net Debt Amount
State of Arizona	None	5.52%	None
Pima County	\$ 341,300,000	39.72	\$ 135,564,360
Pima County Community College District	None	39.72	None
Drexel Heights Fire District	460,000	96.87	445,602
Northwest Fire District	24,370,000	17.94	4,371,978
City of South Tucson	None	92.16	None
City of Tucson	208,860,000	72.91	152,279,826
Tucson Unified School District No. 1 (c)	168,855,000*	100.00	<u>168,855,000*</u>
Net Direct and Overlapping General Obligation Bonded Debt			<u>\$ 461,516,766*</u>

* Subject to change.

(a) Proportion applicable to the District is computed on the ratio of Net Assessed Property Value for Secondary Tax Purposes for 2015/16.

(b) Includes total stated principal amount of general obligation bonds outstanding. Does not include outstanding principal amount of certificates of participation, revenue obligations or loan obligations outstanding for the jurisdictions listed above. Does not include outstanding principal amounts of various County and City improvement districts, as the bonds of these districts are presently being paid from special assessments against property within the various improvement districts.

Does not include presently authorized but unissued general obligation bonds of such jurisdictions which may be issued in the future as indicated in the following table. Additional bonds may also be authorized by voters within overlapping jurisdictions pursuant to future elections.

<u>Overlapping Jurisdiction</u>	<u>General Obligation Bonds Authorized but Unissued</u>
<i>Pima County</i>	\$25,681,000
<i>Drexel Heights Fire District</i>	20,000
<i>City of Tucson</i>	20,000,000

(c) Includes the Bonds and is net of the Bonds Being Refunded.

Source: The various entities, *Property Tax Rates and Assessed Values*, Arizona Tax Research Association, the Property Tax Abstract and the Assessor of the County. Note that Net Assessed Property Value for Secondary Tax Purposes is described as “Net Assessed Value” under the Limited Property Value heading in the Property Tax Abstract.

TABLE 16

**Direct and Overlapping General Obligation Bonded Debt Ratios
Tucson Unified School District No. 1**

	Per Capita Bonded Debt Population Estimated @ 477,922	As % of District's 2015/16 Net Assessed Property Value for Secondary Tax Purposes	As % of District's 2015/16 Estimated Net Full Cash Value
Net Direct General Obligation Bonded Debt*(a)	\$ 353.31	5.58%	0.67%
Net Direct and Overlapping General Obligation Debt*(a)	965.67	15.25	1.84

* Subject to change.

(a) Includes the Bonds and is net of the Bonds Being Refunded.

Source: Property Tax Abstract, *Property Tax Rates and Assessed Values*, Arizona Tax Research Association, the U.S. Census Bureau, 2010-2014 American Community Survey, 5-Year Estimates and the District. Note that Net Assessed Property Value for Secondary Tax Purposes is described as “Net Assessed Value” under the Limited Property Value heading in the Property Tax Abstract.

TABLE 17

Other Obligations
Tucson Unified School District No. 1

Item	Outstanding Payment Amount	Periods Due
Successmaker	\$1,347,541	Annually through May 2017
Technology equipment	3,390,318	Annually through September 2017
18 Buses	250,012	Annually through January 2018
Technology equipment	474,229	Annually through February 2018
Energy projects QSCB Bonds	1,387,079	Semi-annually through July 2029
23 Buses	490,536	Annually through September 2018
Computer equipment	29,897	Quarterly through March 2020

DISTRICT EMPLOYEE RETIREMENT SYSTEM

Retirement Plan

The District's employees are covered by the Arizona State Retirement System (the "System"), a cost-sharing, multiple-employer defined benefit plan. The annual contribution rates are determined by the System's actuary, with minimum employer and employee rate requirements of not less than 2.00%. For fiscal year 2015/16, the District's and its employees' annual contribution is 11.47% (11.35% Retirement Pension and Health Insurance Benefit, 0.12% Long Term Disability Income Plan) of payroll amounts. For fiscal year 2016/17, the District's and its employees' annual contribution will be 11.48% (11.34% Retirement Pension and Health Insurance Benefit and 0.14% Long Term Disability Income Plan) of payroll amounts. See Note 14 in APPENDIX C – "THE DISTRICT – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015" for further discussion of the District and its employees' obligations to the System as of June 30, 2015.

The System's actuarially assumed rate of return is 8%. The most recent actuarial valuations for the System may be accessed at: <https://www.azasrs.gov/content/annual-reports>.

The Governmental Accounting Standards Board adopted Governmental Accounting Standards Board Statement Number 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), which, beginning with fiscal years starting after June 15, 2014, requires cost-sharing employers to report their "proportionate share" of the plan's net pension liability in their government-wide financial statements. GASB 68 also requires that the cost-sharing employer's pension expense component include its proportionate share of the System's pension expense, the net effect of annual changes in the employer's proportionate share and the annual differences between the employer's actual contributions and its proportionate share. Both the District and each covered employee contribute to the System. As of June 30, 2015, the District reported a liability of \$388.0 million dollars for its proportionate share of its net pension liability under the System. Such net pension liability was measured as of June 30, 2014. See Note 14 in APPENDIX C – "THE DISTRICT – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015" for further discussion of the District and its pension liability as of June 30, 2014.

Other Post-Employment Benefits

Pursuant to Governmental Accounting Standards Board Statement Number 45, *Accounting by Employers for Post-Employment Benefits Other than Pensions* ("GASB 45"), the District is required to report the actuarially accrued cost of post-employment benefits, other than pension benefits ("OPEB"), such as health and life insurance for current and future retirees. GASB 45 requires that such benefits be recognized as current costs over the working lifetime of employees and, to the extent such costs are not pre-funded, will require the reporting of such costs as a financial statement liability.

The District currently does not offer any OPEB. The District's employees, their spouses and survivors may be eligible for certain retiree health care benefits under health care programs provided by the State. Employees on long-term disability and their spouses also may qualify for retiree health care benefits through the State. Such individuals may obtain the health care benefits offered by the State by paying 100% of the applicable health care insurance premium, net of any subsidy provided by the State. The benefits are available to all retired participants in the State's health care program. The District does not currently make payments for OPEB costs for such retirees.

REVENUES AND EXPENDITURES

The following information of the District was derived from the annual expenditure budgets of the District for fiscal years 2016/17 and 2015/16 and the audited financial statements of the District for fiscal years 2010/11 through and including 2014/15. (State law no longer requires school districts to file revenue budgets.) Budgeted figures for fiscal years 2016/17 and 2015/16 are on a cash basis and are presented in the format required by State law. Budgeted figures for fiscal years 2016/17 and 2015/16 are "forward looking" statements that may not be realized during the course of the respective fiscal year as presented herein and thus must be viewed with an abundance of caution. Audited figures for fiscal years 2010/11 through and including 2014/15 are on a modified accrual basis. The presentation which follows has not been independently subject to any audit procedures.

The following information should be read in conjunction with the audited financial statements of the District. **See APPENDIX C for the District's most recent audited general purpose financial statements, which are for fiscal year ended June 30, 2015.** Such audited financial statements are the most recent available for the District, are not current and therefore must be considered with an abundance of caution. **The District has not requested the consent of Heinfeld, Meech & Co., P.C. to include its report and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering its report on the financial statements.**

TABLE 18

**General Fund
Tucson Unified School District No. 1**

	Budgeted (a)		Audited (a)				
	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
FUND BALANCE AT BEGINNING OF YEAR			\$ 31,941,542	\$ 32,466,579	\$ 46,645,741	\$ 44,189,704	\$ 58,107,750
REVENUES							
Other local			\$ 15,940,502	\$ 17,514,624	\$ 17,184,549	\$ 16,492,730	\$ 15,366,583
Property taxes			144,010,589	150,132,465	163,293,155	156,813,070	119,011,191
State aid and grants			128,771,801	130,860,704	125,983,898	141,902,477	173,401,362
Federal aid, grants and reimbursements			2,158,284	3,078,364	2,650,394	2,601,715	5,737,933
TOTAL REVENUES			\$ 290,881,176	\$ 301,586,157	\$ 309,111,996	\$ 317,809,992	\$ 313,517,069
ADJUSTMENTS							
Increase/(decrease) in reserve for inventory			\$ 166,548	\$ 47,024	\$ (341,856)	\$ 385,410	\$ (1,050,927)
Increase/(decrease) in reserve for prepaid items			-	-	-	(1,205,577)	(14,994,472)
Transfers in			1,722,871	2,424,338	3,251,236	1,904,315	2,529,314
Transfers out			(29,822)	(4,352,720)	-	-	-
TOTAL FUNDS AVAILABLE FOR EXPENDITURES			\$ 324,682,315	\$ 332,171,378	\$ 358,667,117	\$ 363,083,844	\$ 358,108,734
EXPENDITURES							
Current							
Instruction	\$ 124,836,460	\$ 116,801,107	\$ 136,390,439	\$ 141,676,813	\$ 158,122,216	\$ 149,453,020	\$ 147,023,980
Support services:							
Students and instructional staff	30,040,525	31,396,705	47,279,017	48,361,158	51,368,380	49,835,549	48,624,253
General and school administration	21,678,485	21,991,802	39,764,323	38,099,153	39,516,705	38,356,067	37,079,087
Business and central services	9,591,024	8,991,384	-	-	-	-	-
Operation & maintenance of plant services	46,691,075	47,615,941	49,034,520	48,679,052	52,087,708	54,064,802	54,571,774
Student transportation	12,056,027	11,993,239	21,903,465	22,346,124	23,401,373	23,268,330	22,141,863
Operation of non-instructional services	474,333	474,333	624,803	577,283	470,130	482,262	469,587
School-sponsored athletics	2,861,025	1,871,137	-	-	-	-	-
School-sponsored cocurricular activities	365,925	401,854	-	-	-	-	-
Desegregation	59,186,285	52,211,047	-	-	-	-	-
Dropout prevention program	767,410	767,410	-	-	-	-	-
K-3 reading program	454,239	401,744	-	-	-	-	-
Auxiliary operations	1,700,000	1,700,000	-	-	-	-	-
Food service	21,000,000	20,000,000	-	-	-	-	-
Other	46,277,026	53,570,463	-	-	-	-	-
Capital outlay	-	-	165,520	490,253	982,256	810,216	3,081,961
Debt service:							
Principal retirement	-	-	-	-	239,932	154,368	830,746
Interest and fiscal charges	-	-	-	-	11,838	13,489	95,779
TOTAL EXPENDITURES	\$ 377,979,839	\$ 370,188,166	\$ 295,162,087	\$ 300,229,836	\$ 326,200,538	\$ 316,438,103	\$ 313,919,030
FUND BALANCE AT END OF YEAR			\$ 29,520,228	\$ 31,941,542	\$ 32,466,579	\$ 46,645,741	\$ 44,189,704

(a) Budgeted figures for fiscal years 2016/17 and 2015/16 include the student success, Medicaid reimbursement, impact aid, auxiliary operations, gifts and donations, insurance proceeds, indirect costs, advertisement, district services, intergovernmental agreements, food service, and litigation recovery funds.

TABLE 19

**Other Governmental Funds
Tucson Unified School District No. 1**

	Budgeted (a)		Audited (a)				
	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
FUND BALANCE AT BEGINNING OF YEAR			\$ 29,656,380	\$ 41,810,160	\$ 79,258,572	\$ 121,843,894	\$ 65,544,198
REVENUES							
Other local			\$ 13,327,934	\$ 11,616,434	\$ 11,484,343	\$ 12,001,624	\$ 9,617,339
Property taxes			18,017,850	2,952,342	6,284,621	2,686,559	24,212,798
State aid and grants			36,605,520	22,599,935	21,734,592	17,524,082	20,162,305
Federal aid, grants and reimbursements			60,721,724	65,306,194	67,564,655	80,801,576	81,463,873
TOTAL REVENUES			\$ 128,673,028	\$ 102,474,905	\$ 107,068,211	\$ 113,013,841	\$ 135,456,315
ADJUSTMENTS							
Increase/(decrease) in reserve for inventory			\$ (151,497)	\$ 313,540	\$ 10,524	\$ 41,088	\$ 107,753
Increase/(decrease) in reserve for prepaid items			-	-	-	(9,339)	-
Transfers in			29,822	4,352,720	-	-	-
Transfers out			(1,722,871)	(2,424,338)	(3,273,496)	(1,904,315)	(2,761,892)
Capital lease agreements			32,321,798	19,425,678	7,526,101	11,525,165	-
Proceeds from sale of capital assets			-	-	48,617	101,083	1,728,172
Issuance of school improvement bonds			-	-	-	-	74,000,000
Premium on sale of bonds			-	-	-	-	597,407
TOTAL FUNDS AVAILABLE FOR							
EXPENDITURES			\$ 188,806,660	\$ 165,952,665	\$ 190,638,529	\$ 244,611,417	\$ 274,671,953
EXPENDITURES							
Current							
Instruction	\$ 111,152,038	\$107,776,762	\$ 42,630,793	\$ 40,493,381	\$ 42,386,407	\$ 58,364,212	\$ 57,736,105
Support services:							
Students and instructional staff	1,707,109	1,671,665	12,556,197	14,567,004	17,033,094	20,745,905	20,172,700
General and school administration	2,020,721	3,533,744	2,315,045	2,813,817	3,419,087	3,014,721	3,281,410
Operation & maintenance of plant service	515,600	1,646,434	2,354,258	549,309	3,189,348	1,095,005	2,107,102
Student transportation services	907,000	764,000	248,365	280,072	274,869	185,830	100,110
Operation of noninstructional services	-	-	24,193,161	21,992,556	20,878,822	21,160,484	18,115,982
Capital outlay	-	-	46,735,330	44,840,159	56,435,313	55,887,867	49,311,971
Facilities, acquisition & construction	672,431	1,034,278	-	-	-	-	-
Other	71,634,981	80,737,953	-	-	-	-	-
Debt service:	6,919,648	7,704,608					
Principal retirement	-	-	8,471,648	10,164,231	4,713,359	4,524,831	1,288,946
Interest and fiscal charges	-	-	1,941,220	595,756	498,070	373,990	316,376
Bond issuance costs	-	-	-	-	-	-	397,357
TOTAL EXPENDITURES	\$ 195,529,528	\$204,869,444	\$ 141,446,017	\$ 136,296,285	\$ 148,828,369	\$ 165,352,845	\$ 152,828,059
FUND BALANCE AT END OF YEAR			\$ 47,360,643	\$ 29,656,380	\$ 41,810,160	\$ 79,258,572	\$ 121,843,894

(a) Budgeted figures for fiscal years 2016/17 and 2015/16 do not include the student success, Medicaid reimbursement, impact aid, auxiliary operations, gifts and donations, insurance proceeds, indirect costs, advertisement, district services, intergovernmental agreements, food service, and litigation recovery funds. These have been included in the budgeted figures for TABLE 18.

TABLE 20
Debt Service Fund
Tucson Unified School District No. 1

	Budgeted		Audited				
	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
FUND BALANCE AT BEGINNING OF YEAR			\$ 2,846,101	\$ 7,446,172	\$ 14,309,731	\$ 12,057,907	\$ 12,084,405
REVENUES							
Other local			\$ 81,563	\$ 39,196	\$ 57,527	\$ 116,509	\$ 73,459
Property taxes			22,006,359	42,303,204	39,967,592	50,599,482	46,034,959
Federal aid, grants and reimbursements			1,256,088	1,257,444	1,296,061	1,355,003	1,306,073
TOTAL REVENUES			\$ 23,344,010	\$ 43,599,844	\$ 41,321,180	\$ 52,070,994	\$ 47,414,491
ADJUSTMENTS							
Issuance of refunding bonds			\$ -	\$ -	\$ -	\$ 51,000,000	\$ 45,900,000
Premium on sale of bonds			-	-	-	3,738,599	4,441,533
Transfers in			-	-	22,260	-	232,578
Payment to refunded bond escrow agent			-	-	-	(54,314,359)	(49,962,127)
TOTAL FUNDS AVAILABLE FOR							
EXPENDITURES			\$ 26,190,111	\$ 51,046,016	\$ 55,653,171	\$ 64,553,141	\$ 60,110,880
EXPENDITURES							
Debt Service:	\$ 22,000,000	\$ 24,200,000					
Principal retirement			\$ 14,315,000	\$ 37,075,000	\$ 35,630,000	\$ 36,230,000	\$ 32,530,000
Interest, premium and fiscal charges			9,798,940	11,124,915	12,576,999	13,571,705	15,143,567
Bond issuance costs			-	-	-	441,705	379,406
TOTAL EXPENDITURES	\$ 22,000,000	\$ 24,200,000	\$ 24,113,940	\$ 48,199,915	\$ 48,206,999	\$ 50,243,410	\$ 48,052,973
FUND BALANCE AT END OF YEAR			<u>\$ 2,076,171</u>	<u>\$ 2,846,101</u>	<u>\$ 7,446,172</u>	<u>\$ 14,309,731</u>	<u>\$ 12,057,907</u>

THE DISTRICT

AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The following audited financial statements are for the fiscal year ended June 30, 2015. These are the most recent audited financial statements available to the District. THESE FINANCIAL STATEMENTS ARE NOT CURRENT AND MAY NOT REPRESENT THE CURRENT FINANCIAL CONDITION OF THE DISTRICT.

Such audited financial statements are the most recent available for the District, are not current and therefore must be considered with an abundance of caution. The District has not requested the consent of Heinfeld, Meech & Co., P.C. to include its report and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering its report on the financial statements.

CITY OF TUCSON, ARIZONA

The following information concerning the City is provided for background information only. No attempt has been made to determine what part, if any, of the data presented is applicable to the District; consequently, no representation is made as to the relevance of the data to the District or the Bonds. THE BONDS WILL NOT BE OBLIGATIONS OF THE CITY. The Bonds will be direct obligations of the District, payable solely from ad valorem taxes levied against all taxable property in the District, limited as described under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS."

General

The City is located in south-central Arizona and serves as the county seat of the County. The City encompasses approximately 226 square miles and is the population center for the County and southern Arizona.

The following table illustrates population statistics for the City.

POPULATION STATISTICS

<u>Year</u>	<u>City of Tucson</u>
2015 Estimate (a)	529,845
2010 Census	520,116
2000 Census	486,699
1990 Census	405,371
1980 Census	330,537
1970 Census	262,933

(a) Estimate as of July 2015.

Source: Office of Employment & Population Statistics, Arizona Department of Administration and the U.S. Census Bureau.

Municipal Government and Organization

The City was established in 1822 and incorporated in 1877. The City operates pursuant to a council/manager form of government. In 1929, the Mayor and Council of the City amended the original City Charter, which was adopted in 1883, and implemented a ward system for City Council elections. Primary elections are conducted at the ward level to elect representatives to run in the general election. In the general election, a representative from each ward is elected from the candidates selected in the ward primaries. The Mayor is elected at large and, along with members of the Council, serves a four-year term.

The Mayor and Council are responsible for establishing City policies. The Mayor and Council appoint the City Manager who has full responsibility for carrying out policies of the Mayor and Council and administering day-to-day operations of the City.

Employment and Employers

Below are tables showing partial lists of major employers within the City's greater metropolitan area.

MAJOR INDUSTRIAL EMPLOYERS Tucson Metropolitan Area

Employer	Product	Approximate Number of Employees
Raytheon Missile Systems	Missiles and components	9,600
Freeport-McMoran Copper & Gold Inc.	Mining	5,800
Asarco LLC	Mining	2,427
Ventana Medical Systems Inc.	Medical instrument mfg. & research	1,200
International Business Machine Corp. (IBM)	Manufacturing & research	915
Bombardier Aerospace	Aerospace products	865
Honeywell	Aerospace products	800
B/E Aerospace	Aerospace products	604
Hexcel	Aerospace products	493
Sargent Aerospace & Defense	Aerospace products	315
Kalil Bottling Co.	Bottling	301
Sun Mechanical Contracting Inc.	Product fabrication & manufacturing	260
CAID Industries	Fabrication	251
FLSmith Krebs	Cement technologies	250
Universal Avionics Systems Corp.	Avionics systems	238
Abrams Airborne Manufacturing Inc.	Aerospace, defense, medical & weapons	164
TM International	Temporary tattoo manufacturing	138
AGM Container Controls, Inc.	Environmental control hardware fabrication	112
Prototron Circuits	Circuit Board Manufacturing	40
Garmin International, Inc.	Aviation, outdoor & fitness technologies	31

Source: Arizona Daily Star – 200, April 2016.

MAJOR NON-MANUFACTURING EMPLOYERS
Tucson Metropolitan Area

Employer	Product	Approximate Number of Employees
The University of Arizona	University level education	11,235
State of Arizona	State government	8,524
Davis Monthan Air Force Base	Air force base	8,335
Tucson Unified School District No. 1	Education for grades K-12	7,134
Pima County, Arizona	Government	7,023
Banner University Health Center	Health care	6,542
U.S. Customs and Border Patrol	U.S. Border protection	6,470
Wal-Mart Stores, Inc.	Discount retail	5,400
U.S. Army Intelligence Center & Fort Huachuca	U.S. Army Intelligence Center	5,314
City of Tucson	Government	4,882
Tohono O'Odham Nation	Tribal government	4,350
Carondelet Health Network	Inpatient and outpatient healthcare services	3,943
TMC Healthcare	Nonprofit, acute-care community hospitals	2,976
Albertsons (includes Safeway)	Groceries	2,301
Corrections Corp of America	Correctional facility	2,300
Southern Arizona VA Health Care System	Health care	2,255
Afni Inc.	Customer service	2,220
Pima Community College	Education	2,207
Sunnyside Unified School District No. 12	Education for grades K-12	2,200
Fry's Food and Drug Stores	Groceries	2,136

Source: Arizona Daily Star – 200, April 2016.

UNEMPLOYMENT RATE AVERAGES

The table below illustrates the unemployment rate averages for the City.

Calendar Year	City of Tucson (a)
2016 (b)	5.1%
2015	5.3
2014	6.7
2013	7.5
2012	8.1
2011	9.1

(a) *On February 29, 2012, the U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics program released 2011 annual average labor force estimates for census regions and divisions for all states. Data was revised back to January 2007 to incorporate new population controls, updated inputs, re-estimation of models and adjustment to new census division and national control totals. On April 20, 2012, routine revisions were made to data from 2007 through 2011 for geographic areas below the State level. For all areas, estimation inputs were revised back to 2010, while the revisions for 2007 through 2009 consisted of controlling to the new State totals described above.*

(b) *Data through April 2016.*

Source: Arizona Office of Unemployment and Population Statistics, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Education

The University of Arizona (the “University”) was established in 1885 and is the oldest institution of higher education in the State. The University is also the second largest employer in the City. The University has 20 colleges and 11 schools offering over 300 undergraduate and graduate degree programs. The University had approximately 43,088 students enrolled for the Fall 2015 semester. This enrollment includes students in continuing education programs, interns and residents, postdoctoral programs and on-campus non-credit students.

Also located within the City is Pima County Community College, which is a branch of the Arizona State Community College System. Pima County Community College offers two-year academic, vocational and technical programs.

Commerce

The following table shows the retail sales collections for the City.

GROSS RETAIL SALES (a)
City of Tucson, Arizona
(\$000s omitted)

Fiscal Year	Retail Sales (a)
2015/16 (b)	\$5,020,725
2014/15	5,785,732
2013/14	5,455,905
2012/13	5,336,971
2011/12	5,062,139
2010/11	4,793,591

(a) The definition of "Retail Sales" is the business of selling tangible personal property at retail. Therefore, this class of transaction does not include hotels, restaurants or food sales, which are separate classes.

(b) Data through April 2016.

Source: The City's Finance Department.

Transportation

AIRLINES SERVING TUCSON INTERNATIONAL AIRPORT

Alaska Airlines	Southwest Airlines
American Airlines	United Airlines
Delta Airlines	

Source: Tucson Airport Authority.

**NUMBER OF PASSENGERS
ARRIVING AND DEPARTING
TUCSON INTERNATIONAL AIRPORT**

Calendar Year	Arrivals	Departures	Total
2016 (a)	845,676	836,717	1,682,393
2015	1,591,580	1,590,321	3,181,901
2014	1,618,618	1,621,231	3,239,849
2013	1,653,003	1,655,617	3,308,620
2012	1,823,737	1,826,046	3,649,783
2011	1,835,060	1,841,834	3,676,894

(a) Data through October 2011.

Source: Tucson Airport Authority.

APPENDIX E

PIMA COUNTY, ARIZONA

The following information regarding the County is provided for background information only. No attempt has been made to determine what part, if any, of the data presented is applicable to the District; consequently no representation is made as to the relevance of the data to the District or the Bonds. THE BONDS WILL NOT BE OBLIGATIONS OF THE COUNTY. The Bonds will be direct obligations of the District, payable solely from ad valorem taxes levied against all taxable property in the District, limited as described under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS."

General

The County was named after the Pima Indian tribe and was formed in 1864 as one of the four original counties in the State. The County includes almost all of the land acquired from Mexico under the Gadsden Purchase. The principal geographic features of the County consist of Mount Lemmon, which rises to an elevation of 9,185 feet above sea level, and the fertile Santa Cruz River Valley.

The County encompasses approximately 9,184 square miles.

LAND OWNERSHIP Pima County, Arizona

<u>Control/Ownership</u>	<u>Percent of Land in County</u>
Indian Reservation	42.1%
State of Arizona	14.9
Other Public Lands	17.1
Individuals or Corporations	13.8
U.S. Forest Service and Bureau of Land Management	12.1
Total	<u>100.0%</u>

Source: *Arizona County Profiles*, Arizona Department of Commerce.

Located within the County are the cities of Tucson and South Tucson, Arizona, and the towns of Marana, Oro Valley and Sahuarita, Arizona. The following table illustrates respective population statistics for the principal communities located within the County, the County and the State.

POPULATION STATISTICS

	<u>City of Tucson</u>	<u>City of South Tucson</u>	<u>Town of Marana</u>	<u>Town of Oro Valley</u>	<u>Town of Sahuarita</u>	<u>Pima County</u>	<u>State of Arizona</u>
2015 Estimate (a)	529,845	5,712	41,655	43,499	27,637	1,009,371	6,758,251
2010 Census	520,116	5,652	34,961	41,011	25,259	980,263	6,392,017
2000 Census	486,699	5,490	13,556	29,700	3,242	843,746	5,130,632
1990 Census	405,371	5,171	2,187	6,670	1,629	666,957	3,665,339
1980 Census	330,537	6,554	1,674	1,489	N/A	531,443	2,716,546
1970 Census	262,933	6,220	1,154	581	N/A	351,667	1,775,399

(a) Estimate as of July 2015.

Source: Office of Employment & Population Statistics, Arizona Department of Administration and the U.S. Census Bureau.

Organization

The governmental and administrative affairs of the County are carried out by a Board of Supervisors comprised of five members, each of whom serve four-year terms. The Board of Supervisors appoints a Chief Administrative Officer who is responsible for carrying out policies of the Board of Supervisors and administering operations of the County.

Economy

The County's economy is based on agriculture, defense related industries, education, mining and tourism, with most of the major employers being located in the Tucson metropolitan area.

The following tables illustrate the employment structure in the County.

LABOR FORCE AND NONFARM EMPLOYMENT (a)
Pima County, Arizona

	Percent of Total
Mining and construction	4.3%
Manufacturing	6.3
Trade, transportation and utilities	16.0
Information	1.3
Financial activities	5.2
Professional and business services	13.8
Educational and health services	17.5
Leisure and hospitality	11.7
Other services	3.3
Government	20.6
Total	<u>100.0%</u>

(a) Data through May 2016.

Source: Arizona Department of Commerce, Research Administration and the U.S. Department of Labor, Bureau of Labor Statistics.

LABOR FORCE AND NONFARM EMPLOYMENT
Pima County, Arizona

	2016 (a)	2015	2014	2013	2012	2011
Mining and construction	16,500	16,800	17,100	17,700	16,500	16,500
Manufacturing	23,900	22,600	22,500	23,000	23,200	23,300
Trade, transportation and utilities	60,800	60,600	60,600	59,200	58,000	58,000
Information	5,000	4,500	4,400	4,500	4,500	4,400
Financial activities	19,700	17,600	17,500	17,300	16,900	16,900
Professional and business services	52,400	50,800	50,000	49,900	48,900	47,100
Educational and health services	66,600	63,000	61,500	61,600	61,000	59,900
Leisure and hospitality	44,700	43,000	41,600	40,100	40,300	39,100
Other services	12,600	12,900	13,000	12,700	12,800	12,600
Government	78,500	76,300	77,000	77,200	77,700	76,800
Total	<u>380,700</u>	<u>368,100</u>	<u>365,200</u>	<u>363,200</u>	<u>359,800</u>	<u>354,600</u>

(a) Data through May 2016.

Source: Arizona Department of Commerce, Research Administration and the U.S. Department of Labor, Bureau of Labor Statistics.

The table below illustrates the unemployment rate averages for the County, the State and the United States.

UNEMPLOYMENT RATE AVERAGES

Calendar Year	Pima County (a)	State of Arizona (a)	United States of America
2016 (b)	4.9%	5.5%	5.0%
2015	5.5	6.1	5.3
2014	6.2	6.4	6.2
2013	6.8	7.9	7.4
2012	7.4	8.3	8.1
2011	8.5	9.5	8.9

(a) On February 29, 2012, the U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics program released 2011 annual average labor force estimates for census regions and divisions for all states. Data was revised back to January 2007 to incorporate new population controls, updated inputs, re-estimation of models and adjustment to new census division and national control totals. On April 20, 2012, routine revisions were made to data from 2007 through 2011 for geographic areas below the State level. For all areas, estimation inputs were revised back to 2010, while the revisions for 2007 through 2009 consisted of controlling to the new State totals described above.

(b) Data through April 2016.

Source: Arizona Office of Unemployment and Population Statistics, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Retail Sales

The following table illustrates retail sales for the County.

TAXABLE RETAIL SALES Pima County, Arizona (\$000s omitted)

Calendar Year	Taxable Retail Sales (a)
2016 (b)	\$3,634,402
2015	8,413,970
2014	7,866,189
2013	7,608,383
2012	7,290,710
2011	6,904,863

(a) The statutory definition of "Retail Sales" is the business of selling tangible personal property at retail. Therefore, this class does not include services or hotels, restaurants or food sales.

(b) Data through May 2016.

Source: Arizona Department of Revenue, Office of Economic Research and Analysis.

Bank Deposits

The following table illustrates bank deposits in the County.

BANK DEPOSITS
Pima County, Arizona
(\$s in millions)

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$13,760
2014	13,055
2013	12,762
2012	12,152
2011	11,973

Source: Federal Deposit Insurance Corporation.

FORM OF APPROVING LEGAL OPINION

[Closing Date]

GOVERNING BOARD
TUCSON UNIFIED SCHOOL DISTRICT
NO. 1 OF PIMA COUNTY, ARIZONA

We have examined the transcript of proceedings relating to the issuance by Tucson Unified School District No. 1 (the “*District*”) of Pima County, Arizona (the “*County*”), of the District’s \$70,320,000* aggregate principal amount of its Refunding Bonds, Series 2016 (the “*Bonds*”). The Bonds are dated the date of their initial issuance and delivery, and bear interest payable January 1 and July 1 of each year to maturity, commencing January 1, 2017*.

As to questions of fact material to our opinion we have relied upon, and assumed due and continuing compliance with the provisions of, the proceedings and other documents, and have relied upon certifications, covenants and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, those with respect to causing interest on the Bonds to be and remain excluded from gross income for federal income tax purposes.

Based upon the foregoing, we are of the opinion, as of this date, which is the date of initial delivery of the Bonds against payment therefor, that:

1. The Bonds are valid and binding general obligations of the District.
2. All of the taxable property within the District is subject to the levy of a direct, annual, ad valorem tax to pay the principal of and interest on the Bonds without limit as to rate, except that the total aggregate of taxes levied to pay the principal of and interest on the Bonds shall not exceed the total aggregate amount of principal and interest to become due on the bonds being refunded from the date of issuance of the Bonds to the final date of maturity of the bonds being refunded; and subject further to the rights vested in the owners of such bonds being refunded to the payment of such bonds being refunded from the same tax source in the event of a deficiency in the moneys and obligations issued by or guaranteed by the United States of America purchased from the proceeds of the sale of such Bonds and placed in trust for the purpose of providing for payment of principal of and premium, if any, and interest on such bonds being refunded. The owners of the Bonds must rely on the sufficiency of the moneys and obligations placed irrevocably in trust for payment of the bonds being refunded. Subject to the foregoing, it is required by law that the Board of Supervisors of the County levy, at the time of making the levy of taxes for County purposes, an annual tax upon the taxable property in the District sufficient to pay the principal of and interest on the Bonds when due.
3. Under existing laws, regulations, rulings and judicial decisions, the interest income on the Bonds is excluded from gross income for the purpose of calculating federal income taxes and is exempt from Arizona income taxes. Interest income on the Bonds is not an item of tax preference to be included in computing the alternative minimum tax of individuals or corporations, however, such interest income must be taken into account for federal income tax purposes as an adjustment to alternative minimum taxable income for certain

* *Subject to change.*

corporations, which income is subject to federal alternative minimum tax. The Bonds are not private activity bonds within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”). We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The Code imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Bonds from gross income for federal income tax purposes, including a requirement that the District rebate to the federal government certain investment earnings with respect to the Bonds. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Bonds being included as gross income for federal income tax purposes from their date of issuance. The District has covenanted to comply with the restrictions, conditions and requirements of the Code necessary to preserve the tax-exempt status of the Bonds. For purposes of this opinion we have assumed continuing compliance by the District with such restrictions, conditions and requirements.

The rights of the owners of the Bonds and the enforceability of those rights may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors’ rights and the enforcement of those rights may be subject to the exercise of judicial discretion in accordance with general principles of equity.

GUST ROSENFELD P.L.C.

By:

James T. Giel
Bond Counsel

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$70,320,000*

TUCSON UNIFIED SCHOOL DISTRICT NO. 1 OF PIMA COUNTY, ARIZONA REFUNDING BONDS, SERIES 2016

CONTINUING DISCLOSURE CERTIFICATE (CUSIP Base No.721799)

This Continuing Disclosure Certificate (this “*Disclosure Certificate*”) is undertaken by Tucson Unified School District No. 1 of Pima County, Arizona (the “*District*”) in connection with the issuance of \$70,320,000* Refunding Bonds, Series 2016 (the “*Bonds*”). In consideration of the initial sale and delivery of the Bonds, the District covenants as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is for the benefit of the Bondholders (as defined herein) and in order to assist the Participating Underwriter in complying with the Rule (as defined herein).

Section 2. Definitions. Any capitalized term used herein shall have the following meanings, unless otherwise defined herein:

“*Annual Report*” shall mean the annual report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Audited Financial Statements*” shall mean the District’s annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the District intends to continue to prepare in substantially the same form.

“*Bondholder*” shall mean any registered owner or beneficial owner of the Bonds.

“*Bond Counsel*” shall mean Gust Rosenfeld P.L.C. or such other nationally recognized bond counsel as may be selected by the District.

“*Dissemination Agent*” shall mean the District, or any person designated in writing by the District as the Dissemination Agent.

“*EMMA*” shall mean the Electronic Municipal Market Access system of MSRB, or any successor thereto approved by the United States Securities and Exchange Commission, as a repository for municipal continuing disclosure information pursuant to the Rule.

“*Listed Events*” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

“*Official Statement*” shall mean the final official statement dated _____, 2016 relating to the Bonds.

* Subject to change.

“*Participating Underwriter*” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) Commencing February 1, 2017, and by no later than February 1 of each year thereafter (the “*Filing Date*”), the District shall, either directly or by directing the Dissemination Agent to do so, provide an Annual Report to MSRB. The Annual Report shall be provided electronically and in a format prescribed by the MSRB. The Annual Report shall be consistent with the requirements of Section 4 of this Disclosure Certificate and shall include information from the fiscal year ending on the preceding June 30. All documents provided to MSRB shall be accompanied by identifying information prescribed by MSRB. Currently, filings are required to be made with EMMA. Not later than fifteen (15) business days prior to such Filing Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District).

(b) If the District is unable or for any reason fails to provide electronically to EMMA an Annual Report or any part thereof by the Filing Date required in subsection (a) above, the District shall in a timely manner, send a notice to EMMA in substantially the form attached as Exhibit A not later than the Filing Date.

(c) If the District's Audited Financial Statements are not submitted with the Annual Report and the District fails to provide to EMMA a copy of its Audited Financial Statements within 30 days of receipt thereof by the District, then the District shall, in a timely matter, send a notice to EMMA in substantially the form attached as Exhibit B.

(d) The Dissemination Agent shall:

(i) Determine the proper electronic filing address of EMMA each year prior to the date(s) for providing the Annual Report and Audited Financial Statements; and

(ii) If the Dissemination Agent is other than the District, file a report or reports with the District certifying that the Annual Report and Audited Financial Statements, if applicable, have been provided pursuant to this Disclosure Certificate, stating the date such information was provided and listing where it was provided.

Section 4. Content of Annual Reports.

(a) The Annual Report may be submitted as a single document or as separate documents comprising an electronic package, and may incorporate by reference other information as provided in this Section, including the Audited Financial Statements of the District; provided, however, that if the Audited Financial Statements of the District are not available at the time of the filing of the Annual Report, the District shall file unaudited Financial Statements of the District with the Annual Report and, when the Audited Financial Statements of the District are available, the same shall be submitted to EMMA within 30 days of receipt by the District.

(b) The District's Annual Report shall contain or incorporate by reference the following:

(i) Type of Financial and Operating Data to be Provided:

(A) Subject to the provisions of Sections 3 and 4(a) hereof, annual Audited Financial Statements for the District.

(B) Annually updated financial information and operating data of the type contained in the following tables of the Official Statement:

(I) Table 2 – Average Daily Membership;

- (II) Table 5 – Real and Secured Property Taxes Levied and Collected;
- (III) Table 7A – Net Assessed Property Value for Secondary Tax Purposes by Property Classification;
- (IV) Table 8A – Net Assessed Property Value for Secondary Tax Purposes of Major Taxpayers;
- (V) Table 12 – Direct General Obligation Bonded Debt Outstanding and to be Outstanding;
- (VI) Table 13 – Constitutional/Debt Limit/Unused Constitutional Borrowing Capacity after Bond Issuance;
- (VII) Table 14 – Statutory Debt Limit/Unused Statutory Borrowing Capacity after Bond Issuance; and
- (VIII) Table 16 – Direct and Overlapping General Obligation Bonded Debt Ratios.

(C) In the event of an amendment pursuant to Section 8 hereof not previously described in an Annual Report, an explanation, in narrative form, of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided and, if the amendment is made to the accounting principles to be followed, a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles, including a qualitative discussion of the differences, and the impact on the presentation and, to the extent feasible, a quantitative comparison.

(ii) Accounting Principles Pursuant to Which Audited Financial Statements Shall Be Prepared: The Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles and state law requirements as are in effect from time to time. A more complete description of the accounting principles currently followed in the preparation of the District's Audited Financial Statements is contained in Note 1 of the Audited Financial Statements included within the Official Statement.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from EMMA. The District shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

This Section 5 shall govern the giving of notices by the District of the occurrence of any of the following events with respect to the Bonds. The District shall in a timely manner, not in excess of ten business days after the occurrence of the event, provide notice of the following events with EMMA:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service (the "IRS") of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the District;
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the

- ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

“Materiality” will be determined in accordance with the applicable federal securities laws.

Note to Section 5(12): For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Such termination shall not terminate the obligation of the District to give notice of such defeasance or prior redemption.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Agent.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in identity, nature or status of the District, or the type of business conducted;

(b) This Disclosure Certificate, as amended, would, in the opinion of Bond Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Bondholders, as determined by Bond Counsel.

Notice of amendment to the accounting principles shall be sent within 30 days to EMMA.

Section 9. Filing with EMMA. The District shall, or shall cause the Dissemination Agent to, electronically file all items required to be filed with EMMA.

Section 10. Additional Information. The District may, at the District's election, include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District. If the District chooses to include such information, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Bondholder may seek specific performance by court order to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in

the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance and such failure shall not constitute a default under the Bonds or the resolution authorizing the Bonds.

Section 12. **Compliance by District.** The District hereby covenants to comply with the terms of this Disclosure Certificate. The District expressly acknowledges and agrees that compliance with the undertaking contained in this Disclosure Certificate is its sole responsibility and the responsibility of the Dissemination Agent, if any, and that such compliance, or monitoring thereof, is not the responsibility of, and no duty is present with respect thereto for, the Participating Underwriter or Bond Counsel.

Section 13. **Subject to Appropriation.** Pursuant to Arizona law, the District's undertaking to provide information under this Disclosure Certificate is subject to appropriation to cover the costs of preparing and sending the Annual Report and notices of Listed Events to EMMA. Should funds that would enable the District to provide the information required to be disclosed hereunder not be appropriated, then notice of such fact will be made in a timely manner to EMMA in the form of Exhibit C attached hereto.

Section 14. **Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Bondholders, and shall create no rights in any other person or entity.

Section 15. **Governing Law and Interpretation of Terms.** This Disclosure Certificate shall be governed by the law of the State of Arizona and any action to enforce this Disclosure Certificate must be brought in an Arizona state court. The terms and provisions of this Disclosure Certificate shall be interpreted in a manner consistent with the interpretation of such terms and provisions under Rule 15c2-12 and the federal securities law.

Date: [Closing Date]

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1 OF
PIMA COUNTY, ARIZONA**

By _____
Its _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Tucson Unified School District No. 1 of Pima County, Arizona
Name of Bond Issue: \$70,320,000* Refunding Bonds, Series 2016
Dated Date of Bonds: [Closing Date]

CUSIP: 721799

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated [Closing Date]. The District anticipates that the Annual Report for fiscal year ended June 30, ____ will be filed by _____.

Dated: _____

Tucson Unified School District No. 1 of Pima County,
Arizona

By _____
Its _____

EXHIBIT B

NOTICE OF FAILURE TO FILE AUDITED FINANCIAL STATEMENTS

Name of Issuer: Tucson Unified School District No. 1 of Pima County, Arizona
Name of Bond Issue: \$70,320,000* Refunding Bonds, Series 2016
Dated Date of Bonds: [Closing Date]

CUSIP: 721799

NOTICE IS HEREBY GIVEN that the District failed to provide its Audited Financial Statements with its Annual Report or, if not then available, within 30 days of receipt as required by Section 4(a) of the Disclosure Certificate dated [Closing Date], with respect to the above-named Bonds. The District anticipates that the Audited Financial Statements for the fiscal year ended June 30, ____ will be filed by _____.

Dated: _____

Tucson Unified School District No. 1 of Pima County,
Arizona

By _____
Its _____

EXHIBIT C

NOTICE OF FAILURE TO APPROPRIATE FUNDS

Name of Issuer: Tucson Unified School District No. 1 of Pima County, Arizona
Name of Bond Issue: \$70,320,000* Refunding Bonds, Series 2016
Dated Date of Bonds: [Closing Date]

CUSIP: 721799

NOTICE IS HEREBY GIVEN that the District failed to appropriate funds necessary to perform the undertaking required by the Disclosure Certificate dated [Closing Date]

Dated: _____

Tucson Unified School District No. 1 of Pima County,
Arizona

By _____
Its _____

* Subject to change.

BOOK-ENTRY-ONLY SYSTEM

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Securities Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with the Direct Participants, the “Participants”). DTC has Standard & Poor’s rating of: “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the

Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and Paying Agent and request that copies of notices be provided directly to them.

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.